Suffolk County Council

Statement of Accounts

2009 - 2010

Suffolk County Council

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Suffolk County Council

Statement of Accounts

for the year ended **31 March 2010**

Contents

Annual Governance Statement

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, 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, Governance and Customer Rights, 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.

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 Council 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 2010 and up to the date of approval of the statement of accounts.

Systems and processes that comprise the 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.

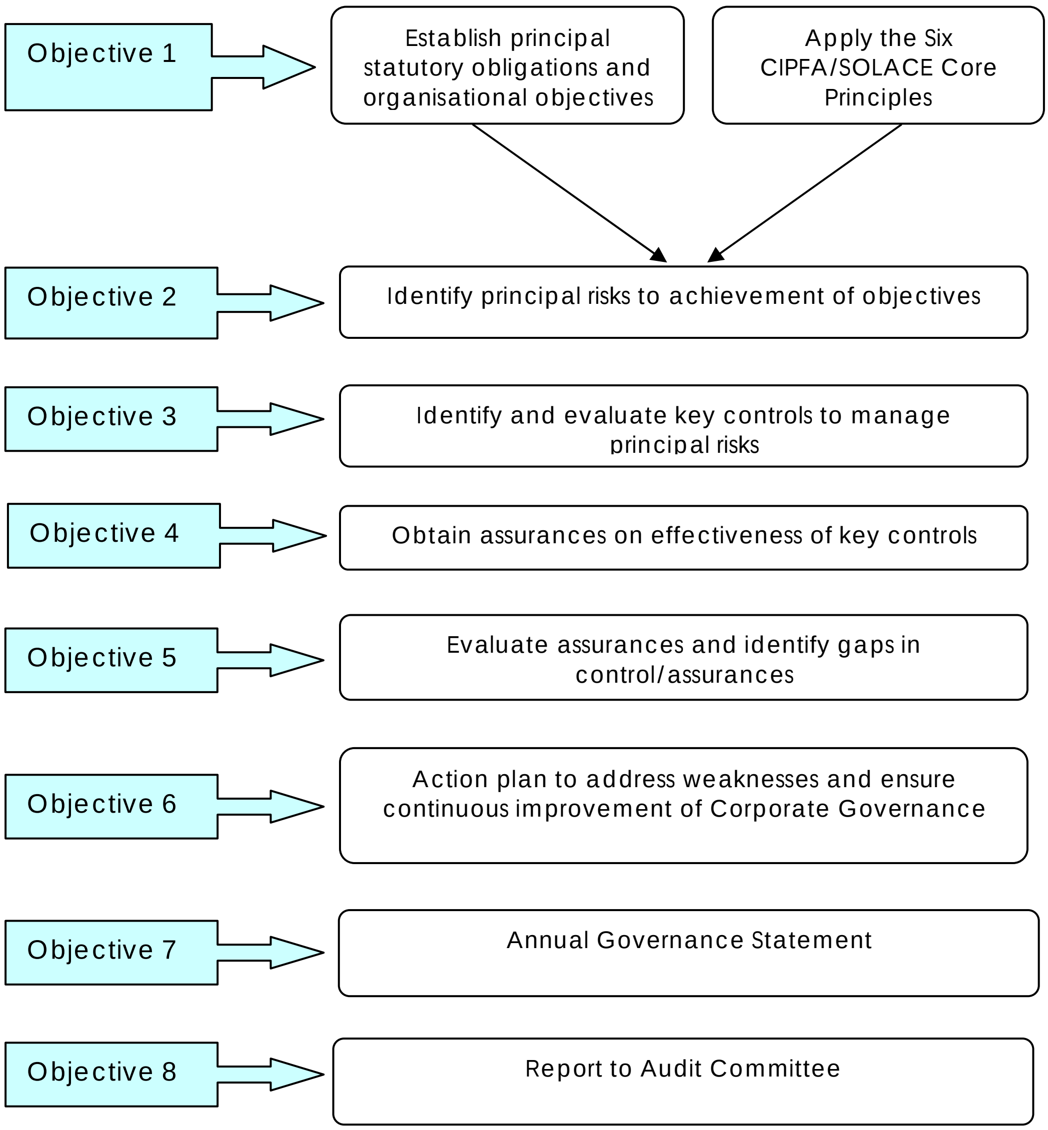
13 The key elements of the systems and processes that comprise the Council's governance arrangements are discussed under these principles in **Annex A**.

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' as shown in the following diagram:

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 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.

Audit Commission Annual Audit and Inspection Letter 2008/09

17 The Audit Commission's Annual Audit and Inspection Letter 2008/09, issued in December 2009 reported that the County Council performs well in the areas of finance and resource management and is performing adequately in the way it governs the business.

Comprehensive Area Assessment

18 A judgement is made each year on the performance of the Council in managing and using its resources to deliver value for money and better and sustainable outcomes for local people. The table below sets out the scores (out of 4) for 2008/09. This was the first judgement given based on the new key lines of enquiry that form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).

Managing performance	3 out of 4
Use of Resources	3 out of 4
o Managing finances	3 out of 4
o Governing the Business	2 out of 4
o Managing resources	3 out of 4

Description of scores:
1. An organisation that does not meet minimum requirements, Performs Poorly
2. An organisation that meets only minimum requirements, Performs Adequately
3. An organisation that exceeds minimum requirements, Performs Well
4. An organisation that significantly exceeds minimum requirements, Performs Excellently

Audit Services Report on Corporate Governance Directorate Assessments 2009/10

19 Audit Services 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 Audit Services on these self-assessments.

20 It is clear through collation of evidence and arrangements in place that the following improvements have been made during 2009/10:

a) Standards were achieved during 2009/10 to become GCSX (Government Secure Network) compliant. Data security measures have been enhanced through the encryption of hard disks on all laptops where sensitive data is used and the introduction of encrypted memory sticks.

b) Improvements in data management systems are evident within directorates in 2009/10. Suffolk Fire and Rescue Service worked with CSD HR after reports from the CAA assessment to clarify reporting processes and agree changes to the way that data is recorded in reference to sick days and shift work.

c) ORACLE version 12.1 was implemented in October 2009. It is the judgement of Audit services that the system, mechanisms and controls have improved as a result. This ORACLE update has presented opportunities to improve financial management such as a review of the number of budget holders within SCC.

d) All performance indicators connected to corporate and directorate priorities are considered for inclusion within directorate plans. The corporate planning and performance framework manual for 2010/11 has been updated and reflects this. Improvements in integrating the financial and service planning processes have been adopted for the 2010-11 cycle, including regular meetings of the Service Planning Group which involves strategic finance representation.

e) The recording of risk on the JCAD system is considered to be of paramount importance if risk is significant. Needs-based JCAD training has been introduced in 2009/10 and will be delivered on an annual basis for JCAD users.

f) The Corporate Improvement Plan has consolidated key improvement challenges for the organisation, arising from audit and inspection, performance reports and our own horizon scanning. Improvements may be identified both internally by staff and managers and externally by inspectors, auditors and our customers. The progress against these key improvement priorities will be reported to Directorates and the Corporate Management Board (CMB) on a quarterly basis.

g) A report has been introduced which strengthens the links between finance, performance and risk information by presenting the information together. The Environment and Transport (E&T) senior management team approved this report format and the performance team in conjunction with corporate finance colleagues are looking to roll out the model across the organisation.

h) As an additional development, since purchasing the corporate performance management platform (SCI-Views) the performance team have incorporated a template of the integrated report within the new application to facilitate consistent information sharing across the organisation. This allows senior managers access to performance information on request and offers a number of benefits in terms of presentation, drill down functions and published reports.

i) A group consisting of the monitoring officer, head of internal audit, a deputy monitoring officer and the head of democratic services now meets routinely to discuss the impacts of legislative change.

j) In accordance with the 'CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations', the Section 151 officer (Head of Strategic Finance) is now on the Corporate Management Board and is a key member of the leadership team.

21 The main issues apparent from the work undertaken for inclusion within the 2009/10 Annual Governance Statement are:

a) Data Management and Security

Whilst there is a focus on data quality as part of corporate induction, there is recognition of the need to further develop a culture of data quality within the organisation. In 2009/10 improvements were ongoing as data quality issues in waste management were addressed and performance tracking across Children's & Young People's Services (CYP) and Adult & Community Services (ACS) reflects the improved quality of recording in key measures. Work should continue to address data quality issues in 2010/11 with a specific focus on the cleansing of CareFirst (Compass) data in CYP and ACS, data cleanse for the EMS (Educational Management System) upgrade, Suffolk Fire and Rescue Service (SFRS) HR records for sickness management, and integrating data quality management into the mainstream culture of the organisation.

The Council recognises the high risk of sensitive information being accessed in the case of County Council premises being accessible. Whilst notable improvements have been made such as new security barriers in Endeavour House, work needs to be progressed in 2010/11 on continuous improvement plans.

It has been recognised that school governors have received no training in information management yet are being increasingly required to make crucial decisions affecting schools which could put them at risk in terms of compliance with information legislation. A programme of training needs to be delivered in 2010-11 to address this.

b) Finance

It is necessary for work to be undertaken to ensure that the County Council's accounts meet the presentation and disclosure requirements of the International Financial Reporting Standards. Work is ongoing and as recognised in the Annual Audit Letter, a detailed project plan is in place, with clear roles and responsibilities. Work will need to continue into 2010/11 and be reported to the Audit Committee to ensure that requirements are met.

c) Risk

Risk management arrangements are currently under review including guidance on the use of the JCAD risk register system. In order to be able to demonstrate proportionate and effective risk management a revised approach in the form of new guidance needs to be effectively communicated across the organisation during 2010/11.

The approach for considering risks within partnerships is being developed. Partnership risks are recognised within services, however there remains a potential gap in the failure to manage and record risks by partnership. At this stage a link has been established between the principal risk officer and partnership leads. To ensure effective risk management in partnerships new countywide guidelines should be developed and the new approach embedded within corporate guidance.

d) Performance

It has been recognised that the Adult Safeguarding Board did not have sufficiently structured governance arrangements in place. The Board has developed, and will continue to develop, new systems to effectively manage adult safeguarding performance.

e) Health and Safety

An internal health and safety review, and external inspectors, have drawn attention to an inconsistency of health and safety practices and procedures across the Council. This is being addressed through the development of a health and safety strategy and action plan which will be implemented and managed through the corporate health and safety management board. Progress will need to continue in 2010/11.

Audit Services

22 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.

23 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 Head of Strategic Finance (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.

24 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.

25 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.

26 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 identified areas for development and ensure continuous improvement are in place.

Opinion of the Head of Audit Services

27 In the opinion of the Head of Audit, Governance and Customer Rights, overall systems of control within the County Council are acceptable and financial administration systems are effective. However, Councillors should note that assurance cannot be absolute.

28 Where internal audit work identified that controls were not operating effectively within operational, governance and financial systems, recommendations to correct these were made. Audit Services have revisited those systems and are now satisfied that the internal control environment is effective.

29 Within directorates, internal audit work has identified where improvements to controls are required and these recommendations 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 audit review.

30 Looking forward, as the County Council and the wider public sector enters a period of severe financial constraint and with the County Council specifically entering a period of significant organisational change there will be a need to ensure that appropriate and efficient controls remain in place to maintain the governance standards within the organisation. Audit Services will work with management to ensure that the internal control environment is appropriate to risk. Reductions in external regulations can be supported by the demonstration of appropriate governance arrangements within the Council.

Conclusion

31 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 authority 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

Through the Local Area Agreement, designed to improve local services and increase economic prosperity for local people, Suffolk has jointly agreed priority areas. Staff are informed by corporate guidance that their contribution to them should be reflected in their plans and performance reports.

Suffolk's Community Strategy (Transforming Suffolk 2008-2028) sets out the long term ambitions for the county over the next twenty years. It articulates a vision that all partners are committed to achieving.

The corporate level plan – the Suffolk Story – sets out key focus areas that it will deliver on and these contribute to the objectives of Transforming Suffolk. The plan is underpinned by the four aspirations signed up to by all partners of the Suffolk Strategic Partnership within the community strategy. Performance reports and the Corporate Improvement Plan are now structured around the Suffolk Story.

The Council has a constitution which enables the County Council to set a strategic vision for the provision of public services in Suffolk. The constitution sets out the statutory provisions of the Council and is accessible through the Council website.

The Leadership Team, made up of cabinet members, the chief executive, directors and heads of some support functions, is a forum for discussing strategy and performance relating to priorities. This is the opportunity to set direction and inform wider strategy and performance relating to priorities.

'Making Suffolk Exceptional through the Recession' is the Council's new strategic direction to transform public services by collaboratively redesigning them to reduce the cost of the total public sector in Suffolk whilst building social capital. The strategy consists of four key elements.

- If it were my money, I wouldn't spend it on that;
- Collaboration;
- Strengthening communities/building social capital
- Becoming an Exemplar Council

Supporting Principle

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

SCC Evidence

Good quality performance reports are provided to directorates and CMB.

Regulations regarding contracts are laid out in the procurement regulations.

For the provision of care and support services, the Council have procured a Framework to which people tendered are to be party to. Each individual service is independently tendered. This ensures the partners with whom we work are operating within a high specification and quality governance framework.

An 'Activities Unlimited' website and service has been developed in partnership, using grants from the Aiming High for Disabled Children's Short Break Pathfinder Programme. Through commissioning, CYP have signed an agreement with the voluntary sector to broker activities on the website. This project has been nominated for 2 national awards.

The Building Schools for the Future (BSF) programme will mean around £750 million of investment for Suffolk's secondary schools, special schools and Pupil Referral Units. The Council is committed to ensuring that BSF investments is fully consistent with other developments taking place in school provision in the County and in the post 16 sector.

The main Compact agreement sets out the way that the public sector agencies and the voluntary and community sector (VCS) in Suffolk intend to work together and provides a general framework of good practice to enhance the relationship that exists between the public sector agencies and the VCS in Suffolk.

The strategic partnership between Suffolk County Council, Mid Suffolk District Council and BT Group reached the mid point of the 10 year contract term in 2009. A new vision and objectives for the partnership has been agreed. The Client side within SCC have been enhanced with additional staff to provide a clearer strategy and greater engagement between SCC and CSD. New governance arrangements have been put in place to speed up decision making and drive performance.

Services are subject to Use of Resources audit and self-assessment process with a current rating of 3. The Council's CAA rating is 'performing well'.

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

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Within the scheme of resource management, the financial regulations are laid out.

The Council has a corporate Value for Money strategy which is reviewed annually.

The procurement function ensures compliance with Public Procurement regulations and a supplier charter is in place which outlines the Council's commitment to its suppliers and the Council's expectations from its suppliers.

The Council has a comprehensive set of treasury management policies which comprise the Treasury Management Practices and Prudential indicators.

Scrutiny committees have a key role in ensuring that the County Council is providing value for money and managing its financial responsibilities well.

The Council awards all significant contracts on the basis of the most economically advantageous tender.

Resources are focused on priorities.

- All support functions are fully centralised to create greater efficiencies and to promote more flexible ways of working. Support staff work across the authority providing support services in line with corporate priorities.
- The Council evaluates whether service costs match our corporate priorities as these determine where additional investment or budget savings are targeted.
- The Corporate Property Strategy ensures that the management, construction and use of the organisation's property assets are aligned with those of the Community Strategy and the Suffolk Story.
- The Programme and Project Management team (part of the Transformation and Performance Function) support projects and programmes throughout the Council. Part of the evaluation process includes looking at the links to corporate priorities.
- There is a combined strategic planning cycle. This has been designed to ensure resources are focused on priorities.
- The procurement strategy is firmly linked to the Suffolk story and the Council's priorities.

Audit Services carry out a risk based programme of inspections ensuring controls are in place and effective. These controls encompass financial systems, corporate governance arrangements, risk management and performance management.

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 Council's constitution sets out the roles and responsibilities of Councillors, the Chairman, the Vice-Chairman and the Cabinet. It also details the rules of procedure and committee/scrutiny panel terms of reference.

The Leader of the Council chairs Cabinet meetings and represents the Council at a range of outside bodies including the SSP, County Council's Network and the Suffolk Local Government Association.

The Leadership Team (Cabinet and CMB) works effectively, taking ownership of performance issues and taking appropriate action.

The Scrutiny Management Board is made up of the Chairmen of each scrutiny committee, including Health, one of whom is appointed the Scrutiny Management Board Chairman. The Scrutiny Management Board manages the County Council's scrutiny function, and co-ordinates the forward work programmes of the Scrutiny Committees

Supporting Principle

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

SCC Evidence

The Constitution sets out the roles of Chief Officers.

The Cabinet is responsible for most of the day-to-day decisions within the overall policy framework set by the Council, acting on information provided by officers.

A training course, 'Working in a Political Environment' is available to all officers. This course informs delegates how local government decision-making works in order to help them perform their role and deliver their services. It also explains the role of the local councillor and aims to provide guidance for those who work with councillors at a practical or strategic level.

The Councillor Induction Programme offers councillors skills and knowledge to enable them to be effective in their role from the outset, introduces all councillors to their responsibilities as community leaders, and highlights corporate priorities and key areas of work

There is guidance for councillors on the website which includes;

- Use of Council Resources and Political Publicity During Election Periods 2009
- ICT Support for Councillors including Policy for using Blackberry abroad
- SCC Policy on Security and Passwords
- Register of Member's Interests

On-going Member Development – in 2009/10 members have been given the opportunity to develop their scrutiny chairing skills, participated in a World Café Social Capital event and have been provided with knowledge and skills on corporate safeguarding.

The Scrutiny Committee members receive a set of awareness sessions on Scrutiny to improve their knowledge and ability to scrutinise effectively

Audit Committee members are given training and an ‘introductory’ talk on their role and terms of reference in their first audit committee meeting.

Supporting Principle

Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other.

SCC Evidence

The Code of Corporate Governance is published on the intranet and within the constitution.

The Constitution contains sections on member/officer protocols, media protocols, member allowances scheme and remuneration, officer employment rules, Members Code of Conduct, procedures for publicising, maintaining and updating the Register of Members’ Interests.

The Council sits at the centre of a wide range of networks and partnerships, including the co-ordination and delivery of the Local Area Agreement and the Suffolk Strategic Partnership. Partnerships are monitored through the scrutiny process.

The council is proactive in communicating and disseminating information to the public. Information about council work, procedures and ethical standards and scrutiny, together with committee papers, agendas, reports and minutes are all available to the public on the SCC website.

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

Supporting Principle

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

SCC Evidence

The values and rules of the Council are clearly stated within the Constitution.

The existing Code of Corporate Governance was developed in accordance with, and is consistent with the Delivering Good Governance in Local Government Framework published by CIPFA and SOLACE.

A Standards Committee is in place which is responsible for promoting and maintaining high standards of conduct and ethics across the Council, monitoring the operation of codes 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 policy and investigations by the Ombudsman into complaints against the council. Codes of conduct detail the responsibility and requirement to declare interests, gifts and hospitality. Separate registers are maintained of actual interests declared by Members.

All officers are required to complete a register of interests
.
Audit Services have been pro-active in raising awareness of the Council's Anti-Fraud and Corruption Strategy through messages to staff and councillors. These messages have included links to the Code of Conduct, Whistle-Blowing Policy and the Anti-Money Laundering Policy and have given clear guidance to staff as to their responsibilities for reporting suspected fraud or corruption.

The Whistle-Blowing Policy is available on the public internet site.

In 2009 new procedures have been embedded under which any allegation of misconduct by a member is now addressed to the Standards Committee, rather than to Standards for England as in the past.

Supporting Principle

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

SCC Evidence

A set of organisational values has been developed.
- 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

Together with the Audit Committee, the Standards Committee produce a quarterly newsletter 'Raising the Standard' aimed at all councillors and officers. Subjects covered have included: changes in legislation; guidance on the Code of Conduct and examples of good or bad practice highlighted by Standards for England. Members can find the most recent issue of the newsletter on the County Council's intranet.

Financial regulations and a scheme of delegation exist and appear in the Constitution.

The Transformation and Performance team provide guidance and tools to help improve governance across all programme and projects, under the brand 'PRINCESS'.

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

All agendas and minutes of council meetings are recorded and available to the public. Council meetings 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.

An effective scrutiny function is in place – each cabinet portfolio is supported by eight Scrutiny Committees that scrutinises policy and performance issues. Training on the scrutiny function has been made available for councillors in order to ensure a high standard of scrutiny.

The Resources, Finance and Performance Scrutiny Committee carry out scrutiny of the National Indicator sets and Local Indicators and the Council's performance against them. The committee also scrutinises the council's budget and makes recommendations to Cabinet to consider during the decision making process.

The Audit Committee has a right of access to all of the information it considers necessary and consults directly with internal and external auditors on reports.

The Transformation and Performance team ensure that that action plans resulting from external audit reports are implemented in a timely manner and that resulting outcomes are evaluated and assessed.

The Sourcing, Procurement and Contract Management function has run a series of training events on tendering for VCS providers, and works with them and the Chamber of Commerce to develop more accessible, simple and transparent procurement processes.

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

The Social Inclusion and Community Cohesion Strategy 2008-2010 builds on the work that is already going on across the council to deliver services that meet the needs of the Suffolk population.

Consultation is used effectively in line with the Corporate Consultation and Engagement Guide

The County Council operates a Data Quality Policy. The policy sets out the Council's approach to ensuring better performance management through improving the quality of our data. It is linked to risk to ensure we have accurate data on which to base strategic decisions.

Each directorate will appoint an Assistant Director (or equivalent) to act as Data Quality Champion who will coordinate and monitor key data issues and keep CMB informed.

A network of Strategic Information Agents across the Council are responsible for ensuring information compliance and data security within their service areas. They, in turn, are supported by service-specific information agents who are local 'champions' for information management.

The budget scrutiny process invites wide public debate on the proposed financial plans. The council consults with residents and local businesses on its budget proposals, on an annual basis, and in a timely manner. Budget proposals are also presented at the Suffolk Association of Local Councils meetings. Budget consultation feeds directly into the council's corporate priorities and the development of a medium term financial strategy.

The Council has established common approaches to the planning and governance of HR, ICT and finance. The membership and operation of these functions allows service delivery, directorates and specialist support functions to be taken into account in the governance of the customer service, ICT, HR and finance functions of the authority.

The corporate planning and performance framework manual provides managers with a corporate framework for developing service plans with a particular emphasis on delivering the council's key priorities.

Directorate specific performance clinics engage individuals, teams, directorates and portfolio holders on the subject of performance management.

Quarterly performance reports for each directorate area are in use and include top level financial and risk information, in order to provide the corporate management board with a full snapshot of the organisation's performance for each directorate.

For wider ranging policy issues there is a system of policy development panels made up of portfolio holders, backbenchers and experts from outside the Council.

Supporting Principle

Ensuring that an effective risk management system is in place.

SCC Evidence

The Principal Risk Officer conducts periodic one-to-one discussions with Assistant Directors and Heads of Service for feedback on risk processes and suggestions for improvements.

The Council has issued guidance on management of risks and opportunities. This process is set out in 'Managing Risk: A practical guide to risk' and is supported by a corporate risk manager.

Risks are actively managed by around 100 managers using a computer application – JCAD risk. The structure of the application attempts to mirror the directorate and programme structure whilst generating audit trails, monitoring targets, reviewing dates and generating e-mails to risk and control measure owners when actions are over-due. Training is provided in the use of JCAD that includes the principles of risk management

Committee reports include a section on risk. If these are not already recorded on the Corporate Risk Register, then the author is encouraged to actively consider doing so in accordance with corporate guidance.

Bespoke risk workshops are conducted together with monthly risk/project surgeries.

The Transformation and Performance team provide guidance and tools to help improve governance across all programme and projects, including consideration of risk, under the brand 'PRINCESS'.

Supporting Principle

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

SCC Evidence

Budget decisions taken are subject to review by the Resources, Finance and Performance committee, where the interests of the community of Suffolk can be considered. The Council also operates a system of locality budgets to empower councillors to directly support local priorities. This is supported by a guide which explains what this can and cannot be used for and the use of the well-being power.

The Council set up a recession fund to help protect communities from the impacts of the recession. This has included using its legal powers to provide financial support (together with partners) to citizens advice bureaux and credit unions and to maintain the presence of a large employer in Haverhill.

Legal advice is provided to ensure that the Council operates the principles of good administrative law.

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

All officers have to attend corporate induction when they start apart from some agreed exceptions. The induction checklist draws attention to the job specific training that is required and makes sure that individuals are aware of the way in which the council works.

Recent corporate training programmes have included the Joint Staff Development Programme and Information Management and Security Training.

The Councillor Induction programme offers councillors skills and knowledge to enable them to be effective in their role from the outset, introduces all councillors to their responsibilities as community leaders, and highlights corporate priorities and key areas of work. Governance is covered during Councillor Induction by the Monitoring Officer.

There is a Councillors Learning and Development Reference Group.

A number of new strategic direction roadshows were presented around the county by the Chief Executive and Leader of the Council in 2009/10 to ensure that all staff were reached with important messages.

Health and safety roadshows were delivered across all main council buildings in 2009 in order to raise awareness of health and safety and enhance the council's health and safety culture.

Budget holders all have mandatory training that is monitored by CSD. Online interactive training is available to take budget holders through the financial process using a system containing 'dummy' information.

HR charters are available on the intranet. As changes are made to roles and responsibilities these are updated to clarify what a manager and HR are responsible for.

Supporting Principle

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

SCC Evidence

There is a Learning and Development Board which discusses training needs at a corporate and directorate level and puts in place frameworks for people development.

It is an essential requirement that all Suffolk County Council employees receive an annual Performance Development Review (PDR) with their line manager, in addition to regular supervision and informal monitoring of progress and performance. The PDR process identifies individual training and development needs.

Annually each service will review its training requirements, skills and capacity through the service planning process.

Over 200 managers from across all councils in Suffolk took part in the Joint Staff Development Programme in 2009 which aimed to develop leadership skills, partnership working and the strengths needed to take Suffolk's services forward in times of change.

An audit committee is in place which reviews effectiveness of internal controls, supports corporate developments and ensures that the Council's assurance statements properly reflect the risk environment.

The Scrutiny Committee members receive a set of short awareness sessions on scrutiny to improve their knowledge and ability to scrutinise effectively.

Supporting Principle

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

SCC Evidence

The Councillor induction programme offers councillors skills and knowledge to enable them to be effective in their role from the outset, introduces all councillors to their responsibilities as community leaders and highlights corporate priorities and key areas of work

Individual parties recognise and act upon their role in making candidates aware of the competencies and attributes required for a councillor.

In 2009/10 members have been given the opportunity to develop their scrutiny chairing skills, participated in a World Café Social Capital event and have been provided with knowledge and skills on corporate safeguarding.

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

A protocol was developed with the involvement of key stakeholders and agreed by the Scrutiny Management Board. Scrutiny in Suffolk extends beyond the council to partnership work. The Local Area Joint Scrutiny Panel includes representatives of each of the local authorities in Suffolk and 6 Independent Community Members who are recruited through public advertisement. There are clear and accessible protocols in place, and Suffolk is regularly asked to provide input to national scrutiny events about its practice, particularly in relation to scrutiny of partnerships.

The budget scrutiny process invites wide public debate on the proposed financial plans. The Council consults with residents and local businesses on its budget proposals, on an annual basis, and in a timely manner. Budget proposals are also presented at the Suffolk Association of Local Councils meetings.

Information from customer feedback and complaints is reported to the Standards Committee in its annual report, the objective being to analyse and subsequently improve the quality of services we provide.

The Corporate Improvement Plan has consolidated key improvement challenges for the Council which have been identified both internally by staff and managers and externally by inspectors, auditors and our own customers.

Suffolk received an award in June 2009 for overall impact through scrutiny at the Centre for Public Scrutiny Annual conference. (Joint submission with Ipswich Borough Council and the Police Authority).

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 Council has a corporate consultation strategy designed to ensure that a consistent and co-ordinated approach to consultation and involvement is adopted and that the information collected is used to influence and inform decision making. The Council is aware of the problems of consulting with ‘hard to reach’ groups and has a range of Equality and Diversity policies to assist with this process.

The Council uses participatory budgeting techniques to ensure that spending plans match local priorities

Annual customer satisfaction surveys are undertaken by CSD resulting in action plans to drive improvements.

The Council has a Public Questions session at each meeting of the full Council.

There is a corporate complaints manager who ensures that information from customer feedback and complaints is reported to the Standards Committee in an annual report. Complaint procedures are detailed on the council’s public website and in a corporate complaints leaflet entitled ‘Have your say’ including information for the public on how to complain. The Gbiz database is used for the purpose of recording or finding customer information that will enable staff to manage customer complaints assigned to them.

The ‘Lives we Lead, the Leaders we Need’ programme has made a significant contribution to collaborative working amongst chief executives across the public, private and third sectors in Suffolk.

Supporting Principle

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

SCC Evidence

The People Strategy Forum has Assistant Director representation from across the whole organisation. The Forum deals with the overarching HR strategy.

The People Strategy details the Council’s vision of how to develop and support staff in securing the future of the Council and services to the people of Suffolk. Workforce plans and development plans are in place across the council.

Consultation with staff was carried out in 2009 through the ‘Best Companies’ survey and through formal consultation with Trade Unions.

Suffolk County Council was named in the top 20 places to work in the Public Sector (17th) in March 2010 by ‘Best Companies’ and The Sunday Times.

Approval of the Annual Governance Statement

Certificate of the Chief Executive

Signature: Date: 19th MAY 2010

Certificate of the Leader of the Council

Signature: Date: 26. May 2010

Auditors’ report to Suffolk County Council

Independent auditor’s report to the Members of Suffolk County Council

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements, the firefighters’ pension fund accounting statements, and related notes of Suffolk County Council for the year ended 31 March 2010 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 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[1] and the related notes. The firefighters’ pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and the firefighters’ pension fund accounting statements 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Head of Strategic Finance and auditor

The section 151 officer’s responsibilities for preparing the accounting statements, including the firefighters’ pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements and the firefighters’ pension fund accounting statements 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 and the firefighters’ pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of :

- the financial position of the Authority and its income and expenditure for the year; and
- 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.

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 accounting 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 and related notes and consider whether it is consistent with the audited Authority and Group accounting statements, firefighters’ pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. 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 and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and

[1] The description of the accounting statements should only include those relevant to the local authority’s circumstances.

disclosures in the Authority and Group accounting statements, firefighters' pension fund accounting statements 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 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 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 and related notes.

Opinion

In my opinion:

- The Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended;

- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended; and

- The firefighters' pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the firefighters' pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Opinion on the pension fund accounting statements
I have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policiesset 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Head of Strategic Finance and auditor

The section 151 officer's responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounting statements 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 pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the 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 read other information published with the pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the Explanatory Foreword published in the financial statements. I consider the implications for my report if I
become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements 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 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 pension fund accounting statements 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 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 pension fund accounting statements and related notes.

Opinion
In my opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, 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 published in May 2008 and updated in October 2009. 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 May 2008 and updated in October 2009, 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 ended 31 March 2010.

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

Neil A Harris
Officer of the Audit Commission

Crown House, Crown Street, Ipswich, Suffolk IP13 3HS

30 September 2010

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 (the Audit Committee is responsible for this and they are signed off by the Chairman of the Committee)

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 Funds. In order to comply with the code of practice on local authority accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), these statements must present a true and fair view of our financial position and that of our pension funds at 31 March 2010, 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 a true and fair view of the Authority at 31 March 2010 and its income and expenditure for the year to that date.

Geoff Dobson

Head of Strategic Finance (Section 151 Officer)

Date: 30th September 2010

Approval of the Statement of Accounts

Certificate of Chairman of the Audit Committee

This statement was approved by the Audit Committee, on behalf of the County Council.

Signature: Date: 30 Sep 10

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 2010, and to summarise the overall financial position of the Council as at 31 March 2010. 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 2009 – 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 Practices or UK GAAP) 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 are determined by statute and non-statutory proper practices rather than in accordance with UK 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 fund actuarial gains and losses are excluded as they are treated under UK GAAP as arising from asset and liability valuation changes rather than from an entities operating performance.

2.3 The Balance Sheet

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

2.4 The Cash Flow Statement

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

2.5 The Group Accounts

We produce Group Accounts in the same 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 Councillors' Allowances Statement
This statement shows how much each councillor was paid in allowances during the year.

2.8 Accounting Policies
The accounting policies detail the principles, bases, conventions, rules and practices applied by the Council that specify how the effect of transactions are to be reflected in the financial statements.

In 2009-10 the accounting treatment for Council Tax changed. The amount of Council Tax included in the Income and Expenditure Account is now the accrued income for the year. Furthermore, the Council now have to show their proportion of Council Tax debtors and any corresponding creditor owed to the billing authorities. The 2008-09 income and expenditure account and balance sheet have been restated to reflect these changes. For further details on the impact of the changes please refer to note 2 to the core financial statements.

3. Service Revenue Expenditure
A summary of the differences between the budget and actual spending on council services is provided in table 1 below.

Table 1: Actual Spending compared to final Budget

Full Year Budget (from budget book)	Summary	Current Full Year Budget	Outturn	Variance over (+) under (-) Budget
£ million		£ million	£ million	£ million
176.964	Adult and Community Services	176.684	177.928	1.244
93.563	Children and Young People (Including DSG)	101.469	101.066	-0.403
72.667	Economy, Skills and Environment	74.536	74.857	0.321
28.076	Public Protection Social Inclusion & Diversity	27.015	27.082	0.067
65.832	Resource Management	67.349	67.283	-0.066
42.517	Capital Financing & Corporate	33.872	33.297	-0.575
479.619		**480.925**	**481.513**	**0.588**

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

3.1 Overall
The Council spent £0.588 million (0.1%) more than its budget in 2009-10. Although this is an improvement on the projected overspend of £3.115 million reported at quarter 3, the underlying service pressures in Adult & Community Services (ACS) and Children and Young People (CYP) are a cause for serious concern.

The overspend for 2009-10 has been met from service reserves (after deploying savings and optimising the use of grant funding) but the level of these reserves, which act as a safety net for budget problems, would not be sufficient to meet an overspend in 2010/11 of the scale indicated by the underlying expenditure trends that have been identified of about £6 million for ACS and £5 million for CYP. This is a risk that will need to be carefully managed.

Significant action is already being taken in both ACS and CYP to manage these service pressures in 2010-11 and they will be a recurring theme of future budget monitoring reports to Cabinet. The over commitment on adult purchased care budgets at the beginning of 2010/11 is some £6 million (approx. 5% on a budget of £135 million). Very tight standards of budgetary control will be maintained against the eligibility criteria of assisting customers with substantial and critical needs in order to progressively reduce this level of spend during 2010-11.

As well as actively managing the demand on its care purchasing service, the directorate recognises that this may not be enough to hold spend within budget in 2010-11. All other areas of the directorate have therefore been instructed to plan for a 5% reduction in spending rising to 10% in 2011-12.

The biggest area of risk to the CYP financial position continues to be the costs of the purchased placements for Looked After Children (LAC). The number of placements over the financial year increased from 164 to 208, and this accounted for an overspend of £3.5 million against this budget. The directorate has already made some increased budget provision available for 2010-11 since the budget was approved in February 2010 by imposing further savings targets in other areas of the service. There is also an expectation that increased in-house capacity, further robust gate keeping of placements and the benefit of the full roll out of the ‘Alternatives to Care’ strategy will begin to reduce the pressure on this area of expenditure. However, it is important to recognise that the increasing demographics and higher complex needs of those requiring care still need to be met, and that this will be the most challenging area of CYP expenditure to control in 2010-11.

In addition, the announcement by the Government of a £6.2 billion cut in public spending in 2010-11 will put further pressure on in year budgets. Whilst all of the details are not yet available, the headlines indicate that grants to local government will be reduced by £1.165 billion. This will fall mainly on specific grants and area based grant. There may be other reductions within the £6.2 billion that will impact on local government but which are not immediately obvious at this stage. The Government have said the formula grant will not change in 2010-11 and Schools, Sure Start and spending on education for 16–19 year olds will be protected from these in year savings. To provide greater flexibility to reshape budgets and find savings the Government is going to remove the ring fences on around £1.7 billion of specific grants in local government. As a result, the Council could have to make savings of up to £11 million in 2010-11 with £6.5 million being targeted in the first instance. (Details released by government since the drafting of the report now indicate that revenue grants will reduce by £4.4m and capital grants by £2m).

In the light of this pressure and the anticipated impact on public sector capital spending from the government’s deficit reduction programme a review of the current capital programme is already underway. This will identify where contractual commitments have not yet been made and where there may be scope to take action to make further savings.

An analysis of major variances by services areas is set out below

3.2 Adult and Community Services (ACS)

Adult and Community Services overspent against its budget by £1.2 million (under 1% of net controllable budget). This is a substantial improvement on the predicted position at quarter 3 which was a £2.1 million overspend.

Early in 2009-10 it was established that demographic pressures were causing an over-commitment within the care purchasing budgets. This was especially strong in the older people and learning disability service areas. Budget management processes were tightly applied and targets set to try and reduce this pressure, also decisions were made not to fully commit some one-off resources and grants, like the Social Care Reform Grant, in order to build resilience in the budget. This helped to contain the predicted overspend in the care purchasing budgets. In addition, all ACS reserves were reviewed and where possible pooled, to cover the predicted overspend.

This proved successful and the final withdrawal from the carry forward reserve at the year end was limited to £1.2 million. However, whilst this action restricted the level of overspend in 2009-10 the underlying over commitment of care budgets of about £6 million is still present at the start of 2010-11. In addition to this, the number of customers requiring services continues to increase (i.e. the over 85 population increases at the rate of 3% per annum) and many customers (120 in 2009/10 costing £1.5 million) who were previously able to meet their own care costs are now approaching the Council for support at the point at which their savings are reduced to the threshold levels.

3.3 Children and Young People (CYP)
In 2009-10 the directorate was overspent by £0.760 million against its base budget and under spent by £1.163 million on the Dedicated Schools Grant (DSG) giving a net £0.403 million under spend. This is a significant improvement on the position reported in the 3rd quarter (£1.238 million overspend).

This reduction in forecast expenditure against the final base budget position was as a direct result of rigorous budget management, a controlled vacancy management process and the optimal use of grant funding to minimise overspends in the final quarter.

However, the final position for CYP does not reflect the pressures facing the directorate in 2010-11 which are estimated at £5m and will require action in the new financial year. The over spend was mitigated in 2009/10 by the directorate's recovery plan which delivered £1.300 million of mainly non-recurrent savings.

The cost of Home to School Transport was overspent by £0.239 million despite there being a lower number of school days in 2009-10 than budgeted for. Unless agreed savings can be achieved in 2010-11, there is significant risk of further overspend against this budget.

The under spend of £1.087 million on the centrally managed part of the ring-fenced Dedicated Schools Grant (DSG) is held by the authority and not delegated to schools. This variance was mainly the result of under spends within the Early Years and Special Educational Needs (SEN) services.

The total of schools balances increased over the year by £1.274 million to stand at £18.159 million. This increase is reflected in all tiers of schools. Some of the increase is directly attributable to the Schools Organisation Review, where middle schools are now able to carry forward higher balances to meet the future costs of transition.

Whilst there are currently no available comparative figures for other Local Authorities at the year end, Suffolk has always had generally lower levels of balances compared to its statistical neighbours.

3.4 Economy, Skills & Environment
Economy, Skills and Environment overspent by £0.321m in 2009-10. The main cause of the adverse variance was the severe winter weather. This resulted in an overspend on Highway Services of £1.824m, which has been largely but not completely offset by a welcome under spend on Environment and Waste Services of £1.455m. The under spend on waste is mainly due to reduced tonnages, combined with a reduction in outstanding claims from contractors and district councils.

3.5 Public Protection
Public Protection, Social Inclusion and Diversity overspent by £0.067 million in 2009-10. This is a change to the forecast outturn at quarter three when it was expected that the directorate would under spend by £0.292 million. The reason for the increase in expenditure is due to a recent court ruling in favour of Retained Fire Fighters. This has increased costs for employers, and the impact is estimated at £0.310 million for Suffolk.

3.6 Resource Management
Resource Management under spent by £0.066 million in 2009-10. Within this figure there are a number of under spends and a overspending of £0.494 million on the CSD contract. This is largely due to the recent spike in inflation rates. The contract determines that CSD charges are increased annually by the consumer price index as at March each year.

3.7 Capital Financing & Corporate
The largest element of this area is the capital financing budget. The cost of borrowing has remained low this year resulting in savings which have provided the flexibility to meet the residual costs arising from the Waveney campus project. Furthermore, £0.800 million has been transferred to fund capital projects to offset future borrowing and £0.200 million to support fire renewals.

4. Balance Sheet

Table 2 summaries the Council's Balance Sheet at 31 March 2010, compared to 31 March 2009.

Table 2 – Balance Sheet as at 31 March 2010

	31 March 2009 Restated £ million	31 March 2010 £ million	Increase / Decrease (-) £ million
Total Long Term Assets	1,777.664	1,833.495	55.831
Net Current Assets/Liabilities (-)	-61.513	-103.382	-41.869
Long Term Liabilities	-916.974	-1,351.225	-434.251
Total Assets less Liabilities	**799.117**	**378.888**	**-420.289**
Represented by:			
Revaluation Reserve	209.467	249.873	40.406
Capital Adjustment Account	824.138	708.974	-115.164
Collection Fund Adjustment Account	-0.445	0.061	0.506
Pension Reserve	-341.643	-685.338	-343.695
Reserves	107.660	105.318	-2.342
Total	**799.177**	**378.888**	**-420.289**

The movement between years for long term assets includes the transfer of five high schools from the council to foundation trusts. The net book value of these assets transferred amounted to £63.774 million. For other movements in fixed assets refer to note 13 in the notes to the core statements.

The majority of the increase in long term liabilities is due to the increase of £343.695 million for the pension liability (see section 7 below).

5. Reserves

Table 3 shows the balance of reserves at 31st March 2010 analysed by service:

Table 3 – Reserves as at 31 March 2010

2009 - 2010 Reserve Balances	Balance of Reserves at 31 March 2010		
	£ million	£ million	£ million
Service Reserves			
Adult & Community Services	1.866		
Children & Young People (non schools)	1.769		
Economy, Skills & Environment	3.473		
Public Protection	1.249		
Resource Management	4.601		
Other	0.359		
Sub Total		**13.317**	
Specific Activity Reserves		**59.141**	
General Fund (non-schools)		**10.610**	
Sub Total			**83.068**
General Fund (schools)	18.159		
Dedicated Schools Grant Reserve	4.091		
Total Schools Related Reserves			**22.250**
GRAND TOTAL			**105.318**

We have £105.318 million of General Fund and Earmarked reserves. We can use these reserves to pay for future service needs. This is made up of £13.317 million held for services; £59.141 million for specific activities we are committed to (of which £10.513 million is held for the renewal of vehicles and equipment); £28.769 million on the General Fund (of which £18.159 million is schools related and £10.610 million is for non schools); £4.091 million is held for schools in relation to the Dedicated Schools Grant. While the accounts show we have reserves of £105.318 million (£107.660 million 2008-2009), £22.250 million (£24.569 million 2008-2009) of these are schools balances and cannot be spent on other services. The reserves that can be used to support other services needs is £83.068 million (£83.084 million 2008-2009). The figures in this table reconcile to the General Fund and Earmarked Reserves balances in note 29 on pages 50 and 51.

6. Capital Spending

Table 4 below shows the revised capital spending plan compared with the actual spending on services by Directorates.

Table 4: Actual Capital Spending compared to Planned Capital Spending

	2009 - 2010			2008 - 2009
	Revised Forecast Capital Payments	Capital Payments Outturn	Variance	Capital Payments Outturn
	£ million	£ million	£ million	£ million
Service				
Adult and Community Services	12.514	7.782	**4.732**	2.952
Children and Young People	85.752	74.832	**10.920**	50.858
Schools Devolved Capital	14.921	13.931	**0.990**	14.709
Economy, Skills & Environment	58.204	49.832	**8.372**	2.563
Public Protection	5.010	3.979	**1.031**	48.474
Resource Management	17.007	8.850	**8.157**	20.491
Total capital programme	**193.408**	**159.206**	**34.202**	**140.047**
Other Capital Spend*				
Children and Young People		4.773		5.773
Resource Management		1.311		1.827
PFI		5.725		0.000
Grand Total		**171.015**		**147.647**

* Other capital spend includes I.T. and other equipment purchased through schools revenue budgets and grants given to other bodies under the Investing in Communties programme. These need to be accounted for as capital in line with proper practices.

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

Adult and Community Services (ACS)

At the beginning of 2009-10 the revised capital programme for ACS was £8.584 million. During the year a further £3.930m of capital grant income was received increasing the total to £12.514 million, of this £4.732 million will now be spent in 2010-11.

In 2009-10 £1.867 million has been spent refurbishing Libraries. This includes the provision of a new library at Woodbridge and major upgrades at Bury St Edmunds Library and Gainsborough Library in Ipswich. This has and will continue to encourage increased library use by all sections of the community.

In addition, as part of the policy to re-provision services for people with Learning Disabilities, £3.205 million of Government grant, has been spent on providing new homes for a group of people previously in NHS hospital care. This has allowed them to live more independent lives in the community.

Whilst good progress has been made in both these areas there are still delays in expenditure in 2009-10 and £0.877 million of library funding and £1.191 million on the accommodation project will now be spent in 2010-11.

Additionally there have been delays in spending funding for John Turner House and Vinefields (£0.400 million), ICT projects (£0.796 million) and for the housing capital project (£1.388 million) which has been delayed until the accommodation project for former NHS patients is complete.

Children & Young People (CYP)
The capital programme for Children and Young People was £85.752 million. The directorate has spent £74.832 million and therefore £10.920 million will now be spent in 2010-11.

During 2009-10 a further nine Children's Centre buildings have been completed. Suffolk has been able to meet government targets and our progress compares extremely favourably with neighbouring authorities. Quality, Access and Improvement Grant Funding has enabled a number of Pre School premises to be provided, with others being underway. This has considerably improved the quality of facilities available in a number of localities and has enabled the pre-school provision for children to be extended. Wickenbrook Primary School as part of the Schools Organisation Review, was refurbished ahead of schedule and other schemes are underway.

The conversion of a disused private nursery at Alderwood Pupil Referral Unit (PRU) to provide extended accommodation for the PRU was completed on time and under budget. Debenham High School's extension was completed in 2009-10 and was under budget. Harbour PRU was completed in October 2009 and work is underway to develop the garden and outdoor learning areas which is expected to be finished in summer 2010. Gipping Valley Vocational Centre has been created as a new education facility for Stowmarket High, Stowupland High and the local community and is expected to achieve very good Building Research Establishment Environmental Assessment Method (Breeam) status.

The main reasons why some expenditure will now be spent in 2010-11 are as follows:

- The Asset Management Programmes (AMP) has not been fully spent due in the main to adverse winter weather conditions (£3.437 million).

- Some delays have occurred on School Organisation Review (SOR) projects due to design negotiations (£0.425 million) and planning issues (£0.586 million). This is the result of delayed site acquisition, resubmission of planning applications, highways issues and the discovery of great crested newts and archaeological finds.

- Further slippage of £1.019 million on the ICT and Schools Broadband network (the design has been completed and is now under review)

- Other Schools projects (including Suffolk One and Lowestoft 6th Form Centre/Barnard's Meadow) where although work is progressing well, delays due to inclement weather over the winter months has meant costs will be expended in 2010-11 (£4.376 million).

Economy, Skills and Environment
The directorate had a total capital programme of £58.204 million and has spent £49.832 million. This means that £8.372 million of the planned payments for the 2009-10 capital programme will now be spent in 2010-11.

During 2009-10 the Stowmarket Relief Road scheme has progressed well with completion due in Summer 2010. A number of schemes which had been carried forward from previous years have been completed. Many of the new schemes that started in 2009-10 are phased over 2 years and progress has been made to allow for construction in 2010-11.

The main reasons for schemes being carried forward are as follows:

- The Blythburgh detrunked scheme, which has a total allocation of £1.8 million, has been delayed to 2010-11 due to environmental constraints and discussions with Blyth Estuary Group.

- The scheme to move the highways depot from Great Blakenham to Goddard Road had a budget of £2.8 million. This funding was brought forward from previous years. The scheme has now been amended to be a more corporate resource which will include other services such as Fire and therefore offer better overall value. £1.7 million will now be spent in 2010-11.

- Of the £1.6 million allocation for schemes funded from the on-street parking account surplus, £0.825 million has not been spent in 2009-10. The new process for allocating funds within local communities was delayed by the County Council elections last year. This meant that the design and contracting of projects was similarly delayed and therefore it has not been possible for all the funding to be spent in the current year.

- There was an allocation in the programme for 2009-10 for waste projects totalling £3.3 million. £2.7 million of this will now be spent in 2010-11. This is a planned under spend against capital allocations to Household Waste Recycling Centres in line with the waste strategy.

The overall programme has increased by a further £1.3 million as a result of the inclusion of developer contributions and other external contributions to schemes.

Public Protection Social Inclusion and Diversity (PPSID)
Public Protection Social Inclusion and Diversity had a capital programme of £5.010 million for 2009-10 and have spent £3.979 million. Therefore £1.031 million of the planned payments will now be spent in 2010-11.

During 2009-10 the directorate has spent £1 million on renewing fire vehicles and £0.5 million has been paid upon completion of the first Fire Station under the PFI at Needham Market.

The reasons for the £1 million slippage are:

- The £0.658 million grant received to fund improvements to the non-PFI estate has not been spent in 2009-10 as Fire Station suitability surveys are not yet complete. Also £1m of grant, which totals £1.4m over two years, is being held, to manage any financial risks relating to the Ipswich East project business case.

- Only £0.166m of the £0.420 million budget for the Hot Fire Multi Function Training Facility and Equipment project has been spent in 2009-10. The rest will be spent by July 2010.

- £1.5 million has been spent against the allocation for the West Meadows Gypsy site of £1.8 million. The scheme is expected to come in on budget with the remaining expenditure being spent in 2010-11.

Resource Management (RM)

Resource Management had a capital programme of £17.007 million for 2009-10 and have spent £8.850 million. The under spending is on both ICT schemes commissioned through CSD and corporate property schemes. While property schemes have been delayed for specific reasons, explained below, the under spending on ICT schemes is part of a trend that has been repeated over a number of years. We will work actively with CSD this year to ensure that schemes are planned and managed to deliver them to time and financial target.

During 2009-10 the directorate has spent the structural building maintenance allocation of £2 million. There has also been £0.8 million investment in ICT resilience and business continuity and upgrades to systems.

The main reasons for corporate property under spending is as follows:

- The final bills are currently being submitted for West Suffolk House and £0.668 million of the allocation has not been spent. It is expected that a further £0.2 million will be spent in 2010-11 on outstanding section 106 payments and work planned to resolve issues regarding acoustics and glare. The remainder will represent a saving to the council.

- There is an allocation of £0.2 million to fund staff moves from Shire Hall but this has been delayed until after the sale of the property.

- A £1 million payment to the University Campus Learning Network will be delayed until other partner funding is agreed.

- There will also be a delay in payments for the Brandon Healthy Living centre (£0.850 million) which is now expected to be completed in 2012.

7. Pensions

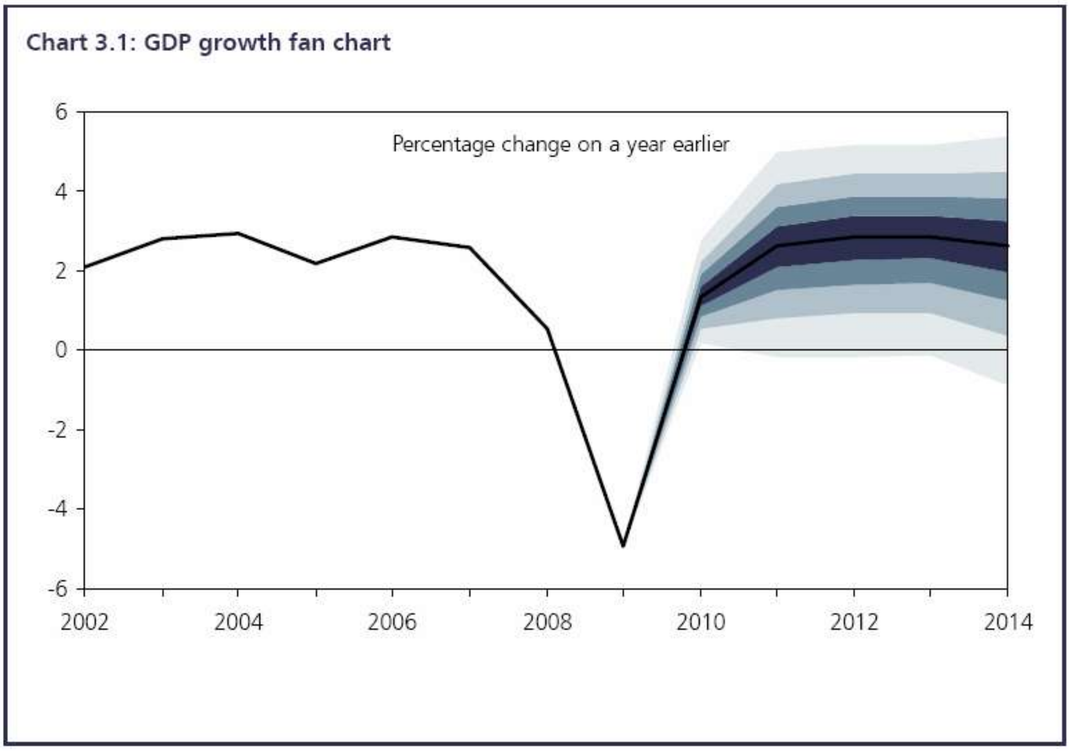
Suffolk County Council participates in three pension schemes, for firefighters, teachers and other local government employees. These schemes are used to pay former employees their pension and other benefits when they retire. Like other local authorities, Suffolk currently has a deficit on its firefighters and local government pension schemes. At 31 March 2010 this was £685.338 million (£341.643 million at 31 March 2009), and there is a fifteen year recovery plan to correct this for the local government scheme. The Suffolk local government pension fund has to be valued every three years, the next one will take place in 2010. In between the statutory actuarial valuations Suffolk monitors the position with the assistance of its Actuary. Currently the Suffolk fund is estimated to be able to meet 72.9% of its future commitments. It should be able to meet 100% of its future commitments by around 2022 in accordance with the recovery plan agreed at the previous triennial valuation in 2007.

8. Looking to the future

The Council's budget for 2010-2011 was set at £454.959 million which was a 3.5 % increase over the 2009–2010 budget. Planned savings of £9.3million are built into this budget, adding to the £70 million of savings achieved by the council since 2006-07. A council tax increase of 2.4% was set which was the lowest increase set by the Council since the council tax was introduced in 1993.

In the medium and long term the Council faces very serious challenges particularly in the way it adapts and changes to deliver the priorities set out in the 'Suffolk Story' with much reduced resources as the Coalition Governments deficit reduction programme is implemented. GDP was -3.2% in 2009 however, modest growth of 1.1% to 1.5% is projected in 2010 before increasing to 2.5% in 2011 and 2.75 % in 2012 according to the independent Office for Budget Responsibility (OBR) forecasts shown in Table 5 below.

Table 5: GDP Projection



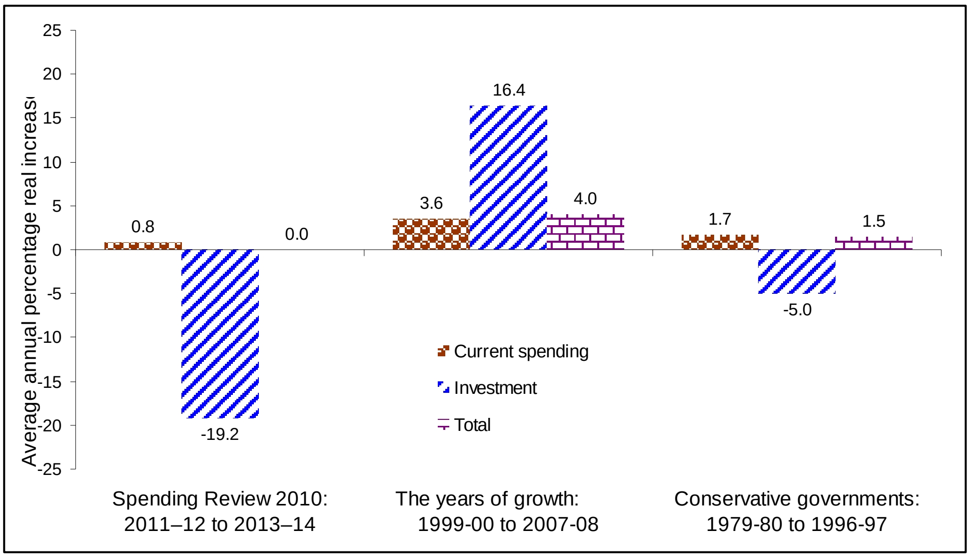
Source – Office for Budget responsibility

The OBR has now taken over responsibility from the Treasury for budget forecasts. Government borrowing is projected to be £155 billion in 2010 before reducing to £71 billion by 2014, however, some economists consider these figures to be optimistic.

The former Chancellor's 2010 Budget contained a large number of tax and spending initiatives, but most have only a small impact and together they were broadly financially neutral. Overall, the initiatives amounted to £1.4 billion (0.1% of GDP) of net fiscal loosening in 2010/11, followed by net fiscal tightening of £0.2 billion in 2011/12 and £0.7 billion in 2012/13. Changes of this magnitude will have almost no impact on the path of the government deficit or the growth rate of the economy as a whole.

The former Chancellor's overall budget plans for 2011-2014 provided for real growth of 0.8% per year for current spending and a real reduction of 19.2% per year for capital spending (consistent with capital investment being halved compared to current levels). Together these imply a total spending freeze in real terms per year. Table 6 below compares the spending plans from 1979-80 to 2013-14 and shows that this would be the tightest three year squeeze on public services since the late 1970's.

Table 6: Spending Plans 1979-2014

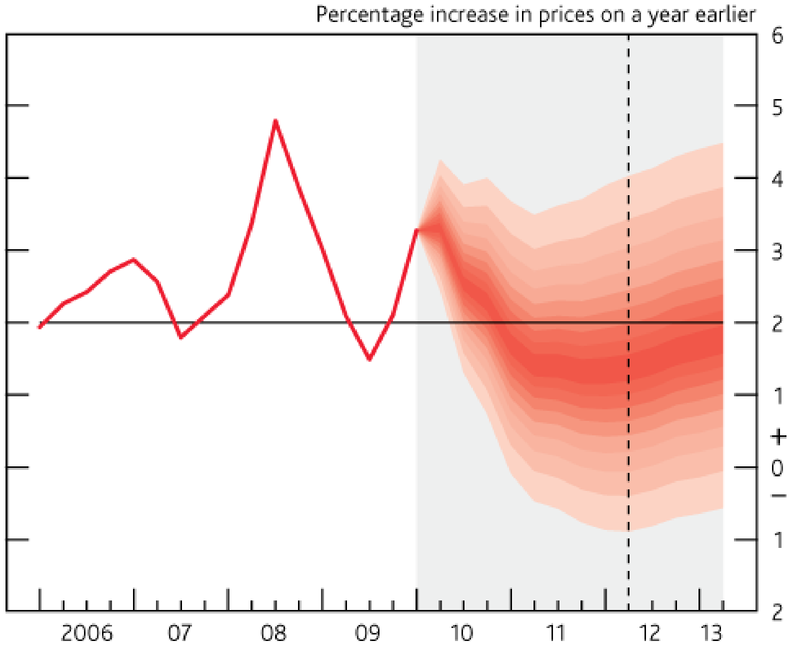


Source – Institute for Fiscal Studies (amended by SCC)

The current coalition government plans to address the high level of government borrowing more aggressively, so their budget plans for 2011-2014 may show a much harsher cut in public spending. This has already been signalled with their almost immediate announcement of £6.2 billion public spending "cuts" in 2010-11 referred to earlier in the text.

Interest rates have dropped rapidly since 2008 when they stood at 5.25%. Interest rates have now been at 0.5% since March 2009, and analysts do not expect any rate rises before the last quarter of 2010. The Consumer Price Index (CPI) inflation figure for May 2010 was 3.4% and the Retail Price Index (RPI) was 5.1% Table 7 (below) maps the CPI from 2006 to 2013. The Bank of England's view is that inflation is likely to remain above the CPI target of 2% for the rest of the year. As the temporary effects increasing inflation fall out and downward pressure from the spare capacity in the economy exerts itself, inflation is expected to reduce to below this target for the next two years.

Table 7: CPI Inflation Projection



Source - Bank of England

Whilst low and stable inflation will be helpful to some extent, the CPI does not mirror the market forces facing our services such as the cost of purchased care for vulnerable adults and looked after children – two of our biggest cost drivers.

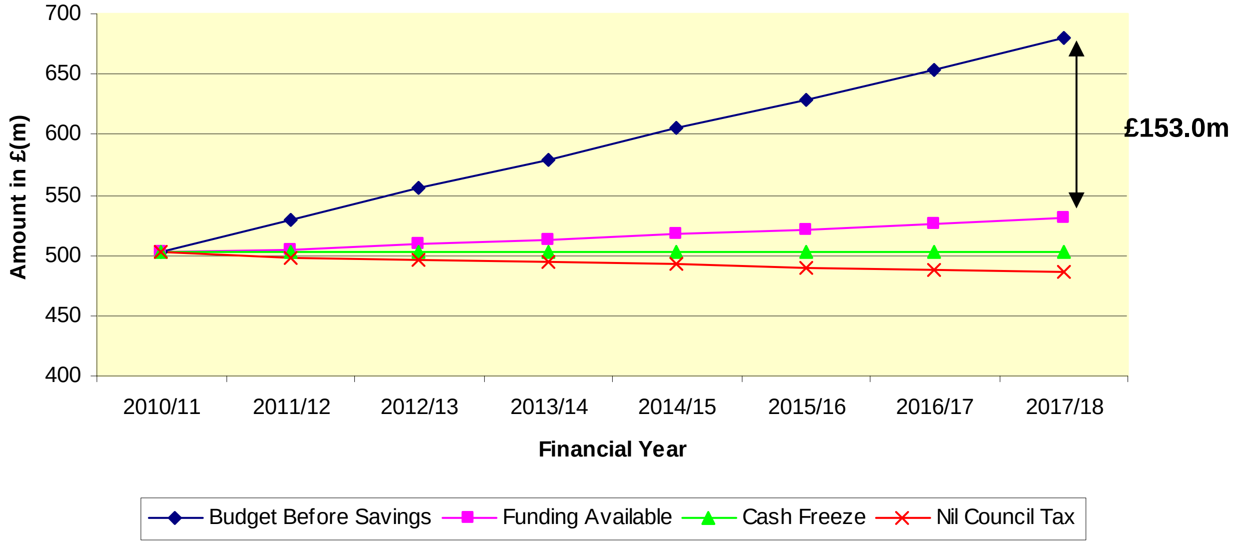
The emergency budget on the 22 June 2010 will set the tone for the future climate of public spending. It is likely to set overall totals for spending but not the details. However, the expectation is that it will be harsh and impact on everything we do.

While formula grant has been protected in 2010-11 from the £6.2 billion cuts in spending that will not be the case in 2011-12. Schools, Sure Start and spending on education for 16-19 year olds have also been protected, but they may not experience a similar level of treatment in the future. To provide greater flexibility to reshape budgets and fund savings the government is going to remove the ring fences from around £1.7bn of specific grants to local government.

The Council is taking immediate action to identify savings to offset the reduction in grant funding and build up some flexibility to manage the growing demand pressure in Adult Social Care and Children and Young People's services together with addressing the future gap between potential resources and spending.

The Councils 'Burning Platform' which is an initial forecast of potential resources compared to spending is shown below in Table 8.

Table 8: Forecast Budget Gaps to 2017-18



Source SCC

This table reflects assumptions about grant and council tax levels together with expected cost increases and demographic pressures, particularly the projected increases in people aged over 65. These will be revisited following the coalition governments emergency budget.

Given the deteriorating financial climate that was forecast, the Council agreed a New Strategic Direction (NSD) to transform public services by collaboratively redesigning them to reduce the cost of the total public sector in Suffolk whilst building social capital and stronger communities.

This has meant that the programme to reshape the Council is essential and needs to be more radical than initially envisaged. Creating ‘Big Society’ and lesser government means putting 'personalisation' (the concept of giving money to citizens and letting them choose which services to buy) needs to be at the heart of our way of working and not just in Adult Social Care.

The Council needs to explore how communities can have more control of the assets the Council currently manage (for example, libraries, village halls, youth facilities, children's centres).The Council needs to have a more commercial relationship with central government where we will be 'paid by results' and not by activity. Much of what is currently provided in-house needs to be placed outside the organisation. This could be achieved by encouraging colleagues to develop social enterprises, small businesses and arms length companies to run services.

The council needs to become less parental in its approach to community leadership, and help people get access to services without it getting in the way. This means becoming a ‘consumer advocate’ for residents – taking a step back, putting information into people’s hands and helping them make their own choices about where they can buy services.

The council needs to quickly transform, into a collection of smaller, more dynamic, flexible and efficient service providers. This can be achieved by becoming a type of ‘social venture capitalist’ – encouraging services to become independent businesses, who then get paid by results. Finally, the council needs to develop local markets by encouraging a variety of providers to enter the market place so that people have a choice of services to buy with their personal budgets.

Suffolk continues to push ahead with a number of major projects and future developments which will contribute to the priorities in the Suffolk Story They are summarised below:

Building Schools for the Future (BSF)- Transforming Learning within Communities
This programme will have significant benefits for Suffolk, and will provide substantial capital investment to our schools. This programme will involve rebuilding or refurbishing secondary and special schools in seven waves of funding across the County, beginning in south and west Ipswich and Felixstowe.

The outline business case for this phase has been approved by Partnership for Schools (PFS) and the Cabinet. This will be funded from a mixture of capital grant and Private Finance Initiative (PFI) credits. This is closely linked to the Council's own programme of reorganising the three tier schools in Suffolk into a two tier structure (Schools Organisation Review SoR) to improve pupil attainment at Key Stage 2. There is currently some uncertainty surrounding the BSF programme as the new coalition government is reviewing spending and approvals by the previous government.

Schools Organisation Review
This project will raise standards in schools by reorganising the three-tier schools in Suffolk into a two-tier structure. The responsibility for each Key Stage of the National Curriculum will be within one school and pupils will only need to change school once at the age of 11. The revenue costs of the project will be met from future efficiencies, resulting from there being fewer schools, while capital costs will be found from existing sources of government funding, capital receipts and the Primary Capital Programme. Again resources for this programme are being kept under review pending announcements from the new coalition government.

Waste – Residual Waste Facility (Energy from Waste)
This project is well advanced and a preferred bidder for this PFI procurement has been chosen and the final business case has been approved by DEFRA's Waste Infrastructure Development Programme. An award of £102 million of PFI credits (grant) has been agreed and financial close for this project should be achieved by the end of September 2010. The cost of the procurement will be delivered within the earmarked waste reserve and is currently within the projected cost contained within the outline business case. The project should be operational by December 2014.

Work Environment Programme
A project for shared accommodation with the Police is being developed involving St. Edmunds House in Ipswich and another property. An outline business case to test value for money and affordability has been approved by the Council and the Police Authority and completion is anticipated in 2012-13.

Conclusion
The Council has had a difficult financial year but has managed to keep its actual overall spending close to budget, though there are significant underlying pressures in Adult Social Care and Community Services and Children and Young People's Services. This is due to the increasing numbers of elderly people and looked after children within Suffolk. The outlook in the medium term is quite stark and a firm grip on activity levels and reducing costs will be paramount together with improved financial management information to aid decision making in parallel work looking for innovative ways of providing services in line with the councils New Strategic Direction referred to earlier. Significant challenges face the public sector in the coming years and whilst we start from a relatively sound financial position there is no room for complacency.

Acknowledgements
This has been another demanding year and my thanks go to all those involved in managing the Council's finances and preparing this Statement of Accounts including CSD, Budget Managers, Councillors and the Strategic Finance Team. Your support has been appreciated throughout these challenging times.

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 Daryl Cockman, Head of Technical Finance, Constantine House, 5 Constantine Rd, Ipswich, IP1 2DH (phone 01473 265673).

Geoff Dobson
Head of Strategic Finance

Income and Expenditure Account

2008 - 2009 Restated Net Expenditure			2009 - 2010		
			Gross Expenditure	Gross Income	Net Expenditure
£ million		Notes	£ million	£ million	£ million
4.528	Central services to the public		5.004	-1.362	3.642
0.929	Court services (Coroners)		0.944	-0.001	0.943
50.898	Cultural, environmental, regulatory and planning services		77.736	-19.953	57.783
235.282	Education and children's services		699.280	-542.359	156.921
35.467	Fire services		20.685	-2.673	18.012
50.937	Highways and transport services		64.234	-7.827	56.407
0.734	Housing services		18.427	-21.605	-3.178
190.934	Adult social care		251.739	-48.534	203.205
7.310	Corporate and Democratic Core	**3**	7.292	-0.102	7.190
9.735	Non Distributed Costs		2.387	0.000	2.387
586.754	**Net cost of services**		**1,147.809**	**-644.416**	**503.312**
3.243	Loss on the disposal of fixed assets				64.636
0.426	Payments to the Environment Agency				0.515
0.364	Payments to the Eastern Sea Fisheries Joint Committee				0.375
-2.905	Surpluses on trading undertakings not included in Net cost of service				-3.631
13.880	Interest payable and similar charges	**35**			12.791
-4.953	Interest and investment income	**35**			-1.639
13.140	Pensions interest cost and expected return on pensions assets	**33**			25.453
609.949	**Net Operating Expenditure**				**601.812**

Income and Expenditure Account

2008 – 2009 Restated Net Expenditure			2009 - 2010		
			Gross Expenditure	Gross Income	Net Expenditure
£ million		Notes	£ million	£ million	£ million
-269.053	Income from Council Tax				-278.027
-49.918	General government grants	**8**			-62.800
-135.757	Non-domestic rates redistribution				-131.561
155.221	**Deficit for the Year**				**129.424**

Included in the net cost of Services for 2009-2010 is an amount of £33.167 million (£142.086m 2008-2009) which relates to the impairment of the Council's fixed assets.

The loss on disposal of fixed assets for 2009-2010 includes the transfer of five high schools to foundation trusts.

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.

2008 - 2009 Restated £ million		**2009 - 2010 £ million**
155.221	Deficit for the year on the Income and Expenditure Account	129.424
-153.318	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-130.785
1.903	Increase (-) / Decrease in General Fund Balance for the Year	**-1.361**
-29.311	General Fund Balance brought forward	-27.408
-27.408	General Fund Balance carried forward	**-28.769**
-16.885	Amount of General Fund balance held by schools under local management schemes	-18.159
-10.523	Amount of General Fund Balance generally available for new expenditure	-10.610
-27.408		**-28.769**

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:

2008 - 2009 Restated £ million		2009 - 2010 £ million
-153.318	**Net Additional amount to be credited to the General Fund balance for the year**	**-130.785**
	Comprising:	
-236.387	**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**	**-200.160**
-188.509	Depreciation and impairment of fixed assets	-83.131
14.705	Government Grants and Capital Contributions Deferred amortisation	13.627
-12.462	Revenue Expenditure Funded from Capital under Statute and de-minimis capital spending	-17.397
-3.057	Net loss on sale of fixed assets	-64.459
-46.132	Net charges made for retirement benefits in accordance with FRS 17	-49.306
-0.932	Amount by which Council Tax income included in the Income and Expenditure Account but required to be excluded by statute when determining the movement on the General Fund Balance	0.506
76.028	**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**	**73.078**
17.375	Minimum revenue provision for capital financing	19.358
14.559	Capital expenditure charged in-year to the General Fund Balance	6.640
44.094	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	47.080
7.041	**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.**	**-3.703**
7.041	Net transfer to or from earmarked reserves	-3.703

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/decrease 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.

2008 - 2009 £ million		2009 - 2010 £ million
154.289	Deficit for the year on the Income and Expenditure Account	129.424
42.575	Surplus (-) / deficit arising on revaluation of fixed assets	-50.604
126.638	Actuarial gains (-) / losses on pension fund assets and liabilities	341.469
323.502	**Total recognised losses for the year**	**420.289**
	Prior Period Adjustment – Share of cumulative deficit on collection fund accounts at 31 March 2009	0.445
	Total Losses recognised since the published Statement of Accounts for 2008-2009	**420.734**

Balance Sheet

31 March 2009 Restated £ million		Notes	31 March 2010 £ million	£ million
	Fixed Assets			
	Tangible Fixed Assets			
	Operational Assets:			
1,363.779	Other land and buildings		1,343.353	
36.941	Vehicles, plant and equipment		36.955	
327.141	Infrastructure assets		356.692	
0.482	Community assets		0.498	
	Non operational assets:			
29.768	Assets under construction		79.604	
19.157	Surplus assets held for disposal		15.979	
1,777.268	**Total Fixed Assets**	**13**		1,833.081
0.158	Long-term investments		0.142	
0.238	Long-term debtors		0.272	
				0.414
1,777.664	**Total Long-Term Assets**			1,833.495
	Current Assets			
1.114	Stocks and work in progress	**23**	0.946	
53.555	Debtors		56.412	
35.962	Investments		24.531	
0.013	Landfill Allowances	**24**	0.006	
				81.895
1,868.308	**Total Assets**			1,915.390
	Current Liabilities			
-33.921	Short-term borrowing		-87.312	
-116.314	Creditors		-96.134	
0.00	PFI liability	**22**	-0.615	
-1.922	Bank overdraft		-1.216	
				-185.277
1,716.151	**Total Assets Less Current Liabilities**			1,730.113
	Long-term liabilities			
-291.008	Long-term borrowing		-289.585	
0.00	PFI liability	**22**	-4.807	
-3.089	Provisions	**25**	-5.815	
-246.782	Government grants deferred & unapplied	**26**	-325.566	
-21.443	Capital contributions deferred & unapplied	**26**	-28.160	
-13.009	Deferred liabilities		-11.954	
-341.643	Liability related to defined benefit pension scheme	**33**	-685.338	
				-1,351.225
799.177	**Total Assets Less Liabilities**	**27**		**378.888**
	Financed by:			
209.467	Fixed asset revaluation reserve	**29**		248.349
824.138	Capital adjustment account	**15**		710.498
-0.445	Collection fund adjustment account	**29**		0.061
-341.643	Pensions reserve	**29**		-685.338
27.408	General fund balance	**29**		28.769
80.252	Earmarked reserves	**29**		76.549
799.177	**Total Net Worth**			**378.888**

Cash-flow Statement

2008 - 2009 Restated £ million	£ million		Notes	2009 - 2010 £ million	£ million
		Revenue activities			
	-42.922	**Revenue Activities' Net Cash Flow**	**39**		**-14.939**
		Returns on Investments and Servicing of Finance			
		Cash outflows:			
13.812		Interest paid		12.825	
		Cash inflows:			
-5.010		Interest received		-1.944	
	8.802	**Net cash flow from returns on investments**			**10.881**
		Capital Activities			
		Cash outflows:			
133.655		Purchase of fixed assets		149.308	
		Other capital cash payments		-0.099	
		Cash inflows:			
-2.950		Sale of fixed assets		-0.641	
-60.008		Capital grants received		-93.051	
-8.860		Other capital cash receipts		-7.312	
	61.837	**Net cash flow from capital activities**			**48.205**
	27.717	**Net Cash inflow / outflow Before Financing**			**44.148**
		Management of Liquid Resources			
	-46.942	Net increase / decrease (-) in short-term deposits	**40**		**-11.126**
	-0.932	Net increase/decrease (-) in other liquid resources (council tax receipts under(-)/over paid by billing authorities)			**0.507**
		Financing	**40**		
		Cash outflows:			
832.318		Repayments of amounts borrowed		73.658	
		Cash inflows:			
-20.000		New long-term loans raised		-15.000	
-788.330		New short-term loans raised		-93.948	
-1.783		Deferred Liabilities		1.055	
	22.205				**-34.235**
	2.048	**Net increase (-) / decrease in cash**	**40**		**-0.706**

1. Authorisation of accounts for issue

Events after the balance sheet date were considered up to 30 September 2010, 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 Adjustment

Accounting for Council Tax

For the 2009-2010 accounts, the Council has implemented the changes required by the SORP 2009 in accounting for Council Tax, requiring a restatement of the comparative figures for 2008-2009 in the Income and Expenditure Account, Balance Sheet and Cashflow Statement.

These changes have had the following impact on the comparative figures for 2008-2009 compared with those published in the 2008-2009 Statement of Accounts.

Income and Expenditure Account

The Council Tax income included in the Income and Expenditure Account is the accrued income for the year.

		2008 - 2009 £ million
Demand on Collection Fund per 2008-2009 Accounts		-269.985
Reverse the distribution during the year ended 31 March 2009 of 15 January estimated out-turn (included in 2008-2009 accounts)	0.953	
Account for the share of cumulative deficit on the collection fund at 31 March 2009	0.445	
Eliminate the share of the residual b/fwd surplus at 1 April 2008 included in the cummulative c/fwd balance at 31 March 2009 above (to avoid double counting)	-0.466	
		0.932
Restated Income from Council Tax for 2008-2009		**-269.053**

Balance Sheet

The cash collected by the billing authorities from Council Tax debtors belongs proportionately to the billing authority, Suffolk Police Authority and Suffolk County Council. The balance sheet has been restated to show Suffolk County Council's proportion of Council Tax debtors. An adjustment has also been made to show Suffolk County Council's share of cumulative deficit on the collection funds at 31 March 2009.

	A	B	C	D	E	F	G
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Debtors	**46.838**	**0.000**	**0.000**	**10.616**	**-3.899**	**0.000**	**53.555**
Amounts owed to Billing Authorities	0.000	0.487	-0.932	-10.616	3.899	4.435	-2.727
Creditors	-109.152					-4.435	-113.587
Total Creditors	**-109.152**	**0.487**	**-0.932**	**-10.616**	**3.899**	**0.000**	**-116.314**
Collection Fund Adjustment Account	**0.000**	-0.487	0.932	0.000	0.000	0.000	**0.445**

Key
A Balance per 2008-2009 Accounts
B Adjustment required to restate Balance Sheet at 1 April 2008 - SCC share of cumulative surplus on collection funds at 31 March 2008
C Adjustment required to restate 2008-2009 I&E account
D Amount owed to billing authorities - SCC share of Council Tax arrears at 31 March 2009
E Amount due from billing authorities - SCC share of Council Tax Impairments at 31 March 2009
F Amount owed to billing authorities - SCC share of Council Tax overpayments and prepayments at 31 March 2009
G Restated Balance Sheet 2008-2009

Cashflow Statement

'Revenue Activities Net Cash Flow' has decreased by the movement on the Income and Expenditure Account as detailed in the above table, £0.932 million. This amount is now shown on the cash flow statement as 'net increase in other liquid resources'.

3. 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 £7.190 million (£7.310 million in 2008-2009) shown in the revenue account, £4.374 million (£4.453 million in 2008- 2009) relates to democratic representation and management. The remaining £2.816 million (£2.857 million in 2008-2009) relates to corporate management.

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. The aim of each of the units is to operate a value for money service.

Details of those trading units are as follows:

Cleaning Buildings – the council operates 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 grounds maintenance and design services. The main recipients of the services are education facilities operated by Suffolk County Council.

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

Suffolk Design and Print - the council operates 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 position.

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.

New Traders in 2009-2010
Schools Library Service – the service loans books and learning materials to schools and advise on library provision, resources and staffing. The objective is to promote literacy and the enjoyment of reading at all levels and support school improvement.

Travel Services – this trading unit operates Suffolk County Council's fleet of coaches, buses and minibuses. Vehicles are available for hire to members of the public, groups, schools, colleges and local organisations for day trips, tours, residential field trips, curriculum activities and longer term contracts.

2008 - 2009 Restated				2009 - 2010		
Gross Spending (Restated) £ million	Income (Restated) £ million	Surplus marked '-' or deficit £ million		Gross Spending £ million	Income £ million	Surplus marked '-' or deficit £ million
2.829	-3.040	-0.211	Cleaning Buildings	3.264	-3.531	-0.267
4.547	-4.639	-0.092	Grounds Maintenance	4.707	-5.140	-0.433
13.951	-14.539	-0.588	Catering	13.443	-14.345	-0.902
1.217	-1.168	0.049	Suffolk Design and Print	1.189	-1.219	-0.030
24.974	-25.190	-0.216	Suffolk Highways Contracting	26.211	-26.849	-0.638
2.293	-2.514	-0.221	Suffolk Fleet Management	2.377	-2.601	-0.224
7.289	-8.913	-1.626	Central Department Traders	10.317	-10.254	0.063
0.000	0.000	0.000	Schools Library Service	0.417	-0.618	-0.201
0.000	0.000	0.000	Travel Services	1.555	-2.554	-0.999
57.099	**-60.004**	**-2.905**	**Net surplus / deficit taken to the revenue account**	**63.480**	**-67.110**	**-3.631**

The above surplus includes accounting adjustments for non controllable expenditure (depreciation and FRS 17). The actual surplus reported as outturn amounted to £1.285 million.

The 2009-2010 gross spending and income figures include all recharges between services. The 2008-2009 figures have been restated to report on the same basis.

5. Publicity

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

The table below details the Council's spending on publicity is set out below in line with the requirements of section 5(1) of the Local Government Act 1986.

2008-2009 £ million		2009-2010 £ million
1.629	Staff recruitment	1.414
0.882	Other advertising such as public notices	0.876
1.087	Other public information activities	0.781
3.598		3.071

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

The Council and the Primary Care Trusts (PCTs) operating in Suffolk (Suffolk PCT and Gt Yarmouth and Waveney PCT) have pooled 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. The learning disabilities pooled fund balanced in 2009-2010 without the need for additional contributions at the end of the financial year. This was achieved through setting a realistic budget at the start of the year based on forecasts for new demand. The partners all agreed to fund the budget requirements in full.

2008 - 2009				2009 - 2010	
£ million	**£ million**			**£ million**	**£ million**
		Income			
-24.009		Funding:	Suffolk County Council	-26.301	
-5.726			Primary Care Trusts	-6.301	
	-29.735				**-32.602**
-1.426		Income:	Residents' contributions	-1.785	
-1.190			Other	-1.033	
	-2.616				**-2.818**
	-32.351				**-35.420**
		Expenditure			
0.007			Expenditure Review Team	0.021	
19.831			Residential services	20.135	
9.660			Supported living	12.027	
2.853			Day services	3.237	
	32.351				**35.420**
	0.000	**Net under (-) or over spend**			**0.000**

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

From 01 April 2002, Suffolk County Council and the Primary Care Trusts (PCTs) operating in Suffolk (Suffolk and Gt Yarmouth and Waveney) have pooled our money through 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.

The table below details income and expenditure for the year.

2008 - 2009				2009 - 2010	
£ million	£ million			£ million	£ million
		Income			
-2.678		Funding:	Suffolk County Council	-2.785	
-1.625			Primary Care Trusts	-1.670	
0.000			SCC internal funding from reserves	-1.073	
	-4.303				**-5.528**
		Expenditure			
0.281			Residential services	0.287	
0.840			Day care	0.724	
0.931			Support work	0.928	
1.611			Supported housing	2.680	
0.277			Advocacy	0.277	
0.332			Employment	0.415	
0.031			Respite	0.032	
0.000			Other Projects	0.174	
	4.303				**5.517**
	0.000	**Net under (-) or over spend**			**-0.011**

8. Government Grants

The following table details the Government Grants (not attributable to specific services) received during the year.

2008 - 2009 £ million		2009 - 2010 £ million
18.898	Revenue Support Grant	30.366
0.585	Local Authority Business Growth Incentive Grant	0.282
0.000	Housing Planning Delivery Grant	0.162
30.435	Area Based Grant	31.990
49.918		**62.800**

The table below details other Government Grants received during the year relating to Services and Capital.

2008 - 2009 £ million	Government Departments and Agencies	2009 - 2010 £ million
	Revenue Grants	
454.899	Department for Children, Schools and Families	478.711
4.426	Department for Innovation, Universitites & Skills	3.470
18.659	Communities and Local Government	19.709
1.743	Department of Health	4.231
2.144	East of England Development Agency	0.953
3.393	Teachers Delivery Agency	3.229
1.691	Home Office	1.808
1.145	Youth Justice Board	1.290
0.605	British Educational Communications & Technology Agency	0.000
0.512	Site of Special Scentific Interest Natural England	0.395
0.381	Department of Work and Pensions	0.805
0.158	Department for Transport	0.053
0.108	Transport Research Board	0.000
0.026	Tech Centre for Agriculture and Rural Co-operation	0.000
0.020	General Register Office	0.010
0.020	Department for Environment, Food and Rural Affairs	0.032
0.000	Others	0.086
489.930		**514.782**
	Capital Grants	
0.430	British Educational Communications & Technology Agency	0.000
1.218	Department for Environment, Food and Rural Affairs	1.221
30.912	Department for Children, Schools and Families	36.682
1.384	Communities & Local Government	1.384
11.875	Department for Transport	12.400
0.808	Department of Health	1.125
2.344	East of England Development Agency	1.311
8.193	Learning & Skills Council	34.637
6.458	National Health Service	2.490
0.322	Home Office	0.387
0.329	Other	0.195
64.273		**91.832**

There has been a large increase in the revenue grant from the Department of Children Schools and Families in 2009-2010. This relates to an increase in the number of children who are currently in full time education, additional resources for new Children's Centres and an increase in the standards fund which has been allocated at the government's discretion.

9. Councillors' allowances

Allowances paid to the Council's elected members are shown in the table below.

2008 - 2009 £ million		2009 - 2010 £ million
0.714	Basic allowance	0.751
0.294	Special responsibility allowance	0.294
0.001	Dependants carer's allowance	0.000
1.009	**Total**	**1.045**

More detailed information can be found on pages 87 and 88.

10. Officers Emoluments

Regulation 4 of the Accounts and Audit (Amendment No.2) Regulations 2009 introduced a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees. The amended Regulations require a note showing the number of employees whose total remuneration is greater than £50,000, in bands of £5,000. In addition, the amended regulations introduce a new requirement to disclose individual remuneration for senior employees.

Employees' pay is defined in the latest CIPFA Statement of Recommended Practice (SORP) 2009. This definition includes the following:

- Gross pay (before the deduction of employees' pension contributions)
- Compensation for loss of office and any other payments receivable on termination of employment
- Expense allowances chargeable to tax and other benefits (as declared on HM Revenue & Customs form P11D)

The number of staff paid more than £50,000 in 2009–2010 is detailed in the table below.
The 2008–2009 figures have been restated to comply with the new regulations. The note now excludes Senior Officers as they are separately disclosed on page 33.

2008 - 2009 No. of employees Non-Schools	Schools	Band	2009 - 2010 No. of employees Non-Schools	Schools
90	132	50,000 - 54,999	90	165
53	76	55,000 - 59,999	79	88
24	31	60,000 - 64,999	29	45
9	17	65,000 - 69,999	9	26
13	14	70,000 - 74,999	10	18
5	8	75,000 - 79,999	4	7
10	6	80,000 - 84,999	7	6
7	1	85,000 - 89,999	8	4
5	0	90,000 - 94,999	6	4
1	3	95,000 - 99,999	1	0
0	1	100,000 - 104,999	0	1
0	0	130,000 - 134,999	1	0

The pay bands required to be disclosed in the table above are not index linked, unlike individuals' pay that is subject to annual pay awards. The bands have therefore remained unchanged at this level since they were introduced in the Accounts and Audit Regulations 2003.

The table below details the pay of Senior Officers.

2008-2009 Salary £	2008-2009 Er's Pension Contributions £	Job Title	2009-2010 Salary £	2009-2010 Er's Pension Contributions £	
206,448	46,450	Chief Executive - Andrea Hill	218,592	49,183	Note 1
121,223	27,275	Director of Children & Young People - Rosalind Turner	13,447	3,025	Note 2
124,766	28,072	Director of Resource Management - Graham Dixon	126,339	28,426	
118,465	26,654	Director of Environment & Transport - Lucy Robinson	121,244	27,275	
103,485	22,042	Director of Public Protection, Social Inclusion and Diversity and Chief Fire Officer - Andy Fry	118,495	25,251	Note 3
86,975	19,570	Head of Scrutiny and Monitoring - Eric Whitfield	91,043	23,696	Note 4
89,550	20,149	Head of Strategic Finance (Section 151 Officer) - Geoff Dobson	90,128	20,278	Note 5

Note 1: Andrea Hill commenced with the Council on 21 April 2008.
Note 2: Rosalind Turner left the Council on 10 May 2009
Note 3: Andy Fry was the former Deputy Chief Fire Officer who acted as the Director and Chief Fire Officer from the 6 January 2009.
Note 4: Employer's pension contributions relating to Eric Whitfield include contributions payable in respect of his role as Returning Officer.
Note 5: Taxable benefits paid in 2009-2010 were to the Head of Strategic Finance and amounted to £152 (2008-2009 £172).

The Council also engaged the services of an interim Director of Children and Young People (Simon White) from April 2009 (£167,441) and an interim Director of Adults and Community Services, (Graham Gatehouse and Jenny Goodall) in 2009-2010 (£148,746) and Graham Gatehouse in 2008-2009 (£149,850).

The Local Government Pension Scheme (LGPS) is a statutory scheme and employer's contributions are assessed by the Actuary at each triennial valuation. The current employer's contribution rate is 22.5%. This amount contains 14.9% for future service funding and 7.6% in respect of the past service shortfall. This employer rate is not applicable for the Director of Public Protection, Social Inclusion and Diversity as this officer falls within the Fire Service Pension Scheme.

The next actuarial valuation of the LGPS will take place in 2010 and any changes will be effective from April 2011. This is a funded scheme and derives its income from investments, employee's contributions and employer's contributions.

11. Related Party Transactions

The Council is required to disclose significant transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. We have set a de-minimis limit of £0.100 million for items we disclose.

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

Customer Service Direct (CSD)
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 board of CSD includes a Councillor and a Senior Officer of the County Council.

The Council pays an annual contract sum to BT for the services provided by CSD. For 2009- 2010 this totalled £50.870 million (2008 - 2009: £49.746 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, as a result, the council is separately reimbursed by BT for the value of these staff costs. In 2009- 2010, this reimbursement totalled £29.189 million (2008 - 2009: £29.198 million).

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.

2008 - 2009			2009 - 2010	
Income £ million	**Spending £ million**		**Income £ million**	**Spending £ million**
-0.860	0.987	Suffolk Police Authority	-0.663	1.223
-0.096	0.000	Suffolk Probation Board – providing support services	-0.091	0.000
-0.956	**0.987**		**-0.754**	**1.223**

Ipswich Buses Ltd
One of the non-executive directors of Ipswich Buses Ltd is also a County Councillor. In 2009-2010 the council made contract payments totalling £3.366 million (2008-2009 £3.106 million)

Eastern Sea Fisheries Joint Committee
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 2010 was £0.135 million.

During 2009-2010 the ESFJC has given the council £0.143 million to invest on its behalf. At 31 March 2010 the total amount invested by the council on behalf of the ESFJC, including accumulated interest, was £0.911 million (31 March 2009: £0.765 million).

Pension Fund
At the end of the financial year, the pension funds had a balance of cash loaned to the council of £16.712 million (2008-2009: £9.042 million of cash loaned to the council).

The table below shows the amounts of interest paid to the pension fund on cash deposits held and the amount charged to the pension fund for expenses incurred in administering the funds:

2008 - 2009 Restated Income £ million	2008 - 2009 Restated Spending £ million		2009 - 2010 Income £ million	2009 - 2010 Spending £ million
-0.011	0.000	Net interest to/from(-) the Pension Funds	0.000	0.021
-0.986	0.000	Administration expenses charged to Pension Fund	-1.079	0.000
-0.997	**0.000**		**-1.079**	**0.021**

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

2008 - 2009 £ million		2009 - 2010 £ million
2.044	Other Related Transactions (Members)	4.406
0.000	Other Related Transactions (Officers)	0.819
2.044		**5.225**

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

12. Audit Commission Fees

In 2009-2010 the Council incurred the following fees relating to external audit and inspection.

2008 - 2009		2009 - 2010
£ million		£ million
0.236	Code of Audit Practice Work	0.224
0.048	Certifying grant claims	0.045
0.015	Statutory inspections	0.017
0.024	Other Work	0.000
0.323	**Total**	**0.286**

13. Movement of fixed assets

The following table summarises the movement in fixed assets during 2009-2010.

	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 2009	1,416.262	79.156	384.547	0.482	-	29.768	19.600	**1,929.815**
Restatements	-4.531	-	-	-	-	-	-	**-4.531**
Restated at 1 April 2009	1,411.731	79.156	384.547	0.482	-	29.768	19.600	**1,925.284**
Revaluations	40.055	-	-	-		-	0.322	**40.377**
Impairments	-40.340	-	-	-		-	-1.646	**-41.986**
Additions	49.262	15.408	39.743	0.016		48.956	0.233	**153.618**
Disposals	-66.492	-1.072	-	-		-	-1.252	**-68.816**
Transfers	-1.032	-	0.363	-		0.880	-0.211	**-**
Value at 31 March 2010	1,393.184	93.492	424.653	0.498		79.604	17.046	**2,008.477**
Accumulated depreciation and impairments								
Value at 1 April 2009	48.033	42.215	57.406	-	-	-	0.443	**148.097**
Restatements	-0.081	-	-	-		-	-	**-0.081**
Restated at 1 April 2009	47.952	42.215	57.406	-	-	-	0.443	**148.016**
Revaluations	-10.227	-	-	-		-	-	**-10.227**
Impairments	-7.294	-	-	-		-	-	**-7.294**
Disposals	-2.530	-0.968	-	-		-	-0.042	**-3.540**
Transfers	0.004	-	-	-		-	-0.004	**-**
Charge for the year	21.926	15.290	10.555	-		-	0.670	**48.441**
Total depreciation	49.831	56.537	67.961	-	-	-	1.067	**175.396**
Net book value								
Value at 1 April 2009	1,368.229	36.941	327.141	0.482	-	29.768	19.157	**1,781.718**
Restated at 1 April 2009	1,363.779	36.941	327.141	0.482	-	29.768	19.157	**1,777.268**
Value at 31 March 2010	1,343.353	36.955	356.692	0.498	-	79.604	15.979	**1,833.081**

The Land and buildings restatements line is a reduction of £4.5 million relating to Voluntary Aided Schools. These have been excluded due to a change in accounting policy which states that under UK GAAP and International Financial Reporting Standards (IFRIC12) any asset that is owned by the Council but its use is not controlled by Council will not be recognised as an asset on the balance sheet.

14. Summary of capital expenditure and sources of finance

The table below summaries capital spending for 2009-2010 and shows how this was financed. It also explains the extent to which we have borrowed to finance our capital programme.

2008 - 2009 £ million			2009 - 2010 £ million	
	446.552	**Opening Capital Financing Requirement**		**500.024**
110.353		Operational assets	105.339	
26.268		Non-operational assets	48.279	
12.462		Revenue Expenditure Funded from Capital Under Statute & De minimis spending	16.487	
	149.083	**Total capital spending**		**170.105**
-3.136		Receipts from sale of assets	-0.817	
-60.541		Government grants and other contributions	-101.515	
-14.559		Revenue financing of capital	-6.640	
	-78.236	**Total sources of finance**		**-108.972**
	-17.375	**Minimum Revenue Provision to repay debt**		**-19.358**
	500.024	**Closing Capital Financing Requirement**		**541.799**
		Explanation of movements in year		
	27.374	Increase in underlying need to borrow supported by Government financial assistance		**41.360**
		Increase in underlying need to borrow unsupported by Government assistance:		
	26.098	Other		**0.415**
	53.472	**Increase in Capital Financing Requirement**		**41.775**

15. 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.

2008 - 2009			2009 - 2010	
£ million	£ million		£ million	£ million
972.960		Capital Adjustment Account at 1 April	824.138	
1.275		Restatements of Fixed Assets	0.000	
	974.235	Restated Balance at 1 April		**824.138**
		Financing capital spending:		
3.136		Proceeds from sale of assets	0.817	
14.559		Revenue account	6.640	
14.705		Using capital grants and contributions money	13.627	
	32.400			**21.084**
		Other transfers from or to the revenue account:		
-188.509		Depreciation and impairment of assets	-83.131	
17.375		Minimum revenue provision to repay debt	19.358	
-12.462		Revenue Expenditure Funded from Capital Under Statute & De minimis spending	-17.397	
	-183.596			**-81.170**
		Other movements in Fixed Assets:		
-2.773		Disposals	-58.392	
6.775		Amortisation of Revaluation Reserve	4.838	
1.547		Transfer from Revaluation Reserve	0.000	
-4.450		Restatements of Fixed Assets 2008-09	0.000	
	1.099			**-53.554**
	824.138	**Balance at 31 March**		**710.498**

The Restatements of Fixed Assets 2008-09 line item refers to a reduction of £4.5 million relating to Voluntary Aided Schools. These have been excluded due to a change in accounting policy which states that under UK GAAP and International Financial Reporting Standards (IFRIC12) any asset that is owned by the Council but its use is not controlled by Council will not be recognised as an asset on the balance sheet.

16. Usable capital receipts

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

2008 - 2009		2009 - 2010
£ million		£ million
0.000	Balance at 01 April	0.000
3.136	Capital receipts	0.817
-3.136	Less: Money used to buy or build assets	-0.817
0.000	**Balance at 31 March**	**0.000**

17. Future capital commitments

We are committed to spending £177.898 million on capital projects that had started before 31 March 2010 (compared with £162.473 million in the previous year).

This is made up of a number of schemes, the largest of which are Phase 1 of the Schools Organisation Review (£52.736 million), a new Sixth Form College at Lowestoft scheduled to open in September 2011 (£22.641million) and the new Suffolk One Sixth Form Centre scheduled to open in September 2010 (£16.121million).

18. Assets held

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

2008 - 2009	Service and Description	2009 - 2010
	Libraries	
44	Libraries	44
3	Record offices	3
9	Mobile libraries	11
	Schools	
256	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
4	**Children & young people**	4
36	Children's Centres	45
	Fire service	
36	Fire stations	36
	Adult care	
17	Elderly people's homes	17
7	Homes for people with learning disabilities	7
	Central services	
42	Offices and other buildings	42
	County farms	
5,298	Hectares of farmland	5,290
84	Farms	84
8	Cottages	8
	Highways	
587	Kilometres of principal roads	587
6,286	Kilometres of non-principal roads	6,292

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 2009-2010 under these agreements, and the payments that the Council is committed to make in 2010-2011, analysed between lease commitments expiring within a year, in the second to fifth year and over five years from 31 March 2010.

Operating Leases - rentals payable 2009 - 2010

2008 - 2009 £ million		2009 - 2010 £ million
1.434	Land & Buildings	1.157
0.430	Other	0.854
1.864	**Total lease rental payments**	**2.011**

Operating Leases - Commitments payable in 2010 - 2011

2010 - 2011	Land and Buildings £ million	Vehicles, Plant and Equipment £ million	Total £ million
Commitments expire;			
During 2010 - 2011	0.115	0.182	**0.297**
Between 2011 - 2012 and 2015 - 2016	0.644	0.429	**1.073**
After 2016 - 2017	0.179	-	**0.179**
Total liabilities at 31 March 2009	**0.938**	**0.611**	**1.549**

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 2009-2010 from these agreements.

Operating Leases - value of assets held

Net Book Values 2008 - 2009 £ million		Net Book Values 2009 - 2010 £ million
24.370	Land & Buildings	24.617
24.370	**Total**	**24.617**

Operating Leases - rentals receivable

2008 - 2009 £ million		2009 - 2010 £ million
1.078	Land & Buildings	1.169
1.078	**Total rents receivable**	**1.169**

21. Fixed asset valuation

As at 1 April 2009 26% of our properties were revalued in the accounts, 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		93.492	424.653	0.498	79.604		598.247
Valued at current value in:							
2009-2010	418.527					1.041	419.568
2008-2009	292.652					0.711	293.363
2007-2008	359.625					11.084	370.709
2006-2007	297.269					4.210	301.479
2005-2006	25.111					-	25.111
prior to 2005	-					-	-
Total	**1,393.184**	**93.492**	**424.653**	**0.498**	**79.604**	**17.046**	**2,008.477**

22. Private Finance Initiatives

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

The Council has a PFI contract in relation to the development of fire stations. The project reached financial close on 11 June 2008 having been awarded PFI credits of £27.1 million (a specific grant paid over the life of the contract towards the capital element of the scheme). The contract covers the rebuilding of six new fire stations and the refurbishment of four further fire stations.

During 2009-2010 two new fire stations were constructed and two existing fire stations were significantly refurbished. All construction and refurbishment work is planned to be completed by the summer of 2011.

Prior to April 2009 accounting guidance meant that the fire stations included within the contract would no longer form part of the assets of the Authority and be removed from the Authority's balance sheet. On this basis, the stations that were part of the PFI were revalued downwards by £5.343m during 2008-09 to reflect the fact that the assets were no longer held by the Authority, but that the Authority had a future asset at the end of the contract when the fire stations would be transferred back to the Authority.

From April 2009 accounting guidance for PFI schemes was updated to follow International Financial Reporting Standards (IFRS). This has meant that the fire stations included within the PFI will remain assets of the Authority and new stations and enhancements will also be included on the Authority's balance sheet. A corresponding liability will also be included to show the requirement to pay the PFI provider for the fair value of the assets.

The following table shows the movement in value of the fire stations included in the PFI contract during 2009-2010.

	2009-2010 Net book Value £ million
Value at 1 April 2009	1.482
Reversal of 2008/09 downward revaluation	5.343
Revised value at 1 April 2009	6.825
New stations & enhancements under the PFI	6.225
Revaluations of land	-0.017
Depreciation	-0.227
Value at 31 March 2010	**12.806**

The following table shows the movement in the value of the liability for the PFI contract.

	2009-2010 £ million
Value at 1 April 2009	0
New stations and enhancements	6.225
Repayment of liability	-0.803
Value at 31 March 2010	**5.422**

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

	Repayment of liability £ million	Interest £ million	Service charges £ million	PFI Grant £ million	Net Cost £ million
Payments due:					
During 2010 - 2011	0.615	0.600	0.700	-1.097	0.818
Between 2011 - 2012 and 2015 - 2016	0.800	7.300	5.645	-5.483	8.262
Between 2016 - 2017 and 2020 - 2021	1.633	7.174	5.871	-5.483	9.195
Between 2021 - 2022 and 2025 - 2026	2.760	6.047	5.871	-5.483	9.195
Between 2026 - 2027 and 2030 - 2031	4.665	4.142	5.871	-5.483	9.195
Between 2031 - 2032 and 2035 - 2036	4.492	1.085	3.719	-3.244	6.052
Total payments due at 31 March 2010	14.966	26.348	27.677	-26.273	42.717

In addition to the Fire PFI, we are currently procuring a PFI contract for a waste disposal facility. We selected our preferred bidder in May 2010 and are working towards financial close in September 2010. It is envisaged that a planning application by the contractor for the facility will be submitted in late 2010/early 2011. The project has been allocated £102 million of PFI credits.

The Council submitted an Outline Business Case (OBC) to Central Government in relation to Building Schools for the Future. The OBC was approved, and an initial agreement to £65 million in resources to support this scheme confirmed. At this point in time the new coalition government is reviewing all areas of expenditure committed by the previous government and as such there is some uncertainty surrounding this award.

23. Stock and work in progress

The table below details stock held at 31 March:

31 March 2009 £ million		31 March 2010 £ million
0.055	Suffolk Design and Print	0.058
0.093	Public Protection	0.082
0.074	Adult Social Care	0.095
0.533	Suffolk Highways	0.350
0.033	Suffolk Fleet Maintenance	0.031
0.056	Information Centres	0.058
0.270	Education / Catering	0.272
1.114		**0.946**

24. Landfill usage

In relation to the Landfill Allowance Trading Scheme (LATS) Suffolk County Council was allocated, by Central Government, an allowance of 148,873 tonnes representing the maximum amount of Biodegradable Municipal Waste (BMW) it could landfill in 2009-2010 without paying penalties. It is estimated that we have landfilled approximately 115,000 tonnes. This means we landfilled 33,873 less than our allowance.

2009-2010 is a target year for LATS allowances. A target year is when the UK has to demonstrate to the EU that we are on target to deliver the reductions in biodegradable waste to landfill required under the EU legislation. This means that all surplus allowances held at the end of 2008-2009 (129,171 allowances valued at 5p each in the 2008-2009 accounts) became void in September 2009. The allowances issued in 2009-2010 are only valid for that year, and can only be used or traded up until September 2010. Surplus allowances cannot be carried forward to meet LATS liabilities in future years. Although there was a few trades in the LATS market at the beginning of 2009-2010, the activity at the year end has been virtually non-existent, leaving the Council with little prospect of selling any surplus allowances. Therefore the surplus allowances have been assessed at zero value.

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

	Brought Forward As at 1 April 2009	Initial Recognition of 2009-10 Allowances	2009-10 In-year movements	As at 31 March 2010
	£ million	£ million	£ million	£ million
Assets and Liabilities in the Balance Sheet				
Current Assets				
Landfill Usage Allowances	0.014	1.489	-1.497	0.006
Total Assets	**0.014**	**1.489**	**-1.497**	**0.006**
Liabilities				
Deferred Income	0.000	-1.489	1.489	0.000
Liability to DEFRA for BMW landfill usage	-0.007	-0.006	0.007	-0.006
Total Liabilities	**-0.007**	**-1.495**	**1.496**	**-0.006**
Net Assets / (Liabilities)	**0.007**	**-0.006**	**-0.001**	**0.000**
Reserves				
Earmarked Reserves	0.007	0.000	-0.007	0.000
Total Reserves	**0.007**	**0.000**	**-0.007**	**0.000**

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

Income & Expenditure Transactions in year	**2009 - 2010**		
	Gross Income	**Gross Expenditure**	**Net Income**
	£ million	**£ million**	**£ million**
Cultural, Environmental and Planning Services	-1.489	1.495	0.006

For information on the accounting treatment of Landfill Usage please refer to accounting policy 21 on page 85.

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 25. 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.

Economy, Skills & Environment
Provisions have been made for the costs in respect of ongoing negotiations with contractors.

Fire
Provision has been made for the costs in respect of a recent court ruling in relation to part time workers (retained fire fighters -prevention of less favourable treatment) regulations 2000.

	Balance at 01 April 2009	Arising during the year	Used during the year	Balance at 31 March 2010
	£ million	£ million	£ million	£ million
Insurance claims	3.028	2.017	-0.148	4.897
Economy, Skills and Environment	0.000	0.608	0.000	0.608
Redundancy Provision	0.061	-0.061	0.000	0.000
Fire	0.000	0.310	0.000	0.310
Balance at 31 March	**3.089**	**2.874**	**-0.148**	**5.815**

26. Government grants and capital contributions deferred and unapplied

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.

2008 - 2009		2009 - 2010		
Total		Unapplied	Applied	Total
£ million		£ million	£ million	£ million
	Government grants:			
186.064	Balance at 1 April	22.956	223.826	246.782
11.118	Correction of grants held as contributions	-	-	-
63.966	Capital grants and contributions received	91.832	-	91.832
-	Application of grants to capital spend	-94.196	94.196	0.000
-14.366	Less: Transfer to capital adjustment account	-	-13.048	-13.048
246.782	**Balance at 31 March**	**20.592**	**304.974**	**325.566**
	Other Capital Contributions:			
27.010	Balance at 1 April	1.554	19.889	21.443
-11.118	Correction of grants held as contributions	-	-	-
5.890	Capital grants and contributions received	7.296	-	7.296
-	Application of amounts previously unapplied	-7.319	7.319	0.000
-0.339	Less: Transfer to capital adjustment account	-	-0.579	-0.579
21.443	**Balance at 31 March**	**1.531**	**26.629**	**28.160**
268.225	**Total grants and contributions deferred at 31 March**	**22.123**	**331.603**	**353.726**

27. Analysis of Net Assets employed

Suffolk County Council operates some trading undertakings as disclosed in note 4 on pages 25 and 26. 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 2009 Restated £ million		31 March 2010 £ million
792.397	General Fund	368.894
6.780	Trading Operations	9.994
799.177	**Total**	**378.888**

28. 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 £173.6 million (average per annum £40.8 million).

CSD Ltd has the policy not to own any assets and at 31st March 2010 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 2009–2010 was £54.099 million (£51.035 million 2008–2009), and operating costs £54.099 million (£51.035 million 2008–2009).

Please refer to the prepared Group Accounts that begin on page 69. 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 05111581, registered office is at 81 Newgate Street, London, EC1A 7AJ.

Copies of the accounts for CSD Ltd can be requested from the CSD Accountant, 1st floor, Constantine House, 5 Constantine Road, Ipswich, Suffolk, IP1 2DH.

29. 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 2009–2010 is set out below:

Reserve	Balance at 1st April 2009 Restated £ million	Net Movement in Year £ million	Balance at 31st March 2010 £ million	Purpose of Reserve	Details of Movements
Revaluation Reserve	209.467	38.881	248.349	Store of gains on revaluation of fixed assets not yet realised through sales	a - see next page
Capital Adjustment Account	824.138	-113.640	710.498	Store of capital resources set aside to meet past expenditure	See Capital Adjustment Account Note 15
Collection Fund Adjustment Account	-0.445	0.506	0.061	Share of cumulative deficit/surplus (-) on billing authorities collection funds	Adjustment required to restate I&E re acrued income for year. See STMGF page 19
Pensions Reserve	-341.643	-343.695	-685.338	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	b - see next page
General Fund	27.408	1.362	28.770	Resources available to meet future running costs of services	Statement of Movement on General Fund Balance. See page 18
Earmarked Reserves	80.252	-3.703	76.549	Resources available to meet the future costs of specific services and activities (except for the LATS reserve)	c - see next page
Total	**799.177**	**-420.289**	**378.888**		

a - Revaluation Reserve

2008 - 2009 £ million		2009 - 2010 £ million
113.525	Revaluations	50.604
-3.422	Disposals	-6.884
-6.775	Amortisation of Revaluation Reserve	-4.839
-158.303	Impairment	0.000
0.929	Restatement	0.000
-54.046	**Movement on fixed asset restatement account**	**38.881**

b - Pensions Reserve

2008 - 2009 £ million		2009 - 2010 £ million
-2.038	Appropriation to pensions reserve	-0.761
-126.638	Actuarial losses relating to pensions	-342.934
-128.676	**Movement on pensions reserve**	**-343.695**

c - Earmarked Reserves

2008 - 2009 £ million		2009 - 2010 £ million
7.707	Specific activities	-3.031
-0.553	Specific services	6.727
-0.112	Landfill Allowance Trading Scheme (LATS) non-cash reserve	0.007
7.042	**Movement on other revenue reserves**	**3.703**

30. Contingent Assets and Liabilities

Contingent assets

Value Added Tax (VAT)

In 2008-2009 Suffolk County Council lodged a claim for £0.326 million, with HM Revenue and Customs, to recover VAT paid in relation to the rental of audio, video, and computer media within Suffolk libraries between 1973 and 1997and this was declared as a contingent asset within the accounts. This claim was settled within 2009-2010 for £0.326m, with interest receivable of £0.330 million.

Suffolk County Council have now challenged the computation of interest on this claim, contending that in line with the decision in the case of Sempra Metals Limited ([2007] UKHL 34) the interest should be calculated on a compound basis. A restitutionary claim has been lodged with the High Court seeking a further repayment of up to £1.195m. The claim currently stands behind a number of similar cases to be heard. If the claim is successful the amount receivable will vary according to the basis of the final judgement by the High Court.

Major insurance claim

In August 2008 St Felix School, Newmarket was burned down following an arson attack. Since then a significant amount of money has been spent by Suffolk County Council to provide school buildings on site on a temporary basis. A sum of £1.100 million has already been received through the insurance policy the Council has to cover such events. At the end of the year the potential amount still recoverable from the insurers was £4.000 million. The Insurer's Loss Adjuster is still to agree and approve this additional expenditure so the exact amount and timing of the insurance receipt is not known.

Contingent 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 £3.400 million in 2009-2010 (£3.400 million in 2008–2009).

Contractual liabilities

A contractor to the Council has recently advised the Council that the contractor considers it is entitled to a sum in the region of £0.500 million for additional payment against their contract. The council does not agree and is disputing this. We will not know the exact timing or amount of any payment until conclusion of the dispute.

Enfield Primary Care Trust (PCT)

Suffolk County Council became involved in a complex adult care case for a resident from Ealing, that also involves Ealing Council and Enfield Council.

Enfield PCT is reneging on the stance of waiting for reimbursement of the cost of the residential placement pending the outcome of a determination from the Department of Health (DoH) as to which local authority is liable. The PCT wishes Suffolk County Council to pay for £0.141million instead of waiting for a decision from the DoH as to whether Enfield or Ealing is wholly or partly liable. Suffolk County Council do not accept liability for this amount and are trying to discuss with Ealing Council and Enfield Council to resolve the issue.

31. Pension funds, trust funds and amenity funds

We look after 103 trust and amenity funds (111 in 2008-2009) relating to specific services. Of these 7 are trust funds, most of which were set up after we were left money or property in somebody's will. The 96 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 £0.436 million (£0.461 million in 2008-2009), and cash totalling £0.471 million at 31 March 2010 (£0.491 million at 31 March 2008-2009) was lent to us.

The table below details net assets of the pension fund and monies held on behalf of trust and amenity funds:

2008 - 2009 £ million		2009 - 2010 £ million
1,049.492	Pension funds	1,430.066
0.604	Trust funds	0.579
0.347	Amenity funds	0.328

32. 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 2009 – 2010 are as follows:

	Central Expenditure £ million	ISB £ million	Total £ million
Final DSG for 2009-2010			364.796
Brought forward from 2008-2009			5.368
Carry forward to 2010-2011 agreed in advance			-1.070
Agreed budgeted distribution in 2009-2010	34.954	334.140	369.094
Actual central expenditure	-34.692		-34.692
Actual ISB deployed to schools		-334.140	-334.140
Local authority contribution for 2009-2010	0.301	0.000	0.301
Carry forward to 2010-2011	0.563	0.000	0.563
Planned carry forward to 2010-2011 agreed in advance			1.070
Total carry forward to 2010-2011			**1.633**

33. Pension arrangements

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

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. Under the Fire Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the fire authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by a central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the fire authority which then must repay the amount to central government.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

2008 - 2009			2009 - 2010	
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:		
23.375	3.000	Current service cost	20.856	2.600
6.572	0.000	Past service cost	0.172	0.000
0.045	0.000	Gains on settlements and curtailments	0.225	0.000
		Net Operating Expenditure:		
52.375	7.600	Interest cost	51.877	7.700
-46.835	0.000	Return on assets	-34.124	
35.532	10.600	*Net Charge to the Income & Expenditure Account:*	39.006	10.300
		Statement of Movement in the General Fund Balance:		
-35.532	-10.600	Reversal of net charges made for retirement benefits in accordance with FRS 17	-39.006	-10.300
		Actual amount charged against the General Fund Balance for Pensions in the year:		
40.294	3.800	Employers contributions payable to scheme	43.541	3.539

In addition to the recognised gains and losses included in the Income and Expenditure Account, an actuarial loss of £342.934 million was included in the Statement of Total Recognised Gains and Losses.

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 2009-2010 we paid over £43.361 million to the TPA. We do not 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:

Reconciliation of present value of the scheme liabilities

2008-2009			2009-2010	
Funded Liabilities Local Government pension scheme	**Unfunded Liabilities Uniformed Fire-fighters**		**Funded Liabilities Local Government pension scheme**	**Unfunded Liabilities Uniformed Fire-fighters**
£ million	**£ million**		**£ million**	**£ million**
-750.691	-109.700	1 April	-748.839	-111.900
-23.375	-2.800	Current service cost	-20.856	-2.600
-52.375	-7.600	Interest cost	-51.877	-7.700
-11.539	-1.200	Contributions by scheme participants	-12.119	-0.700
71.231	4.400	Actuarial gains and losses	-439.122	-44.339
24.528	5.000	Benefits paid	26.324	5.200
-6.573	0.000	Past service costs	0.777	0.000
-0.045	0.000	Losses/gains on curtailments	-0.225	0.000
-748.839	-111.900	31 March	-1,245.937	-162.039

Reconciliation of fair value of scheme assets

2008-2009 £ million		2009-2010 £ million
642.993	1 April	519.096
46.835	Expected rate of return	34.124
-198.037	Actuarial gains and losses	141.992
40.294	Employer contributions	43.096
11.539	Contributions by scheme participants	12.119
-24.528	Benefits paid	-26.324
519.096	31 March	724.103

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Suffolk County Council's actual return on scheme assets in the year was £176.116 million (2008–2009 was a negative £151.825 million).

Scheme History

	2005-2006* £ million	2006-2007 as restated £ million	2007-2008 as restated £ million	2008-2009 £ million	2009-2010 £ million
Present value of liabilities					
Local Government Pension Scheme	-788.676	-806.044	-750.691	-748.839	-1,246.441
Uniformed Fire-fighters	-131.000	-128.700	-109.700	-111.900	-163.000
Fair value of Assets in the Local Government Pension Scheme	567.834	643.343	642.993	519.096	724.103
Total	-351.842	-291.401	-217.398	-341.643	-685.338
Surplus/(deficit) in the scheme					
Local Government Pension Scheme	-220.842	-162.701	-107.698	-229.743	-522.338
Uniformed Fire-fighters	-131.000	-128.700	-109.700	-111.900	-163.000
Total	-351.842	-291.401	-217.398	-341.643	-685.338

* The council has elected not to restate the fair value of scheme assets for 2005-2006 as permitted by FRS 17 (as revised)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £1,409.441 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 £685.338 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 employee contributions over the remaining working life of employees and investment performance.

- 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.

The total contributions expected to be made to the Suffolk County Council Pension Scheme by the council in the year to 31 March 2011 is £44.725 million. There is no equivalent figure for the Firefighters Pension Scheme.

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 2010. The last full actuarial valuation was as at the 31 March 2007.

The main assumptions used in their calculations have been:

2008 - 2009			2009 - 2010	
Local government pension fund	**Uniformed Fire-fighters**		**Local government pension fund**	**Uniformed Fire-fighters**
		Long-term expected rate of return on assets in the scheme:		
7.0%	N/A	Equity investments	7.8%	N/A
5.6%	N/A	Bonds	5.0%	N/A
4.9%	N/A	Property	5.8%	N/A
4.0%	N/A	Cash	4.8%	N/A
		Mortality assumptions:		
		Longevity at 65 for current LGPF pensioners: (years) Longevity at 60 for current fire-fighter pensioners: (years)		
19.6	27.6	Men	20.8	27.6
22.5	31	Women	24.1	31.0
		Longevity at 65 for future LGPF pensioners / Longevity at 60 for future Fire-fighter pensioners: (years)		
20.7	29.2	Men	22.3	29.2
23.6	32.7	Women	25.7	32.7
3.1%	3.1%	Rate of inflation	3.8%	3.8%
4.6%	4.6%	Rate of increase in salaries	5.3%	5.3%
3.1%	3.1%	Rate of increase in pensions	3.8%	3.8%
6.9%	6.9%	Rate of discounting scheme liabilities	5.5%	5.5%
25%		Take-up of option to convert annual pension into retirement grant	25%	

The Fire Pension Scheme has no assets to cover its liabilities. Assets in the LGPS consist of the following categories, by proportion of the total assets held by the Fund:

Restated 2008-2009		2009-2010
67%	Equity Investments	68%
21%	Bonds	20%
9%	Property	9%
3%	Cash	3%

History of experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009-2010 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

Local Government Pension Scheme

	2005-2006 %	2006-2007 %	2007-2008 %	2008-2009 %	2009-2010 %
Difference between the expected and actual return on assets	14.9%	0.9%	-10.8%	-38.2%	19.6%
Experience gains and losses on liabilities	0.0%	0.0%	-2.0%	0.0%	-0.1%

Fire

	2005-2006 %	2006-2007 %	2007-2008 %	2008-2009 %	2009-2010 %
Experience gains and losses on liabilities	0.5%	0.7%	1.1%	0.3%	-1.3%

34. 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 2009 £ million	Current 31 March 2009 £ million		Long term 31 March 2010 £ million	Current 31 March 2010 £ million
304.017	134.231	Financial liabilities at amortised cost	306.346	143.201
-	-	Financial liabilities at fair value through Income and Expenditure	-	-
304.017	**134.231**	Total borrowings	**306.346**	**143.201**
0.394	77.964	Loans and receivables	0.412	59.833
-	-	Available for sale financial assets	-	-
0.394	**77.964**	Total investments	**0.412**	**59.833**

The long term financial liabilities are disclosed as long term borrowing, PFI lease liabilities and deferred liabilities on the balance sheet. The short term financial liabilities are disclosed as short term borrowing, short term PFI lease liabilities and any bank overdraft on the balance sheet plus an adjusted creditors figure. Creditors have been adjusted to only include items that are contractual. We have therefore adjusted to exclude council tax creditors, National insurance, PAYE and any receipts in advance. The creditors figure that can be seen on the balance sheet has been reduced by £42.076 million in 2009-10. The receipts in advance adjustment had not been made in previous years.

The long term loans and receivables are long term debtors plus long term investments if applicable (less the investment in CSD of £0.002 million). The short term loans and receivables are identified as short term investments with an adjusted debtors figure to again only include contractual items. We have adjusted for council tax debtors, Inland Revenue balances and the non statutory bad debt provision. The debtor figure has been reduced by £21.110million in 2009-10. The payments in advance adjustment had not been made in previous years.

35. Financial Instruments gains & losses

The gains and losses recognised in the Income & Expenditure Statement in relation to financial instruments are made up as follows:

2008-2009				2009-2010		
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
-13.880	0.000	-13.880	Interest expense	-12.791	0.000	-12.791
0.000	-0.052	-0.052	Losses on derecognition	0.000	-0.205	-0.205
0.000	0.194	0.194	Impairment (losses)/ gain	0.000	1.362	1.362
-13.880	0.142	-13.738	Interest payable and similar charges	-12.791	1.157	-11.634
0.000	4.953	4.953	Interest income	0.000	1.639	1.639
0.012	0.002	0.014	Gains on derecognition	0.010	0.003	0.013
0.012	4.955	4.967	Interest and investment income	0.010	1.642	1.652
-13.868	**5.097**	**-8.771**	Net gain/(loss) for the year	**-12.781**	**2.799**	**-9.982**

36. 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 2010 of 4.320% for loans from the PWLB and 3.913% 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 2009 Carrying amount £ million	31 March 2009 Fair value £ million		31 March 2010 Carrying amount £ million	31 March 2010 Fair value £ million
438.248	433.301	Financial liabilities	449.547	453.316

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

This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

31 March 2009 Carrying amount £ million	31 March 2009 Fair value £ million		31 March 2010 Carrying amount £ million	31 March 2010 Fair value £ million
77.964	77.964	Loans and receivables	60.245	60.245

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

37. 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.

As at 31 March 2010, the Council will invest up to £25 million for periods of up to one year with financial institutions that satisfy the Council's credit rating requirements. These are ratings (as assessed by the Fitch ratings agency) as follows: Long-term AA-; Short-term F1+; Individual A/B; Support rating 2. The Council currently has three money market fund accounts in place, with Scottish Widows Investment Partnership, Insight and Goldman Sachs, which are AAA rated. The Council sets a limit of £25 million that may be invested with other UK local authorities and nationalised industries.

The Council's list of approved counterparties was amended in May 2009 to include the nationalised and part-nationalised banks (LloydsTSB, Royal Bank of Scotland and Northern Rock). They would not have qualified as counterparties on the basis of their credit ratings alone. However these institutions were considered acceptable as counterparties, subject to an upper limit of £25 million on deposits, since they were effectively underwritten by the UK Government. Northern Rock has been removed from the Council's eligible counterparties, following the withdrawal of the Government guarantee on Northern Rock deposits in May 2010.

The Council opened an account with the Debt Management Account Deposit Facility, which is operated by the UK Government's Debt Management Office. The limit on any deposits in this account is £100 million, which reflects the fact that the account is underwritten by the British Government. In practice this account, which pays a very low rate of interest, is only used if the Council is unable to place deposits elsewhere in the market, while still complying with the counterparty restrictions in its treasury management practices.

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

	Amount at 31 March 2010 £ million	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2010 %	Estimated Maximum exposure to default and uncollectability at 31 March 2010 £ million	Estimated maximum exposure at 31 March 2009 £ million
Deposits with Banks and Financial institutions	24.531	0.001%	0.001%	0.000	0.000
Secured debt	4.777	0.001%	0.001%	0.000	0.000
Customers					
External debts (non aged)	21.896				
General debts less than 90 days	7.452	0.887%	0.887%	0.066	0.000
General debts >90days but <365 days	1.080	37.220%	37.220%	0.402	0.543
General debts >365 days	0.509	50.000%	50.000%	0.254	1.541
Total	**60.245**			**0.722**	**2.084**

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 £9.041 million classified as receivable trade / general debtors there is £2.245 million (£2.264 million 2008-2009) outstanding greater than 30 days.

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

31 March 2009 £ million		31 March 2010 £ million
12.021	Less than three months	7.452
0.881	Three to six months	0.490
0.643	Six months to one year	0.590
1.308	More than one year	0.509
14.853	Total	**9.041**

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 current strategy over the next 3 years is to ensure that not more than 25% of loans are repayable within 12 months.

The maturity analysis of financial liabilities is as follows:

31 March 2009 £ million		31 March 2010 £ million
33.921	Less than one year	70.599
13.522	Between one and two years	3.505
10.577	Between two and five years	13.021
266.909	More than five years	273.059
324.929		**360.184**

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 £11.954 million (£13.009 million 2008-2009). 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 we ensure 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 30% of its Operational Borrowing limit 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 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 2010, if interest rates had been 1% higher with all other variables constant the main impact would be on £11.954m of Developers contributions included within long term debt (potential impact £0.120m). All other variable rate debt and investments are immaterial as at 31 March 2010 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 reliable fair value for these shares 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.

38. 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 79.

39. Reconciliation of revenue cash flow

2008 - 2009 Restated £ million		2009 - 2010 £ million	£ million
155.221	**Deficit on I & E Account**		**129.424**
	External interest		
-13.880	Interest paid	-12.791	
4.953	Interest received	1.639	
-8.927			**-11.152**
	Appropriations		
-0.356	Contributions to Provisions	-2.726	
0.194	Bad debt provision	1.362	
-0.162			**-1.364**
	Items on accruals basis		
-8.023	Decrease / increase (-) in creditors	2.619	
-1.857	Increase / decrease (-) in debtors	2.043	
0.034	Increase / decrease (-) in long term debtors	0.033	
0.118	Increase / decrease (-) in stocks	-0.168	
-9.728			**4.527**
	Capital financing adjustments		
14.705	Government Grants Deferred	13.627	
-188.509	Depreciation and impairment	-83.131	
-3.243	Gain/loss on sale of assets	-64.636	
-2.038	Pension charges	-2.226	
-0.241	Landfill Allowances	-0.008	
-179.326			**-136.374**
-42.922	Net Cash flow from Revenue Actitvities		**-14.939**

40. Movement in net debt

2008 - 2009 £ million		2009 - 2010 £ million
-2.048	Decrease (-) / increase in cash in the period	0.706
22.205	Cash inflow / outflow (-) from change in debt and lease financing	-34.235
-46.942	Cash inflow / outflow (-) from change in liquid resources	-11.126
-26.785	Movement in net debt in the period	-44.655
0.244	Accrued Interest in debt financing	-0.270
-277.357	Net debt at beginning of year	-303.898
-303.898	Net debt at end of year	-348.823

	At 01 April 2009 £ million	Movement £ million	At 31 March 2010 £ million
Cash at bank / overdrafts (-)	-1.922	0.706	-1.216
Debt due after one year	-304.017	2.478	-301.539
Debt due within one year	-33.921	-36.678	-70.599
	-337.938	-34.200	-372.138
Current asset investments	35.962	-11.431	24.531
Total	**-303.898**	**-44.925**	**-348.823**

41. Post balance sheet events

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index (CPI) rather than the retail prices index (RPI) will be the basis for future public sector pension increases, with effect from April 2011. Historically the CPI has usually been lower than the RPI and it is therefore likely that the Council's pension liability under FRS17 (£1,409.441 million at 31 March 2010) will be reduced. The Council estimate is that this change will reduce the value of FRS17 liabilities by around 6-8%.

Group Accounts – Introduction

Introduction to the Group Accounts

The 2009 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 on pages 78 to 86.

Group Accounts – Income and Expenditure Account

2008 - 2009 Restated Net Expenditure £ million		Notes	2009 - 2010 Gross Expenditure £ million	Gross Income £ million	Net Expenditure £ million
4.528	Central services to the public		5.004	-1.362	3.642
0.929	Court services		0.944	-0.001	0.943
50.898	Cultural, environmental and planning services		77.736	-19.953	57.783
235.282	Children's and education services		699.280	-542.359	156.921
35.467	Fire services		20.685	-2.673	18.012
50.937	Highways, roads and transport services		64.234	-7.827	56.407
0.734	Housing Services		18.427	-21.605	-3.178
190.934	Adult social services		251.739	-48.534	203.205
7.310	Corporate and democratic core	**3**	7.292	-0.102	7.190
9.735	Non distributed costs		1.132	0.006	1.138
0.000	Share of operating results of Joint Venture	**G1**	8.872	-8.872	0.000
586.754	**Net cost of services**		**1,154.353**	**-653.279**	**503.312**
3.243	Surplus(-)/Loss on the disposal of fixed assets				64.636
0.426	Payments to the Environment Agency				0.515
0.364	Payments to the Eastern Sea Fisheries Joint Committee				0.375
-2.905	Surpluses(-) / deficits on trading undertakings not included in Net Cost of Services	**4**			-3.631
13.880	Interest payable and similar charges	**35**			12.791
-4.953	Interest and investment income	**35**			-1.639
13.140	Pensions interest cost and expected return on pensions assets	**33**			25.453
609.949	**Net Operating Expenditure**				**601.812**

Group Accounts – Income and Expenditure Account

2008 – 2009 Restated Net Expenditure			2009 – 2010		
			Gross Expenditure	Gross Income	Net Expenditure
£ million		Notes	£ million	£ million	£ million
-269.053	Demand on Collection Fund				-278.027
-49.918	General government grants	**8**			-62.800
-135.757	Non-domestic rates redistribution				-131.561
155.221	**Deficit for the Year**				**129.424**

Group Accounts – Reconciliation of Single Entity Deficit to Group Deficit

2008 - 2009 £ million		2009 – 2010 £ million
155.221	Single Entity Income and Expenditure Account Deficit	129.424
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
155.221	Group Account Income and Expenditure Account deficit for the year	129.424

Group Accounts – Statement of Recognised Gains and Losses

2008 - 2009 Restated £ million		2009 - 2010 £ million
155.221	Deficit for the year on the Income and Expenditure Account	129.424
42.575	Surplus (-) / deficit arising on revaluation of fixed assets	-50.604
126.638	Actuarial losses on pension fund assets and liabilities	341.469
324.434	**Total recognised losses for the year**	**420.289**
	Prior Period Adjustment – Share of cumulative deficit on collection fund accounts at 31 March 2009	0.445
	Total gains recognised since the published Statement of Accounts for 2008-2009	**420.734**

Group Accounts – Balance Sheet

31 March 2009 £ million		Notes	31 March 2010 £ million	£ million	£ million
	Fixed Assets				
	Tangible Fixed Assets				
	Operational Assets:				
1,363.779	Other land and buildings			1,343.353	
36.941	Vehicles, plant and equipment			36.955	
327.141	Infrastructure assets			356.692	
0.482	Community assets			0.498	
	Non operational assets:				
29.768	Assets under construction			79.604	
19.157	Surplus assets held for disposal			15.979	
1,777.268	**Total Fixed Assets**	**13**			1,833.081
	Long-term investments				
3.372	Share of gross assets of Joint Venture		2.035		
-3.370	Share of gross liabilities of Joint Venture		-2.033		
	Total long-term investment in Joint Venture	**G2**		0.002	
0.156	Other long-term investments			0.140	
0.238	Long-term debtors			0.272	
					0.414
1,777.664	**Total Long-Term Assets**				1,833.495
	Current Assets				
1.114	Stocks and work in progress	**23**		0.946	
53.555	Debtors			56.412	
35.962	Investments			24.531	
0.013	Landfill Allowances	**24**		0.006	
					81.895
1,868.308	**Total Assets**				1,915.390
	Current Liabilities				
-33.921	Short-term borrowing			-87.312	
-116.314	Creditors			-96.134	
0	PFI liability	**22**		-0.615	
-1.922	Bank overdraft			-1.216	
					-185.277
1,716.151	**Total Assets Less Current Liabilities**				1,730.113
	Long-term liabilities				
-291.008	Long-term borrowing			-289.585	
0	PFI liability	**22**		-4.807	
-3.089	Provisions	**25**		-5.815	
-246.782	Government grants deferred	**26**		-325.566	
-21.443	Capital contributions deferred	**26**		-28.160	
-13.009	Deferred liabilities			-11.954	
-341.643	Liability related to defined benefit pension scheme	**33**		-685.338	
					-1,351.225
799.177	**Total Assets Less Liabilities**	**27**			**378.888**

Group Accounts – Balance Sheet

31 March 2009			31 March 2010	
£ million		Notes	£ million	£ million
	Financed by:			
209.467	Fixed asset revaluation reserve	**29**		248.349
824.138	Capital adjustment account	**15**		710.498
-0.445	Collection fund adjustment account			0.061
-341.643	Pensions reserve	**29**		-685.338
27.408	General fund balance	**29**		28.769
80.252	Earmarked reserves	**29**		76.549
799.177	**Total Net Worth**			**378.888**

Group Accounts – Cash Flow Statement

2008 - 2009 Restated £ million	£ million		Notes	2009 - 2010 £ million	£ million
		Revenue activities			
	-42.922	**Revenue Activities' Net Cash Flow**	**39**		**-14.939**
		Returns on Investments and Servicing of Finance			
		Cash outflows:			
13.812		Interest paid		12.825	
		Cash inflows:			
-5.010		Interest received		-1.944	
	8.802	**Net cash flow from returns on investments**			**10.881**
		Capital Activities			
		Cash outflows:			
133.655		Purchase of fixed assets		149.308	
0.000		Other capital cash payments		-0.099	
		Cash inflows:			
-2.950		Sale of fixed assets		-0.641	
-60.008		Capital grants received		-93.051	
-8.860		Other capital cash receipts		-7.312	
	61.837	**Net cash flow from capital activities**			**48.205**
	27.717	**Net Cash inflow / outflow Before Financing**			**44.148**
		Management of Liquid Resources			
	-46.942	Net increase / decrease in short-term deposits			**-11.126**
	-0.932	Net increase/decrease (-) in other liquid resources (council tax receipts under (-)/over paid by billing authorities)			**0.507**
		Financing			
		Cash outflows:			
832.318		Repayments of amounts borrowed		73.658	
		Cash inflows:			
-20.000		New long-term loans raised		-15.000	
-788.330		New short-term loans		-93.948	
-1.783		Deferred Liabilities		1.055	
	22.205				**-34.235**
	2.048	**Net increase (-) / decrease in cash**	**40**		**-0.706**

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 a separate line before the net cost of services in the Income and Expenditure Account. The gross values are shown in accordance with Financial Reporting Standard 9 (FRS9) issued by the Accounting Standards Board.

2008 – 2009 £ million		2009 – 2010 £ million
-8.370	Share of turnover	-8.872
8.370	Share of operating expenditure	8.872
0.000		0.000

Also refer to note 28 on page 49 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.

Accounting policies

1 General principles

We have prepared these accounts in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009 (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 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 47. 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 is to be financed from a reserve, it is charged to the appropriate service revenue account in that year to count against the Net Cost of Services in the 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 29 to the accounts on pages 50 and 51.

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 Formula and Area Based Grant) are credited to the base of the Income and Expenditure Account after Net Operating Expenditure.

6 Retirement benefits – Financial Reporting Standard 17 (FRS17)

Employees of the council are members of three separate pension schemes. The schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees of 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 Education service revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year. If a teacher has extra years added to their pension calculation, we pay the extra pension.

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

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

Liabilities are discounted to their value at current prices. The rate employed for the 2009 - 2010 accounts is the yield available on long-dated, high quality corporate bonds, as measured by the yield on iBoxx Sterling Corporate Index, AA over 15 years with the removal of recently re-rated bonds from the index.

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 – current bid price
2. Unquoted securities – professional estimate
3. Unitised securities – current bid price
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. These are 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 33 on page 54 to page 60 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 2009.

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 page 16. Also see note 3 on page 24.

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 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.

Under UK GAAP and International Financial Reporting Standards (IFIC12) any asset that is owned by the Council but its use is not controlled by Council will not be recognised as an asset on the balance sheet.

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 for the type of asset.
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 for all fixed assets used in the provision of the service that is due to a clear consumption of economic benefits or other impairment losses not covered by a revaluation gain in the Revaluation Reserve.

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). Up until 2007-2008 this was 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. From 2008-2009, MRP is calculated in 2 parts. The first part of the charge is debt relating to unsupported borrowing (from 2007-2008 onwards) divided by the life of the assets the borrowing was used to finance. The second part is 4% of our capital financing requirement at the start of the previous year less the balance of debt from unsupported borrowing used for part 1 of the calculation. 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 Revenue Expenditure Funded from Capital under Statute and de minimis spending

Revenue expenditure funded from capital under statute (formerly deferred charges) is 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 81 for the de minimis values. We transfer revenue expenditure funded from capital under statute 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

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 23 on page 46.

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 2009 - 2010 transactions please refer to note 24 on page 46.

22 Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the council at the end of the contracts for no additional charge, the council carries the fixed assets used under the contracts on the Balance Sheet. This accounting treatment is in line with International Financial Reporting Standards (IFRS).

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The Council currently has one PFI in operation which relates to the construction and refurbishment of a number of Fire Stations across the County and provision of facilities management services (FM). The liability for the assets within the scheme was written down by an initial capital contribution of £0.500 million.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council. The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account
- finance cost – an interest charge of 11% on the outstanding Balance Sheet liability, debited to Interest Payable and similar Charges in the Income and Expenditure Account
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and similar Charges in the Income and Expenditure Account
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – The Fire PFI contract refers to maintaining as opposed to enhancement of the assets. On this basis these costs will be charged to the relevant service in the Income and Expenditure Account as and when they occur.

For details of 2009 - 2010 transactions please refer to note 22 on page 44.

23 Accounting for Council Tax

From 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year is the accrued income for the year. Suffolk County Council's share of the accrued Council Tax income is collated from the billing authorities, from the information that is required to be produced by them to prepare their Collection Fund Statements.

In the past the income included in the Income and Expenditure Account represented the amounts paid from the Collection Funds to Suffolk County Council. This change in accounting policy has been considered as material therefore has required a prior year adjustment to the 2008/09 corresponding amounts. Please refer to note 2 for further information.

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

The cash collected by the billing authorities from Council Tax debtors belongs proportionately to the billing authority, Suffolk Police Authority and Suffolk County Council. Therefore, Suffolk County Council now show in their balance sheet their proportion of Council Tax debtors and a corresponding creditor showing the amount then owed to the billing authorities.

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.

Member	Basic Allowance	Special Responsibility Allowance	Dependants Carer's Allowance	Travel and Subsistence Expenses	Financial Loss Allowance
Eddy Alcock	10,081.88	6,644.06		2,035.02	
Clare Aitchison	1,829.88			28.40	
Nick Barber	8,278.91			590.50	
Mike Barnard	8,278.91			1,247.60	
Allyson Barron	1,829.88				
Trevor Beckwith	8,278.91			464.00	
Mark Bee	10,081.88	7,221.32		1,062.39	
Peter Beer	10,081.88			868.39	
Peter Bellfield	10,081.88	4,814.18			
Roger Bellham	1,829.88	1,372.42		63.20	
Bill Bishop	10,081.88			520.70	
Michael Bond	8,278.91			399.00	
Andrew Cann	10,081.88	6,535.11		74.70	
Jane Chambers	8,278.91	5,848.90		175.64	
Lisa Chambers	10,081.88	14,442.62		2,878.80	
Malcolm Cherry	1,829.88	936.93		44.95	
Rosemary Clarke	10,081.88	12,868.96		2,170.48	
Terry Clements	10,081.88	2,228.04		1,596.95	
Craig Dearden-Phillips	8,278.91				
Carol Debman	8,278.91				
Mark Ereira	8,278.91	877.32			
Paul Farmer	8,278.91			297.60	
John Field	10,081.88	4,814.18		233.50	
James Finch	8,278.91	3,899.24		950.00	
Phillip French	10,081.88			616.00	
Stephen Frost	8,278.91			376.80	
Peter Gardiner	8,278.91				
John Goldsmith	10,081.88			453.60	
Tony Goldson	8,278.91	1,770.56		2,911.70	
John Goodwin	10,081.88	4,356.72		1,441.58	
Kathy Gosling	8,278.91			570.80	
Anne Gower	8,278.91	1,346.72		1,336.80	
Gary Green	10,081.88			740.95	
David Grutchfield	10,081.88			714.35	
Russell Harsant	10,081.88				
Colin Hart	9,687.60	3,713.58		698.40	
Paul Hopfensperger	1,829.88				
Rebecca Hopfensperger	10,081.88	4,356.72		743.60	
Jane Hore	1,829.88			38.75	
Steven Hudson	10,081.88				
Richard Kemp	10,081.88			458.88	
John Klaschka	10,081.88				
Karen Knight	1,829.88				
Colin Law	8,278.91			995.20	
Deanna Law	8,278.91			36.80	
Rae Leighton	10,081.88	12,612.74		4,109.49	
Tony Lewis	1,829.88	1,372.42		133.10	
Kevan Lim	1,829.88	1,441.15			
Inga Lockington	10,081.88	7,020.06			
David Lockwood	1,829.88	914.94		203.39	
Susan Maguire	10,081.88				
Harold Mangar	1,829.88				
Graham Manuel	1,829.88	1,372.42			
Tim Marks	10,081.88			1,480.45	
Sandy Martin	10,081.88	2,932.10			

Councillors’ allowances

Member	Basic Allowance	Special Responsibility Allowance	Dependants Carer's Allowance	Travel and Subsistence Expenses	Financial Loss Allowance
Wendy Mawer (Mendham)	1,829.88	914.94		80.00	
Guy Mcgregor	10,081.88	14,442.62		3,671.40	
Charles Michell	10,081.88	6,758.44		1,183.59	
Jane Midwood	10,081.88			1,154.00	
Bill Mountford	8,278.91			603.55	
Graham Newman	10,081.88	14,442.62		2,626.99	
Colin Noble	10,081.88	12,547.80		4,155.13	
Patricia O'Brien	10,081.88	2,744.82		252.40	
Stefan Oliver	1,829.88	914.94			
Penny Otton	10,081.88	5,848.90		1,092.50	
Jack Owen	1,354.90				
Caroline Page	10,081.88	5,848.90	145.00	179.63	
Keith Patience	1,829.88				
Jeremy Pembroke	9,687.60	23,142.71		2,855.35	
Roger Pendleton	1,829.88				
Kathy Pollard	10,081.88	5,594.06		378.54	
Bruce Provan	8,278.91	11,697.80		2,380.20	
Selwyn Pryor	1,829.88			41.60	
Chris Punt	8,278.91			350.40	
Bill Quinton	1,829.88				
Keith Rawlingson	1,829.88	914.94			
David Ritchie	8,278.91			1,090.80	
Morris Rose	1,829.88			100.40	
Mary Rudd	8,278.91	1,770.56		774.09	
Bryony Rudkin	9,869.96	2,510.41			
Bill Sadler	10,081.88			1,476.00	
Ken Sale	10,081.88			635.20	
John Sayers	8,278.91			410.95	
Colin Spence	10,081.88	2,228.04		1,456.40	
Joanna Spicer	10,081.88	12,493.04		2,868.45	
Jane Storey	10,081.88	16,849.76		3,519.50	
Andrew Stringer	8,278.91	1,169.78			
Julian Swainson	1,829.88	1,921.38		755.66	
John Taylor	1,829.88			117.38	
Judy Terry	8,278.91	4,746.91		81.20	
David Thomas	1,403.68				
Sue Thomas	1,829.88	1,372.42			
Julia Truelove	10,081.88	5,070.40		362.65	
Robin Vickery	8,278.91				
Frank Warby	1,829.88	914.94		74.40	
Ron Ward	9,807.67			1,384.40	
Paul West	7,884.63	9,929.80			
Anne Whybrow	10,081.88	3,899.24			
David Wood	10,081.88	3,509.34		754.58	
David Yorke-Edwards	10,081.88	3,899.24		1,406.95	
Mary Young	8,278.91				
Total	**750,664.57**	**293,812.16**	**145.00**	**72,036.75**	**0.00**

Councillors' allowances

Co-opted Member	Basic Allowance	Special Responsibility Allowance	Dependants Carer's Allowance	Travel and Subsistence Expenses	Financial Loss Allowance
Margaret Anderson		10,081.88		156.39	
Michael Brenton		3,933.46		11.49	
Tony Dack				9.60	210.00
Anne Dunford				10.20	700.00
John Levantis				537.45	3,220.00
Paul Mcintee				43.00	210.00
Patricia Royce				375.30	1,050.00
Tony Sheppard				682.66	3,360.00
Rachel Sloane				306.80	1,750.00
Suzanne Travis					
Richard Tucker				9.60	70.00
Adrian Wolton				12.00	140.00
Total	**0.00**	**14,015.34**	**0.00**	**2,154.49**	**10,710.00**

Pension Number 1 Fund

2008-2009	Fund Account	2009-2010	
£ million		Notes	£ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
64.280	Normal	2	67.934
3.337	Deficit funding	2	3.310
3.256	Other	2	1.812
	From members		
19.749	Normal	2	20.770
	Transfers In		
5.431	Individual transfers in from other schemes		8.848
0.036	Other Income		0.047
	Benefits payable:		
-43.947	Pensions	2	-47.657
-10.590	Commutations of pensions and lump sum retirement benefits		-12.762
-1.000	Lump sum death benefits		-2.504
	Payments to and on account of leavers:		
-0.021	Refunds of Contributions		-0.014
-0.005	State Scheme Premiums		0.000
-4.052	Individual transfers out to other schemes		-4.672
-1.344	Administration expenses borne by the scheme		-1.429
35.130	**Net additions (withdrawals) from dealings with members**		**33.683**
	Returns on investments		
	Investment income		
0.968	Interest from fixed interest securities		0.546
19.197	Dividends from equities		17.722
4.656	Income from pooled investment vehicles		4.014
0.572	Interest on Cash Deposits		0.421
0.225	Other		0.437
-1.289	Taxation Irrecoverable Withholding Tax		-0.615
-324.595	Change in market value of investments:		325.247
-2.887	Investment management expenses borne by the scheme		-4.080
-303.153	**Net returns on investments**		**343.692**
-268.023	Net increase, or decrease (-), in the fund during the year		377.375
1,305.210	Opening net assets of the scheme		1,037.187
1,037.187	**Closing net assets of the scheme**		**1,414.562**

Pension Number 1 Fund

2008-2009			2009-2010
£ million		Notes	£ million
	Net asset statement		
	Investment assets	**6**	
	Fixed interest securities:		
20.469	UK government fixed interest securities		22.966
	Equities:		
198.004	UK companies		305.421
241.736	Overseas companies		362.408
45.245	Private equity		47.855
10.458	Other Managed Funds		0.083
	Pooled Investment Vehicles:		
56.746	Open ended investment company		70.687
2.651	Unit trusts		7.795
308.570	Unit linked insurance policies		409.074
82.863	Property unit trusts		113.540
	Derivative Contracts:		
42.167	Active Currency		45.835
31.804	Futures: UK		45.401
2.756	Forward Foreign Exchange Contracts		0.261
1,043.468			**1,431.326**
	Investment liabilites		
	Derivative Contracts:		
-3.549	Futures: Overseas		-3.756
-2.702	Forward Foreign Exchange Contracts		0.000
1,037.217	**Total investments**		**1,427.570**
	Current assets		
8.153	Sundry debtors	**10**	6.061
0.598	Margin Variation	**6**	0.148
9.594	Cash held by Pension Fund	**6**	16.458
6.874	Cash held by broker for Futures Contracts	**6**	3.926
5.887	Cash [held by the investment managers]	**6**	6.611
31.106			**33.204**
	Current liabilities		
-28.255	Cash Backing Open Futures Contracts	**6**	-41.647
-2.882	Sundry creditors	**10**	-4.565
-31.137			**-46.212**
-0.031	**Net current assets / liabilities (-)**		**-13.008**
1,037.187	**Net assets**		**1,414.562**

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

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. A full list of the organisations can be found in the Funding Strategy Statement on the Suffolk County Council website. 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:

2008-2009		2009-2010
19,058	Members	19,759
8,635	Employee pensioners	9,261
1,671	Dependent pensioners	1,771
12,442	Deferred	13,861

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

2008-2009				2009-2010		
Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million		Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million
41.429	11.598	-20.887	**Suffolk County Council**	43.541	12.381	-22.971
27.269	7.404	-22.595	**Scheduled and Resolution Bodies**	27.252	7.606	-24.037
2.175	0.747	-0.465	**Admitted Bodies**	2.263	0.783	-0.649
70.873	19.749	-43.947	**Total**	73.056	20.770	-47.657

Included within employer normal contributions of £67.934 million is an amount for deficit funding of £21.753 million. This deficit funding is including within the employer contributions and is collected as part of the adjusted contribution rate. The information on deficit payments is compiled by the pensions department. This is the treatment stated in the Statement of Recommend Practice from the Pensions Research Accounts Group paragraph 2.47. The deficit funding identified separately on the fund account of £3.310 million refers to those employers funding their deficit by means of lump sum payments.

Employer contributions are made up of two elements:

a) the estimated cost of future benefits being accrued, the “future service rate”; plus

b) an adjustment for the funding position of accrued benefits relative to the Fund’s solvency target, “past service adjustment”. If there is a surplus there may be a contribution reduction; if there is a deficit there may be a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund's actuary is required by the regulations to report the Common Contribution Rate[1] for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) has in the past been spread over a period equivalent to the remaining working lifetime of all the employers' scheme members. The aim is to cover any deficit within 15 years as per the actuarial position on page 95.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer[2]. It is the adjusted contribution rate which employers are actually required to pay.

In effect, the Common Contribution Rate is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific spreading and phasing periods.

2009-2010 is the second in a three year period for the contribution rates set by the actuary to reflect a and b above.

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

The scheduled and resolution bodies contributing to the fund are:

County and District Councils (Scheduled)
- 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 (Resolution)
- Boxford Parish Council
- Great Cornard Parish Council
- Lakenheath Parish Council
- Leavenheath Parish Council
- Mildenhall Parish Council
- Nayland and Wissington Parish Council
- Onehouse Parish Council
- Pinewood Parish Council
- Woolpit Parish Council

Town Councils (Resolution)
- Beccles Town Council
- Bury St. Edmunds Town Council
- Felixstowe Town Council
- Framlingham Town Council
- Hadleigh Town Council
- Haverhill Town Council
- Kesgrave Town Council
- Leiston-Cum-Sizewell Town Council
- Newmarket Town Council
- Stowmarket Town Council
- Sudbury Town Council
- Woodbridge Town Council

Other Bodies (Scheduled)
- Lowestoft College
- Otley College
- Suffolk New College
- Suffolk Police Authority
- Suffolk Probation Service
- Suffolk Valuation Tribunal
- West Suffolk College

[1] See Regulation 08(4)
[2] See Regulation 08(6)

Notes to the Pension Number 1 Fund

3. Managing the Fund

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

The Funds investments are managed by:

- Aberdeen Asset Management
- AllianceBernstein Institutional Investments
- BlackRock Investment Management
- JP Morgan Asset Management
- Legal and General Investment Management
- Millennium Global Investments
- Man F Financials
- Newton Investment Management
- Pantheon Ventures
- Record Currency Management
- Schroders Property Investment Management
- Wilshire Associates

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.

The following table shows the market value of investments held by each manager at 31 March 2010.

31 March 2009			31 March 2010	
Market Value £ million	**Percentage of Assets %**		**Market Value £ million**	**Percentage of Assets %**
77.098	7.43%	Aberdeen Asset Management	93.243	6.53%
109.520	10.56%	AllianceBernstein Institutional Investments	163.040	11.42%
70.953	6.84%	BlackRock Investment Management	124.190	8.70%
0.119	0.01%	Cambridge Research & Innovation Limited	0.118	0.01%
123.177	11.88%	JP Morgan Asset Management	191.918	13.44%
308.570	29.75%	Legal and General Investment Management	409.074	28.66%
28.477	2.75%	Man Financials	42.303	2.96%
33.486	3.23%	Millennium Global Investments	30.125	2.11%
139.559	13.46%	Newton Investment Management	196.573	13.77%
15.171	1.46%	Pantheon Ventures	18.664	1.31%
8.681	0.84%	Record Currency Management	15.710	1.10%
92.452	8.91%	Schroders Property Investment Management	113.540	7.95%
29.955	2.88%	Wilshire Associates	29.072	2.04%
1,037.218	**100.00%**		**1,427.570**	**100.00%**

100% (£409.074 million) of the Legal and General Investments are invested in its own index pooled funds, of this £201.658 million is invested in currency hedged equity funds (£103.685 million as at 31 March 2009). Similarly 75.8% (£70.687 million) of Aberdeen investments are in its own pooled funds (73.4%, £56.746 million as at 31 March 2009). 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 91, includes both direct and pooled fund investments.

At the 31 March 2010 the following Derivative contracts were outstanding. The Futures were held by Man Financials and Aberdeen Asset Management. The Forward exchange contracts were held by Aberdeen Asset Management and Newton Investment Management.

The pension fund's investment managers are permitted to use derivatives in the management of their mandates, subject to the restrictions set out in the individual manager's investment management agreement. Aberdeen Asset Management makes use of forward foreign exchange contracts on an unleveraged basis both for the purposes of reducing or gaining exposure to currency markets.

Millennium Global Currency Management makes use of futures for the purpose of equitising the investment in the manager's currency fund in line with the FTSE 100 index.
Newton Investment Management and JP Morgan make use of currency hedging for the purpose of reducing exchange rate risk in the investments held in their mandates.

31 March 2009 Economic Exposure Value £ million Re-stated	**Type of Derivative**	**Expiration**	**31 March 2010 Economic Exposure Value £ million**
51.715	Forward foreign exchange contracts (over the counter)	Less than 1 Year	18.411
28.477	UK FTSE (exchange traded futures)	Less than 1 Year	42.303
3.327	UK Treasury (exchange traded futures)	Less than 1 Year	3.098
-5.087	Overseas Treasury (exchange traded futures)	Less than 1 Year	-5.696

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, and
- 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 2010. The valuation was based on the following assumptions:

- Projected investment returns of 6.1% per year, increases in future salaries of 5.3% a year and for pension increases of 3.8% a year.
- The actuarial value of the fund's assets was £1,456.8 million and the liabilities £1,998.8 million at 31 March 2010.

The valuation showed that the fund's assets covered 72.9% of its liabilities at the valuation date and the deficit was £542.0 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 Local Authority Statement of Recommend Practice issued by the Chartered Institute of Public Finance and Accountancy Local Authority Code Board.

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 and managed funds are valued at the current bid price on the 31 March 2010.
- Unit trusts investments are shown at the current market value
- Private Equity – valuations as at 31 December 2009 which are compiled in accordance with the guidelines issued by the British Venture Capital Association or an Equivalent body, adjusted for payments to and payments received from the equity managers in the period 1 January 2010 to 31 March 2010.
- 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.

Investments	Opening Balance 01 April 2009 £ million	Purchase £ million	Transaction costs on purchase £ million	Sales £ million	Transaction costs on sale £ million	Change in Market Value £ million	Closing Balance 31 March 2010 £ million
Quoted							
UK Government Fixed Interest Securities	20.469	33.448		-30.338		-0.613	22.966
UK Companies	198.004	159.916	0.151	-147.040	0.132	94.258	305.421
Overseas Companies	241.736	274.280	0.337	-250.786	0.313	96.528	362.408
Other Managed Funds	10.458	24.648		-35.062		0.039	0.083
UK FTSE exchange traded futures	28.477	150.469		-150.516		13.873	42.303
UK Treasury Exchange Traded Futures	3.327	25.378	0.002	-25.614		0.005	3.098
Overseas Treasury Exchange Traded Futures	-3.549	26.850	0.001	-27.443		0.385	-3.756
Derivatives - Currency	42.167	3.000		0.000		0.668	45.835
Derivatives - Forward Foreign Exchange contracts	0.054	356.472	0.000	-356.472	0.000	0.207	0.261
Pooled Investment Vehicles							
Open ended investment company	56.746	0.470		-2.595		16.066	70.687
Unit trusts	2.651	2.485		0.000		2.659	7.795
Unit linked insurance policies	308.570	73.622		-73.622		100.504	409.074
	909.110	**1131.038**	**0.491**	**-1099.488**	**0.445**	**324.579**	**1266.175**
Unquoted							
Pooled investment vehicle -property unit trust	82.863	27.727		-1.717		4.667	113.540
Private Equity	45.245	6.729		-0.553	-	-3.566	47.855
	128.108	**34.456**	**-**	**-2.270**	**-**	**1.101**	**161.395**
	1,037.218	**1,165.494**	**0.491**	**-1101.758**	**0.445**	**325.680**	**1,427.570**

Cash	Opening Balance 01 April 2009 £ million	Movement in cash balance £ million	Change in Market Value £ million	Closing Balance 31 March 2010 £ million
Margin Variation	0.598		-0.450	0.148
Cash [(temporarily lent to/(borrowed from) the Council]	9.594	6.864		16.458
Cash Backing Open Futures	-28.255	-13.842	0.450	-41.647
Cash Held by the Broker for Future Contracts	6.874	-2.948		3.926
Cash Held by the investment managers	5.887	0.816	-0.092	6.611
	-5.302	**-9.110**	**-0.092**	**-14.504**

The pooled investment vehicles are managed by fund managers registered in the UK.

The Change in Market value £325.588 million (£325.680 million less £0.092 million) on the table above is £0.341million lower than the change in market value on the fund account. The difference is caused by exchange rate differences between the Aberdeen futures when they were opened in February 2009 and closed in May 2009; the further realised loss has been included in the fund account.

Notes to the Pension Number 1 Fund

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.

Market Value 31 March 2009 £ million	Percentage of the Fund 31 March 2009	Asset Type	Manager	Market Value 31 March 2010 £ million	Percentage of the Fund 31 March 2010
66.412	6.40%	Corporate Bond Index	Legal and General	87.075	6.10%
52.149	5.03%	Corporate Bond Index	Aberdeen Asset Management	N/A	N/A
N/A	N/A	North American Index	Legal and General	77.121	5.40%

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 of the fund. Collateralised lending generated income of £0.147 million in 2009-2010 (£0.129 million 2008-2009) the fourth year that securities lending has occurred within the fund. This is included within ‘other’ investment income in the Fund Account. At 31 March 2010 £17.287 million worth of stock (1.22% of the Fund) was on loan, for which the Fund was in receipt of £18.256 million worth of collateral.

9. Related Parties

The pension fund is a related party to its administering authority and other participating employers. During 2009-2010 the material transactions were as follows:

Restated 2008-2009 £ million		2009-2010 £ million
0.981	Suffolk County Council - Administration Expenses	1.074
-0.086	Interest on money lent to Suffolk County Council	-0.023
0.092	Interest on money borrowed from Suffolk County Council	0.001
0.987		**1.052**

There are no significant related parties’ 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:

31 March 2009 £ million		31 March 2010 £ million
	Sundry Debtors:	
3.460	Employer Contributions	1.663
0.502	Employee Contributions	0.590
3.048	Investment Assets	3.126
0.012	Stock Lending Income	0.003
0.001	Class action income	0.000
0.037	Payments in Advance	0.000
0.086	Interest on Cash Deposits	0.005
1.007	Income due from Employers for Benefits Paid	0.655
0.000	Administration Expenses refund	0.019
8.153		**6.061**
	Sundry Creditors:	
-0.826	Investment Manager Expenses	-1.514
-1.025	Administration Expenses	-1.078
-0.400	Pre Payment from Employers	-0.344
-0.343	Individual Transfers Into the Scheme	-0.365
-0.288	Payments for Lump Sums on Retirement	-1.264
-2.882		**-4.565**

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 £1.031million was paid over to the providers, Prudential, Clerical Medical, Standard Life, Equitable Life and Century Life in 2009-2010.

12. Contingent Liabilities

At the 31 March 2010 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 2010 there was a pending bulk transfer of 41 employees from the Pension No. 1 Fund to the National Health Service. The value of the transfer is still to be determined by the actuaries of the respective schemes.

At the 31 March 2010 there was a pending transfer of 5 employees from Suffolk County Council to the NHS pension scheme. The value of the transfer is still to be determined by the actuaries of the respective schemes.

At the 31 March 2010 there was a pending transfer of 5 employees from Waveney District Council to Norfolk County services. The value of the transfer is still to be determined by the actuaries of the respective schemes.

The Suffolk Probation Board is merging with the Norfolk Probation Board to form a new Suffolk and Norfolk Probation trust with effect from the 1 April 2010. The Suffolk Probation employees will transfer over to the Norfolk Pension Fund. The value of the transfer is still to be determined by the actuaries of the respective schemes.

On the 6 April 2010, 12 employees from Ipswich Borough Council are transferring to Colchester Borough Council. The value of the transfer is £735,053.

13. Information on Significant Changes to the Fund in 2010-2011

The Suffolk Pension No 2 Fund which provides benefits for employees and pensioners of Ipswich Buses will merge with Suffolk Pension No 1 Fund during 2010-2011. All assets and liabilities relating to Fund No 2 will be transferred into the Pension No 1 Fund at the effective date.

Pension Number 2 Fund (Ipswich Buses Ltd)

2008-2009			2009-2010
£ million	**Fund Account**	**Notes**	**£ million**
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers:		
0.232	Normal		0.170
0.130	Deficit Funding		0.136
0.073	Other		0.040
	From members		
0.047	Normal		0.035
	Benefits payable:		
-0.644	Pensions		-0.715
-0.207	Commutations of pensions and lump sum retirement benefits		-0.450
-0.036	Individual transfers out		0.000
-0.038	Administration expenses borne by the scheme		-0.010
-0.443	**Net additions (withdrawals) from dealings with members**		**-0.794**
	Returns on investments		
	Investment income		
0.054	Income from pooled investment vehicles		0.057
-2.658	Change in market value of investments:	**6**	3.955
-0.004	Taxation (Irrecoverable Withholding Tax)		-0.006
-0.012	Investment management expenses borne by the scheme		-0.013
-2.620	**Net returns on investments**		**3.993**
-3.063	Net increase, or decrease, in the fund during the year		3.199
15.368	Opening net assets of the scheme		12.305
12.305	**Closing net assets of the scheme**		**15.504**

Pension Number 2 Fund (Ipswich Buses Ltd)

31 March 2009 £ million		Notes	31 March 2010 £ million
	Net asset statement		
	Investment assets	**6**	
	Pooled investment vechicles		
11.828	Unit Linked Insurance policies		14.272
0.910	Unit trusts: property		0.942
12.738	**Total investments**		**15.214**
	Current assets		
0.132	Sundry debtors		0.004
0.002	Cash [held by the investment managers]		0.040
0.134			0.044
	Current liabilities		
-0.015	Sundry creditors		-0.008
-0.552	Cash		0.254
-0.567			0.246
-0.433	**Net current assets**		**0.290**
12.305	**Net assets**		**15.504**

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 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 2009		31 March 2010
39	Members	0
135	Employee pensioners	151
22	Dependent pensioners	22
35	Deferred	56

Ipswich Buses Limited closed the scheme to existing employees in January 2010. As at March 2010 the fund's scheme members comprised pensioner and deferred members only.

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 bond index tracking pooled funds (£14.272 million, 94% as at 31 March 2010) and Schroders property units (£0.942 million, 6% as at 31 March 2010).

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 'projected unit 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, a monetary payment of £409,000 should be paid over the three years, to be phased as follows £130,000 in 2008-2009, £136,000 in 2009-2010 and £143,000 in 2010-2011.

An interim valuation was carried out as at 30 November 2008. The valuation was based on the following assumptions:

- Projected investment returns of 5.6% per year, increases in future salaries of 4.41% a year and pension increases of 3% a year.
- The actuarial value of the Fund's assets was £12.663 million and the liabilities £17.373 million at 30 November 2008.

The valuation showed that the Fund's assets covered 72.9% of its liabilities at 30 November 2008 and the deficit was £4.7 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 transfers into and out of the scheme 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 and managed funds are valued at the current bid price on the 31 March 2010
- Unit trusts investments are shown at the current market value
- 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

	Opening Balance 01 April 2009 £ million	Purchase £ million	Sales £ million	Change in Market Value £ million	Closing Balance 31 March 2010 £ million
Pooled Investment Vechicles					
Unit Linked Insurance policies	11.828	0.696	-2.147	3.895	14.272
Unit trusts: property	0.910	-	-0.029	0.061	0.942
Totals	**12.738**	**0.696**	**-2.176**	**3.956**	**15.214**

The pooled investment vehicles are managed by fund managers registered in the UK.
No transaction costs were incurred by the fund managers in managing this fund.

7. Holdings above 5% of the fund

This is a summary of the investments above 5% of the total value of the investments (£15.214 million) at the Balance Sheet date.

Value 31 March 2009 £ million	% of the Fund 31 March 2009	Asset Type	Manager	Value 31 March 2010 £ million	% of the Fund 31 March 2010
N/A	N/A	North American Equities Index	Legal and General	0.793	5.21%
0.677	5.32%	European Equities Index	Legal and General	0.790	5.20%
0.910	7.14%	Property Unit Trust	Schroders	0.943	6.20%
2.523	19.82%	Over 5 Year Index Linked Index	Legal and General	3.093	20.33%
2.640	20.72%	Corporate Bond Index	Legal and General	3.087	20.29%
3.359	26.37%	UK Equities Index	Legal and General	4.018	26.41%

8. Related Parties

The pension fund is a related party to its administering authority and Ipswich Buses Ltd. During 2009-2010 the material transactions were as follows:

2008-2009 £ million		2009-2010 £ million
	Transactions	
0.005	Suffolk County Council - Administration Expenses	0.005
0.005	Interest on money borrowed from Suffolk County Council	0.001
	Balances	
0.020	Employer contributions	0.000

9. Information on Significant Changes to the Fund in 2010-2011

The Suffolk Pension No 2 Fund which provides benefits for employees and pensioners of Ipswich Buses will merge with Suffolk Pension No 1 Fund during 2010-2011. All assets and liabilities relating to fund number two will be transferred into the Pension No 1 Fund at the effective date.

Fire Pension Scheme

2008-2009 £ million	Fund Account	2009-2010 £ million
	Contributions Receivable	
	From Employer	
1.758	Normal	1.778
0.962	From members	0.989
0.204	Transfers In	0.062
	Benefits Payable	
-3.742	Pensions	-3.911
-0.890	Commutations and Lump Sum retirement benefits	-0.668
-0.001	Other - Ill Health	-0.001
	Payments to and on account of leavers	
0.000	Individual transfers out to other schemes	-0.338
-1.709	Net amount (payable) for the year before top-up grant	-2.088
1.336	Top-up grant received	1.288
0.373	Net amount recievable from sponsoring department	0.800

2008-2009 £ million	Net Assets Statement	2009-2010 £ million
	Net current assets and liabilities	
-0.373	Amount from sponsoring department	-0.800

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 2009 (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.

10. Officers Emoluments

Regulation 4 of the Accounts and Audit (Amendment No.2) Regulations 2009 introduced a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees. The amended Regulations require a note showing the number of employees whose total remuneration is greater than £50,000, in bands of £5,000. In addition, the amended regulations introduce a new requirement to disclose individual remuneration for senior employees.

Employees' pay is defined in the latest CIPFA Statement of Recommended Practice (SORP) 2009. This definition includes the following:

- Gross pay (before the deduction of employees' pension contributions)
- Compensation for loss of office and any other payments receivable on termination of employment
- Expense allowances chargeable to tax and other benefits (as declared on HM Revenue & Customs form P11D)

The number of staff paid more than £50,000 in 2009–2010 is detailed in the table below. The 2008–2009 figures have been restated to comply with the new regulations. The note now excludes Senior Officers as they are separately disclosed on page 33.

2008 - 2009 No. of employees		**Band**	**2009 - 2010 No. of employees**	
Non-Schools	**Schools**		**Non-Schools**	**Schools**
90	132	50,000 - 54,999	90	165
53	76	55,000 - 59,999	79	88
24	31	60,000 - 64,999	29	45
9	17	65,000 - 69,999	9	26
13	14	70,000 - 74,999	10	18
5	8	75,000 - 79,999	4	7
10	6	80,000 - 84,999	7	6
7	1	85,000 - 89,999	8	4
5	0	90,000 - 94,999	6	4
1	3	95,000 - 99,999	1	0
0	1	100,000 - 104,999	0	1
0	0	130,000 - 134,999	1	0

The pay bands required to be disclosed in the table above are not index linked, unlike individuals' pay that is subject to annual pay awards. The bands have therefore remained unchanged at this level since they were introduced in the Accounts and Audit Regulations 2003.

The table below details the pay of Senior Officers.

2008-2009 Salary £		2008-2009 Er's Pension Contributions £	Job Title	2009-2010 Salary £	2009-2010 Er's Pension Contributions £	
206,448	Note 1	46,450	Chief Executive - Andrea Hill	218,592	49,183	
121,223		27,275	Director of Children & Young People - Rosalind Turner	13,447	3,025	
124,766		28,072	Director of Resource Management - Graham Dixon	126,339	28,426	
118,465		26,654	Director of Environment & Transport - Lucy Robinson	121,244	27,275	
103,485		22,042	Director of Public Protection and Social Inclusion, Diversity and Chief Fire Officer - Andy Fry	118,495	25,251	
86,975		19,570	Head of Scrutiny and Monitoring - Eric Whitfield	91,043	23,696	Note 2
89,550		20,149	Head of Strategic Finance (Section 151 Officer) - Geoff Dobson	90,128	20,278	

Note 1 Andrea Hill commenced employment 21 April 2008.
Note 2 Er's pension contributions relating to Eric Whitfield include contributions payable in respect of his role of returning officer.

Taxable benefits paid in 2009-2010 were to the Head of Strategic Finance and amounted to £152 (2008-2009 £172).

The Council also engaged the services of an interim Director of Children and Young People (Simon White) from April 2009 (£167,441) and an interim Director of Adults and Community Services, (Graham Gatehouse and Jenny Goodall) in 2009-2010 (£148,746) and Graham Gatehouse in 2008-2009 (£149,850).

The Local Government Pension Scheme (LGPS) is a statutory scheme and employer's contributions are assessed by the Actuary at each triennial valuation. The current employers contribution rate is 22.5%. This amount contains 14.9% for future service funding and 7.6% in respect of the past service shortfall. This employer rate is not applicable for the Director of Public Protection, Social Inclusion and Diversity as this officer falls within the Fire Service Pension Scheme.

The next valuation will take place in 2010 and any changes will be effective from April 2011.The LPGS is a funded scheme and derives its income from investments, employee's contributions and employer's contributions.

10. Officers Emoluments

Regulation 4 of the Accounts and Audit (Amendment No.2) Regulations 2009 introduced a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees. The amended Regulations require a note showing the number of employees whose total remuneration is greater than £50,000, in bands of £5,000. In addition, the amended regulations introduce a new requirement to disclose individual remuneration for senior employees.

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- Gross pay (before the deduction of employees' pension contributions)
- Compensation for loss of office and any other payments receivable on termination of employment
- Expense allowances chargeable to tax and other benefits (as declared on HM Revenue & Customs form P11D)

The number of staff paid more than £50,000 in 2009–2010 is detailed in the table below. The 2008–2009 figures have been restated to comply with the new regulations. The note now excludes Senior Officers as they are separately disclosed on page 33.

2008 - 2009 No. of employees		Band	2009 - 2010 No. of employees	
Non-Schools	Schools		Non-Schools	Schools
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53	76	55,000 - 59,999	79	88
24	31	60,000 - 64,999	29	45
9	17	65,000 - 69,999	9	26
13	14	70,000 - 74,999	10	18
5	8	75,000 - 79,999	4	7
10	6	80,000 - 84,999	7	6
7	1	85,000 - 89,999	8	4
5	0	90,000 - 94,999	6	4
1	3	95,000 - 99,999	1	0
0	1	100,000 - 104,999	0	1
0	0	130,000 - 134,999	1	0

The pay bands required to be disclosed in the table above are not index linked, unlike individuals' pay that is subject to annual pay awards. The bands have therefore remained unchanged at this level since they were introduced in the Accounts and Audit Regulations 2003.

The table below details the pay of Senior Officers.

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118,465	26,654	Director of Environment & Transport - Lucy Robinson	121,244	27,275	
103,485	22,042	Director of Public Protection, Social Inclusion and Diversity and Chief Fire Officer - Andy Fry	118,495	25,251	Note 2
86,975	19,570	Head of Scrutiny and Monitoring - Eric Whitfield	91,043	23,696	Note 3
89,550	20,149	Head of Strategic Finance (Section 151 Officer) - Geoff Dobson	90,128	20,278	Note 4

Note 1: Andrea Hill commenced with the Council on 21 April 2008.
Note 2: Andy Fry was the former Deputy Chief Fire Officer who acted as the Director and Chief Fire Officer from the 6 January 2009.
Note 3: Employer's pension contributions relating to Eric Whitfield include contributions payable in respect of his role as Returning Officer.
Note 4: Taxable benefits paid in 2009-2010 were to the Head of Strategic Finance and amounted to £152 (2008-2009 £172).

The Council also engaged the services of an interim Director of Children and Young People (Simon White) from April 2009 (£167,441) and an interim Director of Adults and Community Services, (Graham Gatehouse and Jenny Goodall) in 2009-2010 (£148,746) and Graham Gatehouse in 2008-2009 (£149,850).

The Local Government Pension Scheme (LGPS) is a statutory scheme and employer's contributions are assessed by the Actuary at each triennial valuation. The current employer's contribution rate is 22.5%. This amount contains 14.9% for future service funding and 7.6% in respect of the past service shortfall. This employer rate is not applicable for the Director of Public Protection, Social Inclusion and Diversity as this officer falls within the Fire Service Pension Scheme.

The next actuarial valuation of the LGPS will take place in 2010 and any changes will be effective from April 2011. This is a funded scheme and derives its income from investments, employee's contributions and employer's contributions.

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 cash.

Actuarial gains and losses
The changes in actuarial loss or gain 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 the following 31 March.

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

Capital expenditure
Spending on assets that have a long-term value, for example, land, buildings, 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 Council’s 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.

Glossary

Collection Fund Adjustment Account
The collection fund adjustment account contains the difference between the amount of Income from Council Tax included in the Income and Expenditure account and the amount required by regulation to be credited to the General Fund.

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 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 for one entity and a financial liability or equity instrument for another. The term “financial instrument” covers both financial assets and financial liabilities and includes the most straightforward of financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors).

Fixed asset
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 and Area Based Grant.

FRS
Financial Reporting Standard.

Glossary
An explanation of terms used.

Government grants
Support from the Government, government agencies and similar organisations (whether local, national or international) in the form of cash or transfers of assets to 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 reduction in value of a fixed asset resulting from, for example, fall in market values, obsolescence or physical damage. To comply with accounting standards the 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 to provide for debt redemption or for the discharge of other credit liabilities.

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

Net 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 is defined in the latest CIPFA Statement of Recommended Practice (SORP) 2009. This definition includes the following:

- Gross pay (before the deduction of employees' pension contributions)
- Compensation for loss of office and any other payments receivable on termination of employment
- Expense allowances chargeable to tax and other benefits (as declared on HM Revenue & Customs form P11D)

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.

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

Related parties
Two or more parties (individuals or organisations) are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party;
- the parties are controlled by the same source;
- one party has influence over the financial and operational policies of the other party, so the other party might not always feel free to follow its own separate interests; or
- the parties, in entering a transaction, are influenced by the same source to such an extent that one of the parties to the transaction has given favourable conditions to the other because of this outside influence.

Remaining Useful life
The length of time that a fixed asset is expected to be operational.

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

Revenue expenditure funded by capital under statute (formerly known as Deferred Charges)
Spending which does not result in the creation of a fixed asset but which by law we must treat as capital spending and can finance by capital sources including borrowing and capital grants.

Section 151 officer
Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. 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 on their behalf.

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