Suffolk County Council

Statement of Accounts

2011 - 2012

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Suffolk County Council

Statement of Accounts

for the year ended **31 March 2012**

Contents

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

Opinion on the Authority and firefighters' pension fund financial statements

I have audited the financial statements and the firefighters' pension fund financial statements of Suffolk County Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The Authority financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement and the related notes. The firefighters' pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Head of Strategic Finance and auditor

As explained more fully in the Statement of the Head of Strategic Finance Responsibilities, the Head of Strategic Finance is responsible for the preparation of the Statement of Accounts, which include the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and the firefighters pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Strategic Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:
- give a true and fair view of the financial position of Suffolk County Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:
- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;

• I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
• I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
• I exercise any other special powers of the auditor under the Audit Commission Act 1998. I have nothing to report in these respects

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12. 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Head of Strategic Finance and auditor

As explained more fully in the Statement of the Head of Strategic Finance Responsibilities, the Head of Strategic Finance is responsible for the preparation of the Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Strategic Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the pension fund's financial statements:
• give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012; and
• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.
I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of

Auditors’ report to Suffolk County Council

Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.
I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:
- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.
I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Suffolk County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

Neil Harris
District Auditor

Audit Commission, 3rd Floor, Eastbrook, Shaftesbury Road, Cambridge CB2 8BF

28 September 2012

Statement of Responsibilities for the Statement of Accounts

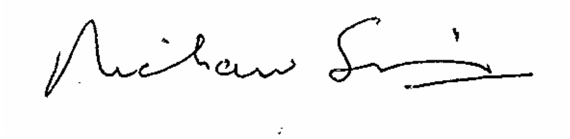
The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Strategic Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the statement of accounts

Certification
I confirm that these Accounts were approved by the Audit Committee at its meeting on 27 September 2012 on behalf of Suffolk County Council and have been authorised for issue.

Councillor R Smith MVO



Chairman of the Audit Committee

Date 27 September 2012

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

The Head of Strategic Finance is responsible for the preparation of the Council's 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 the Pension Funds at 31 March 2012, and the income and expenditure (spending) for the year to that date.

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

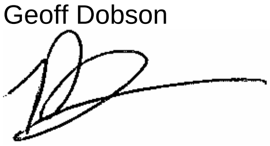
- chosen suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- followed the code of practice on local authority accounting.

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.

Certification
I certify that this statement of accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the Authority at 31 March 2012 and its income and expenditure for the year to that date.

Geoff Dobson



Head of Strategic Finance (Section 151 Officer)

Date 27 September 2012

Explanatory Foreword

1.0 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 2012, and to summarise the overall financial position of the Council as at 31 March 2012. 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 2011 - 2012 (the CODE) 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 Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2.2 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before transfers to the earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2.3 Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

2.4 Cash Flow Statement

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

2.5 The Group Accounts

Group Accounts are produced in the same format as the statements above. We are required to do this to reflect Suffolk County Council's 100% shareholding of its subsidiary Eastern Facilities Management Solutions

Limited, and 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 Joint Venture are BT and Mid-Suffolk District Council.

2.6 The Pension Accounts

The objective of the Local Government Pension Fund's financial statements is to provide information about the financial position, performance and financial sustainability of the Suffolk Pension Fund that is administered on behalf of the Scheduled 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 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 2011-2012 the CODE requires heritage assets to be reported separately in the Balance Sheet if considered material. The introduction of this has led to a prior year adjustment to reflect the heritage assets held by the council in the comparative periods. In addition during the production of the 2011-2012 statements the Council identified a number of adjustments that needed to be made to prior year figures. An accounting policy for prior year adjustments is now included in note 1. Please refer to note 1 paragraphs iii and xiii for these accounting policies and note 48 for the impact on the Comprehensive Income & Expenditure Account and Balance Sheet for prior years.

3.0 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 2011 - 2012

Full Year Budget (from budget book)	Summary	Current Full Year Budget	Outturn	Variance over (+) under (-) Budget
£ million		£ million	£ million	£ million
190.656	Adult and Community Services (ACS)	187.462	183.245	-4.217
88.531	Children and Young People (CYP)	80.373	76.365	-4.008
70.945	Economy, Skills and Environment (ESE)	70.139	67.875	-2.264
27.028	Public Protection, Social Inclusion & Diversity (PPSID)	24.898	24.810	-0.088
57.724	Resource Management (RM)	56.757	54.398	-2.359
52.212	Capital Financing and Corporate	50.670	50.492	-0.177
487.096		**470.299**	**457.185**	**-13.113**
-4.150	Agreed Use of (-) / Contribution to (+) Reserves	13.276		
-7.200	Council Tax Freeze Grant	-7.239		
0.000	New Homes Bonus	-0.590		
475.746	**BUDGET REQUIREMENT**	**475.746**		

Comments on the financial position of the Council and the main reasons for the under spending are set out overleaf:

3.1 Overall

In 2011 – 2012 the Council's outturn was £13.113 million less than the approved budget. When excluding the Dedicated Schools Grant under spend (see 3.3 below) this figure reduces to £10.825 million, approximately 1.6% of the gross budget of the Council (excluding schools). The level of under spend shows that the savings target of £42.520 million was met and exceeded as directorates managed resources in preparation for the further savings to be made in 2012 - 2013 and beyond in line with the Coalition Government's deficit reduction plan.

The cost and demand pressures relating to care services still represent a risk to the Council's budget for 2012 -2013, but the actions taken in the past year, such as investment in preventative services funded from money transferred from NHS Suffolk for Social Care via Primary Care Trusts, have laid a firm foundation for the management of this risk.

3.2 Adult and Community Services (ACS)

In 2011 - 2012 Adult & Community Services under spent by £4.217 million against its net budget of £187.462 million.

The care purchasing budgets were adjusted in 2011 - 2012 to provide adequate funds for all care groups, which along with strict budget management and the initiation of various measures, aimed to help ACS contain demand pressures in year, and set a foundation for managing that demand in future years.

The main element of change was to provide a greater emphasis on preventative measures, including re-ablement, across all areas of spend. Other successful initiatives included the 'moving on strategy' to move customers from residential settings to supported housing where it is appropriate. Various initiatives were agreed with the Primary Care Trusts (PCTs), including the setting up of a Suffolk Community Care line, in order to respond to customers quickly to avoid longer term care needs/costs. Also, there were on-going reviews of high cost packages of care.

The budget adjustments required other areas of the ACS budget to reduce their planned spending by 10% in 2011 - 2012.

The main reasons for the under spend of £4.217 million are that, in parallel with the measures described above, a very disciplined approach was also taken to managing vacancies throughout the year. The restructuring of social work teams and the re-ablement service resulted in on-going staffing savings as these measures were implemented. There were further under spends, that were mainly one-off, as internally provided services subject to moving to Social Enterprises or Industrial Provident Societies during 2012 - 2013, prepared themselves for this eventuality. Again, these services restricted their staff costs as vacancies arose during the year.

3.3 Children and Young People (CYP)

In 2011 - 2012, the directorate was under spent by £1.720 million against its base budget and under spent by £2.288 million on the Dedicated Schools Grant (DSG) giving an overall under spend of £4.008 million against a net budget of £80.373 million.

As a result of significant budget pressures and grant reductions, the directorate underwent considerable restructuring programmes during the year in order to ensure that available resources were targeted in the most effective way. This included the development of a new model of service delivery which provides more joined-up and responsive services to families. Over time, the redesigned service teams will reduce the need for complex and high cost statutory interventions, which will mean more savings are possible in future years.

The restructuring reduced the number of posts in the directorate, and a number of these were still vacant at the end of the financial year. The high vacancy level had an impact on the levels of non-pay spend, particularly in the new integrated teams, children's centres and the learning improvement service.

This under spend was partially offset by the costs of the continuing high number of purchased placements required to accommodate Looked After Children (LAC). 2011 - 2012 saw a net increase of 26 such placements. Recognising the financial risk this brings, the directorate have set up a project team that reviews all current packages and develops creative solutions and support packages to either keep children within their families and friends network, or makes best use of in-house provision. The best interests of the child remains paramount in any decision made about their care, and the review has already significantly reduced the numbers and costs of the LAC population.

The total of individual school balances increased by £3.492 million over the year - this is before any contribution from DSG reserve and funding of revenue costs. The school balances are being used to fund Schools Organisational Review (SOR) transition costs, and in 2011 - 2012, this meant a reduction of £4.424 million of these balances. However, given the level of DSG reserves at the end of the financial year, £5.000 million has been used to repay funds borrowed to date. This means that the overall school balances figure is £4.068 million higher than at the same point last year. The borrowing for SOR from these school balances will continue to be repaid from eventual savings delivered by the SOR programme, and other funding streams.

3.4 Economy, Skills & Environment (ESE)

The directorate under spent by £2.264 million against its net budget of £70.139 million. This includes an under spend of £1.000 million on Passenger Transport which largely related to concessionary fares. This was the first year that the County Council has operated the national scheme and the demand for the service has not been as high as expected. Administration costs associated with running the scheme are also lower than predicted.

The Waste service has under spent by £0.700 million due to tonnages being below expectations, particularly in relation to Household Waste Recycling Centres (HWRCs) and increased income from recyclates received at the HWRCs.

The highways service under spent by £0.461 million due to two main reasons. Firstly, much of the winter was relatively mild, with potholes and similar urgent defects much below the level of the last few winters. Consequently a contingency held within the highways budget against a possible overspend in this area was not required. Secondly, a major restructuring of the highways service has left a small number of vacancies, particularly in the highways area offices. It is not planned to leave these front line posts vacant in the long term, but they have resulted in an additional in-year saving.

3.5 Public Protection, Social Inclusion and Diversity (PPSID)

The final outturn position for the directorate was an under spend of £0.088 million against a net budget of £24.898 million. The Directorate, which includes the Fire Service, Trading Standards and Social Inclusion and Diversity, managed an effective delivery of service in a challenging year.

3.6 Resource Management (RM)

The final outturn position for the directorate was an under spend of £2.359 million against a net budget of £56.757 million.

The Customer Service Direct Ltd (CSD) contract under spent against budget by £1.235 million as a result of lower than expected indexation costs and the savings delivered by CSD exceeded the budget reduction. This under spend has been transferred to an earmarked reserve to fund the review of future back office requirements. Some of this under spend is one off but there are also ongoing savings which should enable the contract costs to be managed within the reduced 2012 - 2013 budget.

The most significant under spends within the other services of RM are in Scrutiny and Monitoring and Strategic ICT. Scrutiny and Monitoring has under spent by £0.400 million which is largely due to staff savings and additional income in Registrars and Audit Services. The under spend of £0.388 million in Strategic ICT is mainly associated with some projects being deferred to 2012 - 2013.

3.7 Capital Financing & Corporate

Capital Financing and Corporate under spent against its budget by £0.177 million against a net budget of £50.670 million.

The majority of the under spend relates to councillors locality budgets. This will be returned to councillors to be spent in 2012 – 2013.

The largest element of the budget is the capital financing budget. Interest rates continue to be low and stable and are forecast to remain so for the foreseeable future. This means that temporary savings are emerging within capital financing which have been used to partially offset some of the borrowing required for the capital programme and to defray future borrowing. This will help the budget position in later years.

4.0 Balance Sheet

Table 2 summarises the Council's Balance Sheet at 31 March 2012, compared to 31 March 2011.

Table 2: Balance Sheet as at 31 March 2012

Restated 31 March 2010 £ million	Restated 31 March 2011 £ million		31 March 2012 £ million	Increase/ Decrease (-) 2011-2012 from 2010-2011 £ million
1,865.692	1,841.568	Long Term Assets	1,680.479	-161.089
82.759	79.229	Current Assets	72.295	-6.934
-192.086	-162.965	Current Liabilities	-145.944	17.021
-1,020.538	-726.708	Long Term Liabilities	-802.329	-75.621
735.827	**1,031.124**	**Net Assets**	**804.501**	**-226.623**
126.634	131.100	Usable Reserves	166.693	35.593
609.193	900.024	Unusable Reserves	637.808	-262.216
735.827	**1,031.124**	**Total Reserves**	**804.501**	**-226.623**

Details of the balance sheet can be found on page 19 together with references to the notes that support each of the figures.

The movement between years for long term assets includes the transfer of 19 schools from the council to academies/free schools. The net book value of these assets transferred amounted to £205.600 million. For other movements in non current assets refer to note 12 in the notes to the core statements.

The majority of the increase in long term liabilities is due to the increase of £81.747 million for the pension liability (see section 7 overleaf).

5.0 Reserves

Table 3: Reserves as at 31 March 2012

	Balances of Reserves as at 31 March 2012	
	£ million	£ million
Specific Reserves		
Renewals	7.132	
Capital Financing	21.213	
Short Term Revenue Grants	7.970	
Service Activities	62.551	
		98.866
Service Reserves		
Adult and Community Services	12.241	
Children & Young People (non schools)	4.161	
Economy, Skills & Environment	5.770	
Public Protection (inc Social Inclusion & Diversity)	1.386	
Resource Management	5.643	
Corporate	0.465	
County Fund	10.680	
		40.346
General Fund (schools)	21.071	
Dedicated Schools Grant Reserve	6.410	
Total Schools Related Reserves		**27.481**
Grand Total		**166.693**

The figures in this table reconcile in total to the General Fund and Earmarked Reserves balances in note 8 on page 36 but are compiled on a different basis in order to reflect the difference between reserves available to the Council for general use and those that relate to schools.

The Council has £166.693 million of County Fund and Earmarked reserves. This includes reserves of £98.866 million which are earmarked for specific purposes. These reserves are for the renewal of vehicles and equipment (£7.132 million), funding of future capital expenditure (£21.213 million) and specific projects in services (£62.551 million). In addition where grant income has been received for a specific purpose but has not been spent in 2011 – 2012 this has been transferred to a short term revenue grant reserve (£7.970 million).
At the end of 2011 – 2012 the Council is holding schools related reserves of £27.481 million. These cannot be spent on non-school services.

The remaining balance of reserves (£40.346 million) is not earmarked for specific activities. The Council has just completed the first year of what will be six years of public expenditure reductions announced through the 2010 Comprehensive Spending Review and the Autumn Statement in 2011, this is going to be a long and extremely difficult journey. Therefore it is imperative that the Council has reserves that are not earmarked to bridge the timing of savings and to address further reductions in funding pending permanent reductions in spending being identified.

6.0 Capital Spending

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

Table 4: Actual Capital Spending compared to Planned Capital Spending

2010-2011 Capital Outturn £million		Planned Spending Programme 2011-2012 £million	Actual Expenditure 2011-2012 £million	Variance against Expenditure Programme £million
4.129	Adult & Community Services	5.109	1.835	3.274
72.517	Children and Young People	107.299	73.822	33.477
9.353	Schools	16.202	9.192	7.010
42.982	Economy, Skills and Environment	42.404	30.880	11.524
3.124	Public Protection Social Inclusion & Diversity	6.957	3.315	3.642
11.491	Resource Management	24.604	16.630	7.974
0	Fire PFI	4.722	4.722	-
143.596	**Total as per Cabinet Report**	207.297	140.396	66.901
8.172	Children & Young People	-	-	-
0.151	Economy, Skills and Environment	-	-	-
4.823	Fire PFI	-	-	-
156.742	**Total Expenditure as per the Accounts**	207.297	140.396	66.901

The main reasons for the differences between the planned capital spending programme and actual capital spending are set out below:

Adult and Community Services (ACS)

The Adult and Community Services capital programme in 2011 - 2012 was £5.109 million. Spending against this programme was £1.835 million, with £3.274 million moving into the 2012 – 2013 programme.

Included in the 2011 - 2012 ACS spend of £1.835 million is £0.581 million on Learning Disabilities supported housing, £0.300 million grant to the Museum of East Anglian Life and £0.130 million on improvements to residential homes.

Future remodelling of services necessitated work in 2011 - 2012 on planning and making proposals for future needs. Also, projects relating to ICT for improving management information totalling £0.593 million are now expected to be spent in 2012 - 2013.

Children & Young People (CYP)

The capital programme for Children & Young People in 2011 - 2012 was £107.299 million and £73.822 million was spent against this. As a consequence £33.477 million will move into the 2012 – 2013 programme.

Included in the 2011 – 2012 CYP spend of £73.822 million is £42.751 million on Schools Organisation Review (SOR) projects, £13.685 million on Lowestoft Sixth Form College, £2.263 million on Academies and Free schools, £4.331 million on health, safety and condition works and £4.520 million on other capital schemes at individual schools.

The SOR programme continues to be delivered within its overall budget and on time. There has been some changes to the timing of expenditure between 2011 – 2012 and 2012 – 2013 of £4.779 million. It is now planned to complete the SOR programme in the Bury St Edmunds area and this will cost about £11.000 million. This is to be accommodated within the existing CYP capital programme by re-prioritising planned spending within its grant allocation. To the extent that this is not entirely possible the Council will guarantee the residual shortfall of capital resources.

The detailed reports from independent surveys which were necessary for investment decisions relating to Building Schools for the Future legacy projects were only received in quarter two. The programme will therefore spend £6.107 million in 2012 - 2013.

A contingency of £6.002m that was held back for urgent school work was not spent. This related to health, safety and condition works and other schemes at individual schools.

There were some delays in the delivery of projects which are funded from the basic need allocation. Furthermore planning permission for Ipswich Academy and other academy work has been delayed. As a result of these delays £8.355 million will now be spent in 2012 - 2013.

Economy, Skills and Environment (ESE)

The Economy, Skills and Environment capital programme in 2011 - 2012 was £42.404 million, £30.880 million was spent against this leaving £11.524 million to move into the 2012 – 2013 programme.

Included in the 2011–2012 ESE spend of £30.880 million is £18.670 million on highways capital maintenance, £1.941 million on street lighting, £1.297 million on integrated transport, £1.085 million on Ipswich Transport Fit for the 21st Century and £0.768 million on the Lowestoft relief road.

There has been nil capital expenditure in the waste area of funds allocated to the construction of transfer stations and the improvement of Household Waste Recycling Centres. In the case of the transfer stations the waste service has been developing its strategy with the District and Borough Councils and the service is expected to proceed with the purchase of land and buildings for transfer stations to assist with the delivery of waste to the Energy from Waste facility in Great Blakenham. In the case of Household Waste Recycling Centres the waste service postponed its capital programme to assess the impact of recent service changes. Now that the position in both cases is much clearer expenditure will occur against the carry forward capital allocation of £6.493 million during the course of 2012 - 2013.

Spending of £4.006 million on the Integrated Transport programme will be spent in 2012 - 2013. This largely relates to Town Strategy and Development schemes where funding is focused on transport improvements in the larger market towns and urban areas. The funding is committed but some of the detail of the programme was not agreed until quite late in the financial year. In addition £0.797 million of the funding for the Ipswich Transport Fit for the 21st Century will now be spent in 2012 - 2013 in line with the revised delivery timetable.

Public Protection, Social Inclusion and Diversity (PPSID)

The Public Protection, Social Inclusion & Diversity capital programme in 2011 - 2012 was £6.957 million, spending against this was £3.315 million. As a result £3.642 million will be moved into the 2012 – 2013 programme.

Included in the 2011 – 2012 PPSID spend of £3.315 million is £1.889 million on the Ipswich East Fire Station and £0.713 million on vehicle and equipment renewals. The majority of the cost of the Ipswich East Fire Station is being funded by the capital receipt from the sale of Colchester Road Fire Station. However, this capital receipt is also funding some other smaller schemes so some of the fire estates improvement grant has been held back to meet the rest of the cost.

A number of fire vehicles were ordered in 2011 - 2012, but were not complete by the end of the financial year, so £1.001 million is expected to be spent in 2012 - 2013.

Resource Management (RM)

The Resource Management capital programme in 2011 - 2012 was £24.604 million, and RM spent £16.630 million against this. £7.974 million will be spent in 2012 - 2013.

Included in the 2011 – 2012 spend of £16.630 million is £6.259 million on the Corporate Network, £3.429 million on Landmark House, £2.836 million on renewable energy schemes and £1.137 million on ICT schemes. The final contribution of £0.800 million was given to University College Suffolk towards the Learning Network project.

The future of community facilities was reviewed in 2011 - 2012 and the £1.604 million resources allocated to Brandon Healthy Living Centre will now be used in 2012 - 2013 for alternate provision in the Brandon area.

Construction work at Landmark House started later than planned in the original budget so £1.200 million will now fall in 2012 - 2013. The first occupation of the building will be the end of July/beginning of August broadly in line with the planned timeframe. Additional works are planned for Endeavour House to complement the 're-stacking' exercise but the design works are not yet complete so £1.500 million will be carried forward into 2012 – 2013.

A three year capital plan for the ICT programme has been drafted which focuses on the strategic priorities that have been outlined in the new ICT strategy. The carry forward on the existing ICT programme of £0.967 million will be invested in the new ICT strategy.

7.0 Pensions

Suffolk County Council participates in three pension schemes, the firefighters', teachers' and local government pension schemes. These schemes are used to pay former employees their pension and other benefits when they retire. The liabilities of the Council in relation to the schemes are reported on the balance sheet in accordance with International Financial Reporting Standard 19 (IAS19). This showed a deficit at 31 March 2012 of £432.923 million (£351.176 million at 31 March 2011) in respect of the firefighters' and the local government pension schemes. The teachers' pensions scheme is administered nationally by the Teachers Pensions Agency and its liabilities are not reported separately in the accounts of individual local authorities. The Council's pension contributions towards the firefighters' and teachers' schemes are determined nationally by central government. The Suffolk Pension Fund, which administers the local government pension scheme, is subject to an independent actuarial valuation every three years, with the last valuation at 31 March 2010. The Pension Fund had a funding level of 82% at that date, which means that the fund's investments represented 82% of its liabilities. The actuary expects that the Council's contributions to the Pension Fund will result in a fully funded position by 2030. In between the statutory actuarial valuations the actuary monitors the estimated actuarial position of the Fund on a quarterly basis. The Pension Fund had an estimated funding level of 72% at 31 March 2012.

8.0 Treasury Management Practices and Prudential Indicators

The CIPFA Prudential Code sets out the governance arrangements for borrowing and lending. It states that the authorised limit and operational boundary is for total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. Both the authorised limit and the operational boundary should be consistent with the authority's plans for capital expenditure and financing; and with its treasury management policy statement and practices.

The Council's approved prudential indicators for 2011 - 2012 are compared with the outturn position at 31 March 2012 in table 5 overleaf. All new borrowing and all lending that was undertaken during 2011 - 2012 was in accordance with the Council's approved prudential indicators for the year.

Table 5: Approved Prudential Indicators Compared to the Outturn Position 2011 – 2012

Capital expenditure	**2011-2012 Approved**	**2011-2012 Actual**
Incremental impact of capital expenditure decisions on Band D Council Tax		
Net impact (after capital grant and use of capital receipts)	£3.51	£3.02
Ratio of financing costs to net revenue expenditure	7.06%	6.79%
Capital financing requirement at 31 March 2012	£606m	£594m
Borrowing		
Net external borrowing at 31 March 2012 (compared with capital financing requirement)	£350m	£326m
Authorised borrowing limit (compared with maximum gross external borrowing)	£606m	£373m
Operational boundary for external borrowing (compared with maximum gross borrowing)	£450m	£373m
Treasury Management		
Upper limit on net borrowing at fixed interest rates (compared with maximum net borrowing)	£450m	£333m
Upper limit on net borrowing at variable interest rates (compared with maximum net borrowing)	£135m	-£7m

The Council's total gross external debt was £346 million at 31 March 2012 (£340 million at 31 March 2011). This was substantially below the Council's capital financing requirement (£594 million at March 2012), which is the statutory ceiling on external borrowing for capital purposes. This reflects the Council's approach to treasury management, which makes use of internal balances and other reserves wherever possible to reduce the need for external borrowing.

All of the Council's external borrowing at March 2012 consisted of Public Works Loan Board (PWLB) and other long-term market loans amounting to £336 million plus temporary borrowing of £10 million. The average rate of interest on the Council's external borrowing at March 2012 was 3.74% (3.83% at March 2011). Comparable figures for the borrowing costs for other authorities at March 2012 are not yet available, at March 2011 only three county councils had a lower interest rate on their external debt than Suffolk, and the average county council interest rate at that date was 4.5%.

The Council's investment strategy has been reviewed during the year. The Council makes use of money market funds, which are rated by all three major rating agencies (Moody's, Fitch and Standards and Poor's). They must have a rating with each agency equivalent to Moody's top rating of AAA (in relation to the risk of default) with a market risk (MR) rating of MR1+ (in relation to the risk of variation in the market value of the investment). This is the highest credit rating that is available. In addition the Council requires that the money market funds have assets under management in excess of £2.5 billion. The maximum amount that the Council will place in any individual money market fund is £25 million. The Council had three money market fund accounts in place with Scottish Widows Investment Partnership, Deutsche and Goldman Sachs as at 31 March 2012. Deutsche has subsequently decided to discontinue its rating from Fitch and the Council no longer makes use of the Deutsche money market fund.

The Council also has an account with the Debt Management Account Deposit Facility, which is operated by the UK 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.

The Council had no sums on deposit at March 2012 (£22 million at March 2011). All deposits made during the year were in accordance with the Council's approved treasury policies. The Council's approach on sums lent to counterparties is to restrict these to short-term deposits. The Council had no deposits invested for periods of longer than one year at any point during 2011 - 2012.

9.0 Looking to the future

The Council agreed the 2012 – 2013 budget at its meeting on 9th February 2012 (the budget report can be found at http://committeeminutes.suffolkcc.gov.uk under "Browse by Committee" then "County Council").

In the medium and long term the Council faces very serious challenges in the context of significantly reduced resources as set out in the Comprehensive Spending Review (CSR) published on 20 October 2010 and the Autumn Statement made on 29 November 2011.

The Chancellor's Spending Review in 2010 made clear the pressures on the public sector finances and the proposals to address these. The government's four year deficit reduction plan was originally intended to remove the structural deficit by 2015 – 2016 but the Chancellor's autumn statement published in November 2011 extended the period of public spending reductions until 2017 as the economy's growth potential is now much weaker than previously forecast.

The local government finance settlement announced in 2011 - 2012 was the toughest settlement councils have ever faced. The reductions were front loaded resulting in Formula Grant reductions for the Council of £27 million in 2011 – 2012 (a reduction of 12.7%) and £15.6 million in 2012 – 2013 (a reduction of 8.1%). This will be followed by further reductions in subsequent years of similar amounts.

When the 2012 - 2013 budget was prepared the financial strategy was to deliver a corporate savings plan which would close the forecast budget gap over the next two years whilst providing revenue and capital resources to address the longer term goals for Suffolk. This was to allow some flexibility to plan the changes required for later years to meet the reduction in government grant.

The key headline figures for the budget are as follows:

Changes in Financing the Budget 2011- 2012 to 2012- 2013

	£'000
2011 - 2012 Adjusted Budget	483,574
Reduction in Formula Grant	-15,568
Reduced Collection Fund Surplus	-1,408
Increase in Council Taxbase	907
Increase in New Homes Bonus	801
Council Tax Grant 2012 - 2013	7,277
Net Expenditure Budget 2012 - 2013	475,583

The change in Formula Grant of £15.568 million represents a reduction of 8.1% on a comparable figure for 2011– 2012. The cost pressures from inflation, demand and demography together with an increase in the contingency in order to manage risk total £18.199 million. The combined effect of the changes in grant and the cost pressures resulted in a savings requirement of £26.190 million, as shown in the table overleaf:

Explanatory Foreword

Budget Gap and its financing 2012 - 2013

	£'000	£'000
Inflation	5,330	
Demand & Demography	6,919	
Addition to Contingency	5,950	
		18,199
Loss of Formula Grant		15,568
Total Funding Gap		**33,767**
Less:		
Council Tax Increase - Tax Base	907	
Reduced Collection Fund Surplus	-1,408	
		-501
Additional New Homes Bonus		801
Council Tax Grant 2012 - 2013		7,277
Savings Required		**26,190**

Since the autumn statement, further information from the Treasury suggests that cuts in public expenditure will be longer and deeper until at least 2019 and it is expected that the settlements in 2015 - 2016 and 2016 - 2017 will be as tough as those under the current spending review period. There is a serious possibility that government spending will continue to fall or be held flat in real terms until early in the next decade.

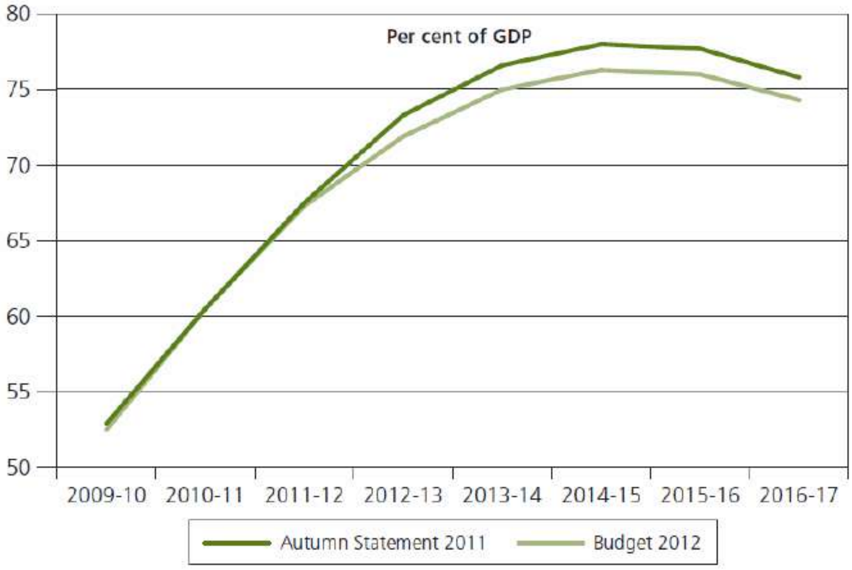
In the Budget on 21 March 2012 the Chancellor confirmed that the government would be implementing fiscal consolidation as planned. The budget had three themes:

- creating a stable economy;
- a fairer, more efficient and simpler tax system;
- and further reforms to support growth

In the Budget the forecast growth in GDP was 0.8%, for 2013 it is 2% and 2.7% for the following two years. Inflation was expected to fall to 1.9% by 2013 and be around 2% for 2015 and 2016. In the May 2012 inflation report the Bank of England reduced its forecast for economic growth and other commentators suggest that these forecasts may still be too optimistic.

It is expected that the structural deficit will reach 7.6% of GDP next year, with the share of GDP taken by the state falling to 43% next year. Borrowing will be £126 billion this year, £120 billion next year and it will be £21 billion by 2016 - 2017. In order to reduce this deficit the government is implementing welfare reforms which will reduce spending by £8 billion, and there will be some increases in tax receipts. However, the majority of the deficit reduction will come from cuts in public spending

Public Sector net debt is expected to peak at 76.3% in 2014 - 2015, as shown in the chart overleaf.



Source: Office for Budget Responsibility, Office for National Statistics and HM Treasury

The Bank of England base rate of interest has now been 0.5% since March 2009 and as economic growth is very fragile a rise in interest rates is unlikely until autumn 2013.

The Consumer Price Index (CPI) inflation figure for April 2012 was 3%, having fallen gradually since September 2011 when it was 5.2%. The Retail Price Index (RPI) was 3.5% in April 2012. The Bank of England Monetary Policy Committee no longer expects inflation to fall back below the 2% target in this year but acknowledges the degree of uncertainty. This is partly due to recent increases in energy prices.

The future financial position for the Council is further complicated by the Local Government Resource Review and planned changes to the Council Tax Benefit system.

Under the current system local authorities collect business rates and pay them over to Central Government, and they are redistributed as part of the formula grant settlement which is needs based. Under this model funding to local authorities is guaranteed and Central Government takes the income risk.

The government are proposing the implementation of a new financing system in April 2013 where business rates are retained at a local level so that local authorities will be able to gain from business growth in their area. Under the new system a central share equivalent to 50% of rates collected will be paid over to Central Government which will be used to fund grants to local authorities, including the revenue support grant which remains under the new system. This will pass some income risk for business rates to Local Authorities.

The Council Tax Benefit system is also being changed so that a new grant will be paid directly to all billing and precepting authorities and will be 10% less than the current grant which is currently paid into District Council Collection Funds and is passed to precepting authorities as part of their council tax income. This could result in a reduction in funding depending on the success of mitigation strategies. The introduction of wide ranging welfare reforms during 2013 may also have ‘unintended’ consequences for the Council’s services and their financing. More details on both these changes are awaited.

In addition the Council will face changes to the schools funding formula and to the way money is transferred from the Local Education Authority to Academies to fund their new responsibilities. Both of these will have an adverse effect on the Council’s budget from April 2013.

At the Annual General Meeting of the Council on 24th May 2012, the leader Councillor Bee set out five clear priorities for the next twelve months:

- Economic growth and jobs
- Education
- Caring for vulnerable people
- Localism and ‘Our Place’
- Building on Suffolk’s strengths

Councillor Bee also stated that these will be underpinned by strong financial management.

Major Projects
The council is continuing to push ahead with a number of major projects and future developments which will contribute to these priorities. They are summarised below:

Broadband Network

The Council has been successful in being approved by Broadband Delivery UK (BDUK) as being ready to tender for an extended and improved Broadband Network for Suffolk. BDUK have allocated approximately £11 million of government funds to support the project, and the Council has already agreed to contribute up to £10 million. The Council is currently waiting for BDUK to complete the signing of the framework contract with the bidders and for outstanding state aid issues to be resolved. Once this has been completed the Council will be able to formerly issue its Invitation to Tender.

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 for Groups 1, 2 and 3 will be met from future efficiencies (subject to the national funding formula constraints), resulting from there being fewer schools and from DSG reserves. The capital costs associated with this programme is dependent on several funding streams to deliver phases 1, 2 and 3 amounting to £103.600 million.

Capital funding to complete the reorganisation to a two-tier system of education in all but one of the remaining areas has been approved by Cabinet and is funded from different sources which include the Education Formula capital allocation and from funding identified to address legacy issues which arose following the cancellation of the Building Schools for the Future programme. The revenue costs to complete the reorganisation in the remaining areas will be shared between the schools and the Local Authority and will be subject to approval by Cabinet.

The Schools Organisation Review now forms part of ‘Raising the Bar’, which is a joined-up response to tackle the issue of unacceptable levels of educational attainment in Suffolk. The focus is on raising attainment and aspiration across the whole age range from early years to further education in Suffolk. It also involves linking the jobs on offer in Suffolk with the skills needed by improving connections between employers and schools and colleges in Suffolk.

Residential Care Contract

During 2011 - 2012 a major procurement exercise has taken place to establish a contract with an external provider to redevelop and manage Suffolk County Council owned care homes. The contract is due to be signed later this year subject to negotiations being completed to the Council’s satisfaction. The contract is likely to be worth about £15 million per annum and will result in the transfer of over 1,000 staff in the early part of 2013.

Waste – Residual Waste Facility (Energy from Waste)

The Energy from Waste Plant is a multi-million pound scheme and will receive £102.000 million of PFI credits. The contract was signed in October 2010. It is due to be operational from December 2014. This time last year there were several risks identified that could impact on the future cost of the scheme including delays to planning, inflation and currency fluctuations. Planning and permitting approvals were received in 2011, and a currency deal to eliminate exchange rate risk was also completed. Although inflation remains a major risk for the County Council, the other project concerns are now around the construction and commissioning of the plant, which are primarily risks borne by the contractor. The report to Cabinet in September 2010 assessed the sensitivity of these issues in the context of affordability and the final business case.

Single Public Sector Estate

During 2011 - 2012, the joint Suffolk Police and Suffolk County Council project at Landmark House entered its construction phase. The project is due to be completed during the summer of 2012, with occupation being phased from the end of July through to early September.

Suffolk County Council are also looking at a developing a new shared office space with Waveney District Council to replace existing buildings. The business case for the project is currently being developed.

New Ways of Working

During 2011 - 2012 the council has continued to identify those Council services where it is in the best interests of both the Council and Community, from a financial, political and service perspective, for the service to transfer outside the Council. The process has been strengthened with the introduction of a series of checkpoints. The first checkpoint tests that the initial concept aligns with Directorate service strategies. The next checkpoint tests that the business case is in the best interests of the County Council, with the final checkpoints testing the proposed new organisation is viable and has good prospects to flourish. The Gateway processes have a high degree of political involvement through the Councillor New Ways of Working Group. Furthermore statutory officers are involved to ensure legal and financial probity.

During 2011 - 2012 two large services have been divested. Suffolk Traded Services was set up as a wholly owned company “Eastern Facilities Management Solutions Ltd” (EFMS) whilst the sensory services team left the Council and was established as ‘Sensing Change’ as part of a two year Department of Health pilot.

There are eleven divestments currently scheduled for 2012 - 2013. The savings associated with these divestments have been built into the budget planning assumption of individual directorates in 2012 - 2013 and 2013 - 2014. One of the largest programmes is the formal procurement process which is currently underway to appoint a private sector contractor to provide an integrated highways service. This contract is due to start on 1 April 2013 and competitive dialogue is currently taking place.

Conclusion

In 2011-12 the Council started on a long and extremely difficult journey of austerity. A good start has been made through the successful delivery of budgeted savings of £42.5 million and a two year savings plan for 2012 - 2013 and 2013 - 2014 of £53 million is being implemented which is designed to protect front line services. However, the Council still needs to find forecast savings of over £100 million between 2014 - 2015 and 2017 -2018.

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 much appreciated throughout these uncertain and difficult 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 Louise Aynsley, Corporate Finance Manager, Constantine House, 5 Constantine Rd, Ipswich, IP1 2DH (phone 01473 265651).

Geoff Dobson
Head of Strategic Finance

Comprehensive Income and Expenditure Account

2010 - 2011 Restated Gross Expenditure £ million	Restated Gross Income £ million	Restated Net Expenditure £ million		Notes	2011 - 2012 Gross Expenditure £ million	Gross Income £ million	Net Expenditure £ million
3.402	-1.369	2.033	Central services to the public		3.933	-2.069	1.864
0.954	-0.002	0.952	Court services (Coroners)		0.871	0.000	0.871
21.647	-2.777	18.870	Cultural and related services		21.693	-2.236	19.457
7.726	-4.827	2.899	Planning services		5.610	-3.124	2.486
42.160	-8.079	34.081	Environmental and regulatory services		41.323	-10.181	31.142
793.644	-546.159	247.485	Education and children's services ***		642.989	-499.468	143.521
30.023	-2.738	27.285	Fire services		34.810	-3.784	31.026
68.199	-13.242	54.957	Highways and transport services		66.894	-6.509	60.385
16.709	-0.430	16.279	Housing services (Supporting People)		11.886	-0.169	11.717
251.719	-55.402	196.317	Adult social care		268.717	-70.425	198.292
8.786	-0.034	8.752	Corporate and democratic core		7.213	-0.065	7.148
-130.595	-0.016	-130.611	*Non distributed costs **		-3.196	-0.064	-3.260
1,114.374	**-635.075**	**479.299**	**Net cost of services**	24	**1,102.743**	**-598.094**	**504.649**
16.683	-5.921	10.762	Other operating expenditure	9	207.050		207.050
35.202	-0.682	34.520	Financing and investment income and expenditure	10	23.989	-0.997	22.992
	-589.216	-589.216	Taxation and non-specific grant income	11		-567.745	-567.745
1,166.259	**-1,230.894**	**-64.635**	**Surplus (-) or Deficit on Provision of Services**	24	**1,333.782**	**1,166.836**	**166.946**
		-3.711	Surplus (-) or deficit on revaluation of Property Plant and Equipment assets	20			-23.679
		-226.950	Actuarial gains (-)/losses on pension assets/liabilities	39			83.354
		-230.661	**Other Comprehensive Income and Expenditure**				**59.675**
		-295.296	**Total Comprehensive Income and Expenditure**				**226.621**

* The negative non distributed cost in 2010 - 2011 is caused by the negative past service gain on the International Accounting Standard (IAS) 19 Employee Benefits adjustment which covers the Pension Liabilities of the authority. The adjustment is due to existing benefits reducing as a result of the move from using the Retail Price Index to the Consumer Price Index.

** The negative non distributed cost in 2011 - 2012 is due to an overall gain of £3.963 million from curtailments and settlements identified by the actuary in relation to accounting for IAS 19.

*** Reduction in expenditure and income reflects the transfer of a number of schools to academy status.

Movement in Reserve Statement

	County Fund £ million	Earmarked General Fund Reserves £ million	Capital Grants Unapplied Account £ million	Renewals Reserves £ million	Capital Contributions Unapplied £ million	Total Usable Reserves £ million	Unusable Reserves £ million	Total Authority Reserves £ million
Restated Balance at 31 March 2010	**28.769**	**82.285**	**3.579**	**10.513**	**1.488**	**126.634**	**609.193**	**735.827**
Movement in reserves during 2010/11								
Surplus or (deficit) on provision of services	64.635	0.000	0.000	0.000	0.000	**64.635**		**64.635**
Other Comprehensive Expenditure and Income	0.000	0.000	0.000	0.000	0.000	**0.000**	230.661	**230.661**
Total Comprehensive Expenditure and Income	**64.635**	**0.000**	**0.000**	**0.000**	**0.000**	**64.635**	**230.661**	**295.296**
Adjustments between accounting basis and funding basis under regulations (note 7)	**-60.168**					**-60.168**	**60.168**	**0.000**
Net Increase/Decrease before Transfers to Earmarked Reserves	**4.467**	**0.000**	**0.000**	**0.000**	**0.000**	**4.467**	**290.829**	**295.296**
Transfer to/from earmarked reserves (note 8)	-5.607	7.480	-0.058	-2.700	0.884	**-0.001**	0.002	**0.001**
Increase/Decrease in Year	**-1.140**	**7.480**	**-0.058**	**-2.700**	**0.884**	**4.466**	**290.831**	**295.297**
Balance at 31 March 2011 carried forward	**27.629**	**89.765**	**3.521**	**7.813**	**2.372**	**131.100**	**900.024**	**1,031.124**
Movement in reserves during 2011/12								
Surplus or (deficit) on provision of services	-166.946					**-166.946**		**-166.946**
Other Comprehensive Expenditure and Income						**0.000**	**-59.675**	**-59.675**
Total Comprehensive Expenditure and Income	**-166.946**	**0.000**	**0.000**	**0.000**	**0.000**	**-166.946**	**-59.675**	**-226.621**
Adjustments between accounting basis and funding basis under regulations (note 7)	204.862	1.899	-2.050	0.000	-2.171	**202.540**	**-202.540**	**0.000**
Net Increase/Decrease before Transfers to Earmarked Reserves	**37.916**	**1.899**	**-2.050**	**0.000**	**-2.171**	**35.594**	**-262.215**	**-226.621**
Transfer to/from earmarked reserves (note 8)	-33.794	34.475	0.000	-0.681	-0.001	**-0.001**	-0.001	**-0.002**
Increase/Decrease in Year	**4.122**	**36.374**	**-2.050**	**-0.681**	**-2.172**	**35.593**	**-262.216**	**-226.623**
Balance at 31 March 2012 carried forward	**31.751**	**126.139**	**1.471**	**7.132**	**0.200**	**166.693**	**637.808**	**804.501**

Balance Sheet

31 March 2010 Restated £ million	31 March 2011 Restated £ million		Notes	31 March 2012 £ million
1,859.595	1,835.237	Property, Plant and Equipment	**12**	1,668.828
0.906	0.906	Heritage Assets	**49**	0.906
0.142	0.007	Long-term Investments	**13**	0.008
5.049	5.418	Long-term Debtors	**13**	10.737
1,865.692	**1,841.568**	**Total Long-Term Assets**		**1,680.479**
24.531	22.329	Short Term Investments	**13**	23.476
5.640	3.867	Assets Held for Sale	**17**	4.975
0.947	1.323	Inventories	**14**	1.282
51.635	51.688	Short Term Debtors	**15**	42.552
0.006	0.022	Landfill Allowances	**45**	0.010
82.759	**79.229**	**Current Assets**		**72.295**
-11.773	-23.131	Cash and Cash Equivalents	**16**	-30.083
-53.886	-7.518	Short Term Borrowing	**13**	-17.514
-102.754	-101.464	Short Term Creditors	**18**	-80.164
-0.615	-0.292	PFI Liability	**35**	-0.165
-23.058	-30.560	Provisions	**19**	-18.018
-192.086	**-162.965**	**Current Liabilities**		**-145.944**
-4.897	-5.527	Provisions	**19**	-6.513
-289.585	-336.079	Long Term Borrowing	**13**	-332.573
-11.954	-11.350	Other Long Term Liabilities	**13**	-8.225
-4.807	-9.641	PFI Liability	**35**	-13.999
-692.238	-351.176	Liability related to Defined Benefit Pension Scheme	**39**	-432.923
-17.057	-12.935	Capital Grants Receipts in Advance	**31**	-8.096
-1,020.538	**-726.708**	**Long Term Liabilities**		**-802.329**
735.827	**1,031.124**	**Net Assets**		**804.501**
126.634	131.100	Usable Reserves	**8**	166.693
609.193	900.024	Unusable Reserves	**20**	637.808
735.827	**1,031.124**	**Total Reserves**		**804.501**

Cash-flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The inflows and outflows are purely on a cash basis excluding debtors and creditors.

2010 - 2011 Restated £ million		Notes	2011 - 2012 £ million
-64.635	**Net surplus (-) or deficit on the provision of services**		**166.946**
-34.440	Adjust net surplus or deficit on the provision of services for non cash movements		-268.414
88.399	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		86.740
-10.676	Net cash flows from Operating Activities		**-14.728**
26.361	Investing Activities	**22**	30.276
-4.327	Financing Activities	**23**	-8.596
11.358	**Net increase (-) or decrease in cash and cash equivalents**		**6.952**
11.773	Cash and cash equivalents at the beginning of the reporting period		23.131
23.131	**Cash and cash equivalents at the end of the reporting period**		**30.083**

1. Accounting Policies

i General principles

The Statement of Accounts summarises the Council's transactions for the 2011 - 2012 financial year and its position at the year end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011 - 2012 and the Service Reporting Code of Practice 2011 - 2012 supported by International Financial Reporting Standards and statutory guidance issued under section 21(2) of the 2003 Local Government Act.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

ii Accruals of income and expenditure

The Council's financial statements are prepared on an accruals basis. This means that, within material levels, income and expenditure is recognised in the Accounts in the accounting period in which the effect of the relevant transactions take place and not in the period in which cash is received or paid.

This means that:

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

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

- transactions related to grant funding
- transactions 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.

iii Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance.

Where a change is made, it is applied retrospectively by adjusted opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

iv Events after reporting period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

v Provisions, contingent liabilities and contingent assets

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

The Council maintains a number of provisions as detailed within note 19 to the accounts on pages 45 and 46. Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. The provisions are reviewed annually to ensure that the amounts held on the Balance Sheet represent the best estimates of the expenditure required to settle the obligations.

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with reliability.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities and assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

vi Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure is to be financed from a reserve, it is charged to the appropriate service revenue account in that year to count against the Net Cost of Services in the Comprehensive Income and Expenditure Account. The reserve is then 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 non current 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 8 to the accounts on page 36.

vii Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that the grant or contributions are required to be consumed or must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it is applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

viii Employee benefits

Post-employment benefits

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

- **Teachers** – The Teachers' Pension Scheme is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). It is a defined benefit final salary scheme. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the 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, SCC pay the extra pension.
- **Fire-fighters** – The Fire-fighters' 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 Fire-fighters, any deficit on these payments is covered by a Top-Up Grant from Central Government. The liabilities of the Fire-fighters 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 fire-fighters. The cost of pensions and other benefits is provided from the Pension Fund, except for the extra costs the Council has 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 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 2011 - 2012 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:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pension's liability is analysed into seven components:

- 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.
- 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.
- 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.
- 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.
- 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.
- Actuarial gains and losses - changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Comprehensive Income and Expenditure Account.
- Contributions paid to the Suffolk County Council Pension Fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

For more information on Employee Benefits and IAS19 please refer to note 39 on page 72 of the accounts.

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service lines in the Comprehensive Income and Expenditure

Account when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

ix VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

x Overheads and support services

The costs of the Council's support services are fully recharged to direct services. Charges are based on time allocations and other appropriate bases. Other overhead costs are dealt with in accordance with CIPFA Service Reporting Code of Practice 2011- 2012 (SeRCOP). In accordance with this Code, Corporate and Democratic Core and Non Distributed Costs are charged to the Net Expenditure on Continuing Services.

xi Recognition of property, plant and equipment (PPE)

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

PPE can be:

- operational assets (land, buildings, vehicles, plant and equipment, roads and community assets such as parks and open spaces); and
- non-operational assets (such as land waiting to be developed and surplus assets held for disposal).

Spending on PPE is recorded in our accounts when the work has been carried out or when the asset has been delivered to us, rather than when the Council actually pays for it. In this year's accounts the Council has 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Comprehensive Income and Expenditure Account, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Account, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Under International Financial Reporting Standards (IAS16) any asset that is owned by the Council but its use is not controlled by the Council will not be recognised as an asset on the Balance Sheet. Any asset that is not owned but is controlled by the Council will be recognised on the Balance Sheet providing it meets the recognition criteria above. Therefore, we recognise Community and Voluntary Controlled schools on the Balance Sheet, but not Voluntary Aided, Foundation or Academy schools.

xii Measurement and depreciation

Property, Plant and Equipment are initially measured at cost. Assets are then carried in the Balance Sheet at value, and where they have a limited useful life, are reduced in value (depreciated) according to the following policies:

	Value in Balance Sheet	Depreciation period
Operational land & buildings (excluding community assets)	Existing use value if there is a market for the asset. If not, the asset is valued at 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 or valuation – except that community assets held at 1 April 1994 for which the historic cost or value was not known, were given a token value of £1,000.	No depreciation charge
Assets under construction	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.

Where appropriate property assets have been valued on a component basis. This methodology accounts for significant items of the property which have a different life span from the main fabric of the building. On this basis the components will be depreciated individually, reflecting their operational life.

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. Where decreases in value are identified, they are accounted for in the Revaluation Reserve where there is a balance of revaluation gains for the asset. Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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. Where new capital expenditure is incurred the enhancement or new asset is recognised from the 1st October in the year of purchase. Therefore, six months of depreciation is calculated in the year of purchase and the asset continues to be depreciated until the date of disposal.

xiii Heritage assets

All assets maintained principally for their contribution to knowledge and culture will be recognised at valuation in the Balance Sheet, subject to the de minimis levels shown in note xi. Valuations may be made by any method that is appropriate and relevant; this may include, for example, insurance valuations. Where it is not practicable to obtain a valuation the assets will be measured at historical cost. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset will not be recognised in the Balance Sheet but a disclosure will be made in the notes to the accounts. Acquisitions of heritage assets will initially be recognised at cost.

A full revaluation every five years is not required. However, the carrying amount of all heritage assets will be reviewed regularly to ensure they remain current. An impairment review will only be undertaken where it is evident that the asset has suffered physical deterioration. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note xiv in this summary of significant accounting policies.

Heritage Assets will not be subject to a depreciation charge.

xiv Impairment of property, plant and equipment

Assets are reviewed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for in the following way:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Account.

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

xi Charges to revenue for the use of non current assets

Service revenue accounts, central support services and trading accounts are debited with the following amounts to record the cost of holding assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are not accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise council tax to cover depreciation, amortisation and impairment losses. However, the Council is required by law to make a provision for the repayment of debt, known as a Minimum Revenue Provision (MRP). Up until 2007 - 2008 this was calculated as 4.0% of the 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 4.0% of the 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 Comprehensive Income & Expenditure Account are therefore replaced by MRP in the Movement in Reserves Statement, 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.

xvi Disposal of non current assets

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Account also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xvii Revenue expenditure funded from capital under statute and de minimis spending

Revenue expenditure funded from capital under statute is capital spending that does not result in the creation of an asset for the Council. Examples include capital grants that are made to other organisations, spend on schools not owned by the Council and revenue spending directed by the government to be treated as capital. De minimis spending is where capital assets are bought below the recognition value in section xi and are not recognised in the fixed asset register. We transfer revenue expenditure funded from capital under statute and de minimis spending to the revenue account in the year in which the money is spent. A transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged to avoid any impact on the level of council tax.

xviii Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

The Council as Lessee
The Council will recognise finance leases as assets in the Balance Sheet at the lower of fair value and the present value of minimum lease payments. Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Account as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor
Any finance lease granted by the Council will have the relevant asset written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Where the Council grants an operating lease, the asset is retained in the Balance Sheet and depreciated accordingly.

xix Financial liabilities

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

xx Financial assets

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

xxi Inventories and work in progress

Inventories 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.

xxii Interests in companies and other entities

The Council has a 100% shareholding in Eastern Facilities Management Solutions (EFMS). This means that EFMS is a subsidiary of the Council. The Council also has a material interest in Customer Services Direct Ltd, a joint venture with BT and Mid Suffolk District Council. In the Council’s own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

xxiii Landfill allowances

Background

The Waste and Emissions Trading Act 2003, places a duty on waste disposal authorities (WDA’s) 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 Landfill allowance trading scheme

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 allowance allocated free by DEFRA is treated as a government grant that should be accounted for under IAS 20 Accounting for Government Grants. Accordingly, the grant is initially recognised as income in the Comprehensive Income and Expenditure Account when no conditions remain to be satisfied.

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, regulatory, and planning services line within the Comprehensive 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 2011 - 2012 transactions please refer to note 45 on page 81.

xxiv 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 non current assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the non current assets used under the contracts on the Balance Sheet. This accounting treatment is in line with International Financial Reporting Standards (IFRS).

The original recognition of these non current assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

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

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

For details of 2011 - 2012 transactions please refer to note 35 on page 68.

xxv Accounting for council tax

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

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

The cash collected by the billing authorities from council tax debtors belongs proportionately to the billing authorities, Suffolk Police Authority and Suffolk County Council. Therefore, the Council shows in their Balance Sheet their proportion of council tax debtors and corresponding creditors showing the amount then owed to the billing authorities.

xxvi Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Bank balances and cash held by the Council at the 31 March are therefore clearly cash equivalent sums. For short term investments there are no strict criteria to follow relating to the nature and maturity of these items. The Council holds short term investments for the purpose of obtaining a gain or return and its policy is that fixed term deposits of any length should be classed as an investment and not a cash equivalent on the Balance Sheet.

xxvi i Carbon reduction commitment

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions produced i.e. carbon dioxide, as energy is used. As carbon dioxide is emitted a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date.

The purchase of allowances will occur in June 2012 as the commitment arises at the point which the energy consumes and carbon dioxide is emitted. A listed creditor has been recognised in the Balance Sheet for the allowance and debited to the Comprehensive Income and Expenditure Account in the Cost of Services. Allowances are purchased at £12 per tonne of carbon dioxide for all properties owned by the Council, including academy schools within the local authority catchment area.

xxviii Basis of consolidation for the group accounts

The Group Accounts have been prepared using the group accounts requirements of the CODE. Companies that are within the Council's group boundary have been included in the Council's group accounts to the extent that they are either quantitatively or qualitatively material to users of the financial statements. This will give the reader the ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

The Council's subsidiary EFMS Ltd has been consolidated on a line by line basis, subject to the elimination of intra-group transactions from the statements, in accordance with the CODE. The joint venture, CSD Ltd, has been consolidated using the equity method.

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

2. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2012 - 2013 has introduced a change in accounting policy in relation to amendments to IFRS 7 Financial Instruments: Disclosures, which will need to be fully adopted by the Council in the 2012 – 2013 financial statements (i.e. it applies from 1 April 2012).

The amendments are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Council's position. An example of this is where an authority retains ownership of a financial asset but contracts with another party to reassign the cash flows generated by the instrument at the same time as substantially retaining the risks and rewards of ownership.

This type of situation does not occur frequently in local authorities and does not apply to the Council, and will therefore not have a material impact on the Council's financial statements in 2012 – 2013.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Note 42 details the Council's Investment Strategy and approach to managing risk. None of the Council's investments are impaired.
- The Council's significant contracts have been reviewed and no embedded finance leases or service concessions found. The Council has two Private Finance Initiative contracts. One for the provision /

refurbishment of Fire Stations and one for the provision of an energy waste incinerator. Note 35 provides details.

- There has been a recent consultation by CIPFA on the recognition of non current schools' assets. The results of this consultation were inconclusive and CIPFA has established a review group to clarify this issue. As a result, the Council continues to apply the judgement that where the Council controls the admission policies of the school it controls the future economic benefits in relation to that asset. Therefore, we recognise Community and Voluntary Controlled schools on the Balance Sheet, but not Voluntary Aided, Foundation or Academy schools.

4. Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The depreciation policy followed by the Council can be seen in note 1.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Provisions	The Council has made a number of provisions in the accounts (e.g insurance liabilities, redundancy programmes), see note 19 for details. These provisions are estimates of the potential liability and the final costs may be	
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged to provide the Authority with expert advice about the assumptions to be applied.	During 2011 - 2012, the Authority's actuaries advised that the net pensions liability had increased by £81.747 million. Further senstivity analysis on pension liabilities are in Note 39.

5. Material Items of Income and Expense

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

£205.600 million of non current assets have been transferred to 18 Academies and 1 Free School which opened during 2011 – 2012. These costs are recognised within Other Operating Expenditure as a loss on disposal.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Strategic Finance on 27 June 2012. Events taking place after this date are not reflected in the financial statements or notes.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2012 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date:

Academies
Since 31 March 2012 3 schools have become Academies, and a further 3 are currently planning to convert during 2012 – 2013, although this figure may change as the year progresses.

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

Schools Organisation Review
11 middle schools will close at the end of August 2012 as part of the Schools Organisation Review programme. The assets are retained by the Council and remain recognised on the Council's balance sheet. The Council then explores if other schools can make use of the facilities or if there is benefit from use by the local community. If this is not possible an application is made to Central Government to demolish the buildings and make the sites safe. Following this the sites would be reviewed to form part of the overall property strategy of the Council.

New Ways of Working
As part of the Council's change programme, and in order to help meet financial savings targets while still ensuring that quality services are available to citizens, the Council is divesting elements of its services into other organisations.

The Library Service is due to transfer to an Industrial Provident Society (IPS) from the 1 August 2012. The Council is also transferring short break and day services to people with learning disabilities into another IPS called Leading Lives from 1 July 2012.

The Council will make contract payments to these IPS organisations, and the transfer is expected to achieve savings in the region of £1.000 million per annum from 2013 - 2014.

A Community Interest Company, called Realise Futures, is being set up in order to transfer into it the employment support services for people with learning disabilities. This is due to transfer on the 1 November 2012. By 2013 - 2014 savings in the region of £0.270 million are expected from this transfer.

The Council currently operates 16 residential care homes. From 1 October 2012 it is proposed that these homes will transfer to Care UK for them to operate the homes under a 25 year contract. The contract is in final stages of negotiation. Advantages from this arrangement will be that the quality of accommodation will be improved over the life of the contract and the types of care provided will better suit the future needs of Suffolk residents.

Changes to the Local Government Pensions Scheme
The Local Government Association and trade unions have recently announced changes to the Local Government Pension Scheme that will take effect from 1 April 2014. The cost and governance implications of this for councils are being examined and reviewed at a national level.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure Account recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010 - 2011 Restated	Usable Reserves General Fund Balance £ million	Movement in Unusable Reserves £ million
Adjustments primarily involving the Capital Adjustment Account:		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:		
Charges for depreciation and impairment of non current assets	-125.971	125.971
Capital grants and contributions that have been applied to capital financing	85.064	-85.064
Revenue expenditure funded from capital under statute	-38.172	38.172
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	-22.547	22.547
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:		
Statutory provision for the financing of capital investment	20.524	-20.524
Capital expenditure charged against the General Fund balances	18.186	-18.186
Use of the Capital Receipts Reserve to finance new capital expenditure	1.755	-1.755
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account (see note 39)	64.501	-64.501
Employer's pensions contributions and direct payments to pensioners payable in the year	49.611	-49.611
Adjustments primarily involving the Collection Fund Adjustment Account:		
Amount by which council tax income credited to the Comprehensive Income and Expenditure Account is different from council tax income calculated for the year in accordance with statutory requirements	1.494	-1.494
Adjustment primarily involving the Accumulating Compensated Absences Adjustment Account		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Account on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5.723	-5.723
Total Adjustments	**60.168**	**-60.168**

2011 - 2012	Usable Reserves			
	General Fund Balance £ million	Capital Receipts Reserve £ million	Capital Grant/Contributions Unapplied Account £ million	Movement in Unusable Reserves £ million
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:				
Charges for depreciation and impairment of non current assets	-50.194			50.194
Revaluation losses on Property, Plant and Equipment	-40.672			40.672
Capital grants and contributions that have been applied to capital financing	81.281			-81.281
Income in relation to donated assets	0.626			-0.626
Revenue expenditure funded from capital under statute	-30.007			30.007
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	-209.128			209.128
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:				
Statutory provision for the financing of capital investment	20.893			-20.893
Capital expenditure charged against the General Fund balances	9.764			-9.764
Adjustment primarily involving the Capital Grants/Contributions Unapplied Account				
Capital grants and contributions credited to the Comprehensive Income and Expenditure Account	1.346		-1.346	0.000
Application of grants to capital financing transferred to the Capital Adjustment Account			5.567	-5.567
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	4.243	-4.243		0.000
Use of the Capital Receipts Reserve to finance new capital expenditure		2.344		-2.344
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account (see note 39)	-43.826			43.826
Employer's pensions contributions and direct payments to pensioners payable in the year	45.433			-45.433
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Account is different from council tax income calculated for the year in accordance with statutory requirements	-0.889			0.889
Adjustment primarily involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Account on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	6.268			-6.268
Total Adjustments	**-204.862**	**-1.899**	**4.221**	**202.540**

Notes to the Core Statements

8. Transfers to/from Earmarked Reserves

	Restated Balance at 1 April 2010 £ million	Transfers between Reserves £ million	Transfers Out 2010-2011 £ million	Transfers in 2010-2011 £ million	Balance at 1 April 2011 £ million	Transfers between Reserves £ million	Transfers Out 2011-2012 £ million	Transfers in 2011-2012 £ million	Balance at 31 March 2012 £ million
Schools Balances	**18.160**	0.000	-5.207	4.050	**17.003**		-1.032	5.100	**21.071**
County Fund General Reserve	**10.609**	0.000	-0.009	0.026	**10.626**			0.054	**10.680**
Total County Fund	**28.769**	**0.000**	**-5.216**	**4.076**	**27.629**	**0.000**	**-1.032**	**5.154**	**31.751**
General Service Reserves									
Adult & Community Services	**1.792**	5.342	-2.044	2.592	**7.682**		-0.228	4.445	**11.899**
Children & Young People	**1.769**	0.000	-4.198	0.795	**-1.634**	1.795	-2.250	5.762	**3.673**
Economy, Skills & Environment	**2.460**	0.000	-0.769	0.430	**2.121**	0.256	-0.007	2.289	**4.659**
Public Protection, Social Inclusion & Diversity	**1.250**	0.000	-0.395	0.411	**1.266**	-0.052	-0.150	0.321	**1.385**
Resource Management	**2.931**	0.340	-0.195	0.116	**3.192**	-0.547	-0.821	1.933	**3.757**
Corporate	**0.359**	0.000	0.000	0.000	**0.359**			0.106	**0.465**
Total General Service Reserves	**10.561**	**5.682**	**-7.601**	**4.344**	**12.986**	**1.452**	**-3.456**	**14.856**	**25.838**
Specific Activity Reserves									
Adult & Community Services	**6.742**	-5.316	-1.802	6.385	**6.009**		-3.771	7.142	**9.380**
Children & Young People	**1.646**	0.000	-0.720	1.563	**2.489**	-0.800	-0.682	5.006	**6.013**
Economy, Skills & Environment	**6.414**	0.000	-1.763	0.841	**5.492**	0.858	-0.196	0.441	**6.595**
Public Protection, Social Inclusion & Diversity	**1.596**	0.031	-0.143	0.965	**2.449**		-0.212	0.444	**2.681**
Resource Management	**5.680**	-0.887	-2.209	1.273	**3.857**	0.491	-1.109	0.360	**3.599**
Corporate	**21.321**	0.969	-10.780	18.970	**30.480**	-4.751	-7.303	15.857	**34.283**
Total Specific Activity Reserves	**43.399**	**-5.203**	**-17.417**	**29.997**	**50.776**	**-4.202**	**-13.273**	**29.250**	**62.551**
Other Reserves									
Traders Reserves	**4.007**	0.000	-1.380	1.426	**4.053**	-0.166	-0.754	0.695	**3.828**
Capital Financing Reserve	**3.900**	4.077	-12.839	12.850	**7.988**	4.000	-3.423	6.758	**15.323**
Capital Receipts Reserve	**0.000**	-3.000	0.000	5.320	**2.320**		-2.344	4.243	**4.219**
Central Schools Reserves	**4.170**	0.000	-1.795	1.129	**3.504**		-1.560	4.466	**6.410**
Short Term Revenue Grants Reserve	**16.249**	0.000	-16.249	8.138	**8.138**		-8.138	7.970	**7.970**
Total Other Reserves	**28.326**	**1.077**	**-32.263**	**28.863**	**26.003**	**3.834**	**-16.219**	**24.132**	**37.750**
Total General Fund Reserves	**82.286**	**1.556**	**-57.281**	**63.204**	**89.765**	**1.084**	**-32.948**	**68.238**	**126.139**
Capital Grants Unapplied (Reserve)	**3.578**	0.000	-1.520	1.463	**3.521**		-3.250	1.200	**1.471**
Capital Contributions Unapplied (Reserve)	**1.488**	0.000	-1.861	2.745	**2.372**		-2.372	0.200	**0.200**
Renewals Reserves	**10.513**	-1.556	-4.697	3.553	**7.813**	-1.084	-1.995	2.398	**7.132**
Total Capital & Renewals Reserves	**15.579**	**-1.556**	**-8.078**	**7.761**	**13.706**	**-1.084**	**-7.617**	**3.798**	**8.803**
Total Useable Reserves	**126.634**	**0.000**	**-70.575**	**75.041**	**131.100**	**0.000**	**-41.597**	**77.190**	**166.693**

Purpose of the Earmarked Reserve

- Any unspent schools funds are held in schools balances.
- The county fund general reserve is held to support the future cost of services.
- General service reserves exist in each directorate to meet future service needs and projects.
- Specific activity reserves are held for a clearly identified purpose, for example one-off projects or specific services.
- Traders' reserves have been established by all of the trading organisations as a result of the surplus they make each year and are used to fund future activity or development.
- The capital financing and capital receipts reserve is held to finance future capital spend.
- Unspent dedicated schools grant is held in the central schools reserves.
- Where grant income has been received for a specific purpose but has not yet been applied this has been transferred to the short term revenue grants reserve.
- Capital grants that have been received and have not yet been used to finance capital spend are held in the capital grants unapplied reserve.
- Capital contributions that have been received and have not yet been used to finance capital spend are held in the capital contributions unapplied reserve.
- Renewals reserves are held by each service that has assets such as vehicles and equipment. These reserves are used to finance the purchase of replacement vehicles and equipment.

9. Other Operating Expenditure

2010 - 2011 £ million		2011 - 2012 £ million
0.611	Payments to the Environment Agency	0.611
0.384	Payments to the Eastern Inshore Fisheries and Conservation Authority	0.454
-5.921	Gains/losses on trading operations (note 25)	0.916
15.688	Gains/losses on the disposal of non current assets	205.069
10.762	**Total**	**207.050**

10. Financing and Investment Income and Expenditure

2010 - 2011 £ million		2011 - 2012 £ million
13.844	Interest payable and similar charges	14.436
21.358	Pensions interest cost and expected return on pensions assets	9.553
-0.682	Interest receivable and similar income	-0.997
34.520	**Total**	**22.992**

11. Taxation and Non-Specific Grant Income

2010 - 2011 £ million		2011 - 2012 £ million
-287.524	Council tax income	-289.586
-147.509	Non domestic rates	-141.525
-65.784	Non-ringfenced government grants (note 31)	-53.328
-88.399	Capital grant and contributions (note 31)	-83.306
-589.216	**Total**	**-567.745**

12. Property, Plant and Equipment

Movements in 2010 - 2011:

	Other Land and Buildings £ million	Vehicles, Plant & Equipment £ million	Infrastructure Assets £ million	Community Assets £ million	Surplus Assets £ million	Assets Under Construction £ million	Total Property, Plant and Equipment £ million
Cost or Valuation							
At 1 April 2010 Restated	1,473.270	93.492	424.653	0.488	16.386	26.318	**2,034.607**
Additions	62.346	13.502	35.537		0.134	7.051	**118.570**
Donations							**0.000**
Revaluation increases/(decreases) recognised in Revaluation Reserve and in the Surplus/Deficit on the provision of service	-87.273			0.071	-1.521		**-88.723**
Derecognition - Disposals	-18.414	-0.989		-0.072			**-19.475**
Assets reclassified (to) / from Held for Sale	-1.278				-1.267		**-2.545**
Other movements in Cost or Valuation	13.673		16.571		-1.000	-29.246	**-0.002**
At 31 March 2011	**1,442.324**	**106.005**	**476.761**	**0.487**	**12.732**	**4.123**	**2,042.432**
Accumulated Depreciation and Impairment							
At 1 April 2010 Restated	49.461	56.537	67.961		1.053		**175.012**
Restatements	0.010						**0.010**
Depreciation charge & Impairment losses recognised in the Surplus/Deficit on the provision of Services	12.476	15.207	11.499		0.047		**39.229**
Depreciation written out to the Revaluation Reserve	-5.708						**-5.708**
Derecognition - Disposals	-0.476	-0.871					**-1.347**
Other movements in Cost or Valuation	0.993				-0.993		**0.000**
At 31 March 2011	**56.756**	**70.873**	**79.460**	**0.000**	**0.107**	**0.000**	**207.196**
Net Book Value							
At 31 March 2011	**1,385.568**	**35.132**	**397.301**	**0.487**	**12.625**	**4.123**	**1,835.237**
At 31 March 2010	**1,423.809**	**36.955**	**356.692**	**0.488**	**15.333**	**26.318**	**1,859.595**

Movements in 2011 - 2012:

	Other Land and Buildings £ million	Vehicles, Plant & Equipment £ million	Infrastructure Assets £ million	Community Assets £ million	Surplus Assets £ million	Assets Under Construction £ million	Total Property, Plant and Equipment £ million
Cost or Valuation							
At 1 April 2011	1,442.324	106.005	476.761	0.487	12.732	4.123	**2,042.432**
Restatements	-3.996	3.568			-0.195		**-0.623**
Additions	53.171	13.497	29.625	0.002	1.149	12.945	**110.389**
Donations		0.626					**0.626**
Revaluation increases/(decreases) recognised in Revaluation Reserve	23.730				-0.794		**22.936**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-44.383				-0.655		**-45.038**
Derecognition - Disposals	-215.416	-2.502					**-217.918**
Impairments to Revaluation Reserve					-5.101		**-5.101**
Impairments to surplus/deficit on the provision of services					-2.880		**-2.880**
Assets reclassified (to) / from Held for Sale	-3.441				0.025		**-3.416**
Other movements in Cost or Valuation	-18.301		0.638		18.301	-0.638	**0.000**
At 31 March 2012	**1,233.688**	**121.194**	**507.024**	**0.489**	**22.582**	**16.430**	**1,901.407**
Accumulated Depreciation and Impairment							
At 1 April 2011	56.756	70.873	79.460	0.000	0.107	0.000	**207.196**
Restatements	-0.422	-0.826			-0.003		**-1.251**
Depreciation charge	21.916	15.362	12.684	0.000	0.231		**50.193**
Depreciation written out to the Revaluation Reserve	-4.083						**-4.083**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-7.214				-0.033		**-7.247**
Impairment losses / (reversals) recognised in the Revaluation Reserve					-1.132		**-1.132**
Derecognition - Disposals	-9.135	-1.962					**-11.097**
Other movements in Depreciation and Impairment	-1.103				1.103		**0.000**
At 31 March 2012	**56.715**	**83.447**	**92.144**	**0.000**	**0.273**	**0.000**	**232.579**
Net Book Value							
At 31 March 2012	**1,176.973**	**37.747**	**414.880**	**0.489**	**22.309**	**16.430**	**1,668.828**
At 31 March 2011	**1,385.568**	**35.132**	**397.301**	**0.487**	**12.625**	**4.123**	**1,835.237**

Restatements of £0.623 million for cost and £1.251 million for depreciation relate to disposals and category movements identified as part of a review between the Council's fixed asset register and Corporate Property records. It also includes five operational land and building assets identified as part of the annual revaluation exercise that were not previously carried on the Council's Balance Sheet and additional asset adjustments omitted in 2010 - 2011.

Capital commitments

At 31 March the Council has committed to a programme for the construction or enhancement of Property, Plant and Equipment in 2012 - 2013 and future years budgeted to cost £185.752 million. Similar commitments at 31 March 2011 were £155.571 million. The major commitments are:

Schools Organisation Review	£30.256 million
Building Schools for the Future Legacy Schemes	£19.957 million
Academies and Free Schools	£36.413 million
Ipswich Transport Fit for the 21st Century	£20.434 million
Waste Transfer Stations	£15.000 million

£33.988 million of the Academies and Free Schools commitments is to be financed from ring fenced grants to be received from the Department for Education.

Valuations
The Council carries out a rolling programme that revalues all property and surplus assets on a five year basis. Where valuations have taken place, properties have been valued as at 1 April 2011 or as at the date the asset or significant enhancement became operational. Valuations were carried out by Norfolk Property Services in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

All the valued properties are operational and have been valued on the basis of Fair Value in Existing Use. In some cases where part or all of a property is considered to be of a specialist nature for which there is inadequate market evidence of value in existing use, the value has been calculated on a Depreciated Replacement Cost (DRC) basis. The DRC has been calculated having regard to the prospect and viability of the continuance of the use at the valuation date. In recognition of the International Financial Reporting Standards buildings have been valued on a component basis in accordance with the accounting policy detailed in note 1.

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

	Other land and buildings £ million	Vehicles, Plant, Equipment £ million	Infrastructure assets £ million	Community assets £ million	Surplus Assets £ million	Total £ million
Carried at historical cost	0.000	121.194	507.024	0.489	0.000	628.707
Value at fair value as at:						
31 March 2011	212.241	0.000	0.000	0.000	0.057	212.298
31 March 2010	174.307	0.000	0.000	0.000	0.465	174.772
31 March 2009	256.231	0.000	0.000	0.000	0.486	256.717
31 March 2008	268.849	0.000	0.000	0.000	0.298	269.147
Prior to 2008	322.060	0.000	0.000	0.000	21.276	343.336
Total Cost or Valuation	**1,233.688**	**121.194**	**507.024**	**0.489**	**22.582**	**1,884.977**

13. Financial Instruments

The following categories of financial instruments are carried in the balance sheet:

	Long-term		Current	
	31 March 2011 £ million	31 March 2012 £ million	Restated 31 March 2011 £ million	31 March 2012 £ million
Investments				
Loans and receivables	0.005	0.005	22.329	23.476
Unquoted equity investment at cost	0.002	0.003		
Total investments	**0.007**	**0.008**	**22.329**	**23.476**
Debtors				
Loans and receivables	5.418	10.737	24.850	19.577
Total borrowings	**5.418**	**10.737**	**24.850**	**19.577**
Borrowings				
Financial liabilities at amortised cost	336.079	332.573	7.518	17.514
Total borrowings	**336.079**	**332.573**	**7.518**	**17.514**
Other Long Term Liabilities				
PFI liabilities	9.641	13.999	0.292	0.165
Deferred liabilities	11.350	8.225		
Total other long term liabilities	**20.991**	**22.224**	**0.292**	**0.165**
Creditors				
Financial liabilities at amortised cost			90.877	86.137
Total creditors	**-**	**-**	**90.877**	**86.137**

The long term loans and receivables are long term debtors plus long term investments (less the investment in CSD of £0.002 million and £0.001 million in Eastern Facilities Management Solutions). The short term loans and receivables are identified as short term investments with an adjusted debtors figure to again only include contractual items. The Council have adjusted for council tax debtors, Inland Revenue balances and the non statutory bad debt provision. The debtor figure has been reduced by £22.975 million in 2011 – 2012.

The long term financial liabilities are disclosed as long term borrowing, PFI liability and other long term liabilities on the balance sheet. The short term financial liabilities are disclosed as short term borrowing, PFI liability and cash and cash equivalents on the balance sheet plus an adjusted creditors figure. Creditors have been adjusted to only include items that are contractual. Adjustments have been made to exclude council tax creditors, National Insurance, PAYE, VAT and any receipts in advance. The creditors' figure that can be seen on the balance sheet has been reduced by £24.110 million in 2011 - 2012.

Income, Expense, Gains and Losses

This table provides information in respect of financial instruments that form part of the values set out within the Comprehensive Income and Expenditure Account:

	2010-2011 Financial Liabilities	2010-2011 Financial Assets		2011-2012 Financial Liabilities	2011-2012 Financial Assets	
	Liabilities measured at amortised cost	Loans and receivables	Total	Liabilities measured at amortised cost	Loans and receivables	Total
	£ million	£ million	£ million	£ million	£ million	£ million
Interest expense	-13.844		**-13.844**	-14.436		**-14.436**
Losses on derecognition	-0.062	-0.226	**-0.288**		-0.272	**-0.272**
Impairment (losses)/gain		-0.286	**-0.286**		0.032	**0.032**
Total expense in Surplus or (Deficit) on the Provision of Services	**-13.906**	**-0.512**	**-14.418**	**-14.436**	**-0.240**	**-14.676**
Interest income		0.682	**0.682**		0.997	**0.997**
Gains on derecognition	0.045	0.000	**0.045**		0.003	**0.003**
Total income in Surplus or (Deficit) on the Provision of Services	**0.045**	**0.682**	**0.727**	**0.000**	**1.000**	**1.000**
Net gain/(loss) for the year	**-13.861**	**0.170**	**-13.691**	**-14.436**	**0.760**	**-13.676**

Fair value of assets & liabilities carried at amortised cost

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors 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 2012 of 3.754% for loans from the PWLB and 3.925% for other loans payable
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the 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:

Fair value creditors

	31 March 2011 Restated		31 March 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£ million	£ million	£ million	£ million
Financial liabilities	455.757	446.904	458.613	451.146

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders below current market rates.

Fair value debtors

	31 March 2011		31 March 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£ million	£ million	£ million	£ million
Loans and receivables	47.179	47.179	43.053	43.053
Long-term debtors	5.425	5.425	10.745	10.745

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

14. Inventories

The table below details the purchases and expenses during the year and any adjustments to reconcile to the value of the inventory held at 31 March 2012. Revaluation increases/decreases have resulted from the update of cost rates in the inventory systems used to reflect the accurate value of inventory items held.

	Consumable Stores		Maintenance Materials		Total	
	2010 - 2011 £ million	2011 - 2012 £ million	2010 - 2011 £ million	2011 - 2012 £ million	2010 - 2011 £ million	2011 - 2012 £ million
Balance outstanding at start of year	**0.566**	**0.539**	**0.380**	**0.784**	**0.946**	**1.323**
Purchases	4.111	2.122	2.543	2.250	**6.654**	**4.372**
Recognised as an expense in the year	-4.164	-2.399	-2.152	-1.970	**-6.316**	**-4.369**
Written off balances	-0.003	-0.023	-0.002	-0.013	**-0.005**	**-0.036**
Reversals of write-offs in previous years	0.028	0.000	0.000	-0.009	**0.028**	**-0.009**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0.001	0.000	0.015	0.000	**0.016**	**0.000**
Balance outstanding at year-end	**0.539**	**0.239**	**0.784**	**1.042**	**1.323**	**1.281**

15. Debtors

31 March 2011 £ million		31 March 2012 £ million
14.304	Central government bodies	11.785
21.734	Other local authorities	13.976
3.083	NHS bodies	1.909
0.593	Public corporations and trading funds	0.061
11.974	Other entities and individuals	14.821
51.688	**Total**	**42.552**

16. Cash and Cash Equivalents

31 March 2011 Restated £ million		31 March 2012 £ million
0.010	Cash held by the Authority	0.010
-23.141	Bank current accounts	-30.093
-23.131	**Total**	**-30.083**

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

31 March 2011 £ million		31 March 2012 £ million
1.500	Suffolk Strategic Partnership	1.353
13.967	Improvement East Partnership	4.123
6.718	Monies held on behalf of vulnerable adults	5.069
0.000	New Anglia Local Enterprise Partnership	18.201
0.000	Nuclear Legacy Advisory Forum	0.174
0.000	Eastern Safeguarding Project	0.204
0.000	Areas of Outstanding Natural Beauty Partnership	0.212
0.000	Other Grants (Balances less than £0.150 million)	0.245
22.185		**29.581**

These funds, in accordance with the CODE, have been excluded from the Council's balance sheet.

17. Assets Held for Sale

31 March 2011 £ million		31 March 2012 £ million
5.640	**Balance outstanding at start of year**	3.867
	Assets newly classified as held for sale:	
2.545	Property, Plant and Equipment	4.207
	Assets declassified as held for sale:	
0.000	Property, Plant and Equipment	-0.791
-4.318	Assets sold	-2.308
3.867	**Balance outstanding at year-end**	**4.975**

18. Creditors

31 March 2011 £ million		31 March 2012 £ million
-35.424	Central government bodies	-10.932
-18.162	Other local authorities	-11.858
-2.259	NHS bodies	-1.064
-1.030	Public corporations and trading funds	-0.617
-44.589	Other entities and individuals	-55.693
-101.464	**Total**	**-80.164**

19. Provisions

Current

	Outstanding Legal Cases £ million	Injury and Damage Compensation Claims £ million	Other Provisions £ million	Total £ million
Balance at 1 April 2011	-0.394	0.000	-30.166	-30.560
Additional provisions made in 2011-2012	-0.080	0.000	-15.891	-15.971
Amounts used in 2011-2012	0.000	0.000	11.454	11.454
Unused amounts reversed in 2011-2012	0.000	0.000	17.059	17.059
Balance at 31 March 2012	**-0.474**	**0.000**	**-17.544**	**-18.018**

Outstanding Legal Cases
The Legal case relates to an obligation for a settlement against the Employment Tribunal judgement on prevention of less favourable treatment of part time workers within the Fire Service. The provision has been increased based on latest information. A negotiated settlement is expected to be reached in 2012 - 2013.

Other Provisions
There are three significant other provisions, Benefits Payable during Employment (£10.149 million), Redundancy (£6.791 million) and Schools (£0.604 million).

Benefits Payable during Employment refers to benefits that employees receive as part of their contract of employment, entitlement that is built up as they work for the Council. The most significant benefit covered by this heading is holiday pay.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Therefore, amounts are transferred to the Accumulated Absences Account on the Balance Sheet until the benefits are used. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The most significant is £7.881 million which relates to teachers working in schools and is governed by where the end of term falls in relation to 31 March.

The redundancy provision reflects the potential costs of redundancy settlements where the consultation period in relation to specific redundancy programmes has commenced.

A provision of £0.604 million has been included in respect of the exit costs from IT lease contracts. The contracts are currently under dispute but we have been advised by legal that there is a strong probability that these will have to be settled.

Non-current

	Outstanding Legal Cases £ million	Injury and Damage Compensation Claims £ million	Other Provisions £ million	Total £ million
Balance at 1 April 2011	0.000	-5.527	0.000	-5.527
Additional provisions made in 2011-2012	0.000	-1.993	0.000	-1.993
Amounts used in 2011-2012	0.000	1.007	0.000	1.007
Balance at 31 March 2012	**0.000**	**-6.513**	**0.000**	**-6.513**

Injury & Damage Compensation Claims
This provision is an estimate of claims relating to motor, public liability and employers liability insurance. Most of the claims on an individual basis are insignificant, however significant claims are subject to a deductible excess which will be reimbursed by the insurer if it is breached.

20. Unusable Reserves

31 March 2011 Restated £ million	Unusable Reserves	31 March 2012 £ million
250.252	Revaluation Reserve	220.397
1,015.809	Capital Adjustment Account	859.817
-351.176	Pensions Reserve	-432.923
1.555	Collection Fund Adjustment Account	0.666
-16.417	Accumulated Absences Account	-10.149
900.024	**Total Unusable Reserves**	**637.808**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31 March 2011 Restated £ million	Revaluation Reserve	31 March 2012 £ million
252.607	**Balance at 1 April**	250.252
	Restatements	-2.675
3.715	Revaluation of assets	27.020
	Impairment of assets	-3.969
256.322	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	270.628
-4.862	Difference between fair value depreciation and historical cost depreciation	-4.253
-1.208	Accumulated gains on assets sold or scrapped	-45.978
-6.070	Amount written off to the Capital Adjustment Account	-50.231
250.252	**Balance at 31 March**	**220.397**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Account (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account

31 March 2011 Restated £ million		31 March 2012 £ million
1,070.903	**Balance at 1 April**	**1,015.809**
	Restatements	3.303
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account:	
-125.974	Charges for depreciation and impairment of non current assets	-90.866
-38.172	Revenue expenditure funded from capital under statute	-30.007
-22.547	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	-209.128
-186.693		-330.001
6.070	Adjusting amounts written out of the Revaluation Reserve	50.231
-180.623	Net written out amount of the cost of non-current assets consumed in the year	-279.770
	Capital financing applied in the year:	
1.755	Use of the Capital Receipts Reserve to finance new capital expenditure	2.344
85.064	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	86.848
20.524	Statutory provision for the financing of capital investment charged against the General Fund	20.893
18.186	Capital expenditure charged against the General Fund	9.764
125.529		119.849
	Income related to Donated Assets Account credited to the Comprehensive Income and Expenditure Account	0.626
1,015.809	**Balance at 31 March**	**859.817**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Account as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve

31 March 2011 £ million		31 March 2012 £ million
-692.238	**Balance at 1 April**	-351.176
226.950	Actuarial gains or losses (-) on pensions assets and liabilities	-83.354
64.501	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-43.826
49.611	Employer's pensions contributions and direct payments to pensioners payable in the year	45.433
-351.176	**Balance at 31 March**	**-432.923**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Account as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account

31 March 2011 £ million		31 March 2012 £ million
0.061	**Balance at 1 April**	1.555
1.494	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-0.889
1.555	**Balance at 31 March**	**0.666**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Accumulated Absences Account

31 March 2011 £ million			31 March 2012 £ million	
	-22.140	**Balance at 1 April**		-16.417
22.140		Settlement or cancellation of accrual made at the end of the preceding year	16.417	
-16.417		Amounts accrued at the end of the current year	-10.149	
	5.723	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		6.268
	-16.417	**Balance at 31 March**		**-10.149**

21. Operating Activities

The cash flows for operating activities includes the following:

2010-2011 £ million		2011-2012 £ million
-0.682	Interest received	-0.966
13.844	Interest paid	14.420
13.162	**Total**	**13.454**

22. Investing Activities

2010-2011 Restated £ million		2011-2012 £ million
122.654	Purchase of property, plant and equipment, investment property and intangible assets	110.782
1,068.377	Purchase of short-term and long-term investments	1,052.690
-1.755	Proceeds from the sale of property, plant and equipment	-4.243
-1,077.632	Proceeds from short-term and long-term activities *	-1,049.144
-85.283	Other receipts from investing activities	-79.809
26.361	**Net cash flows from investing activities**	**30.276**

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

23. Financing Activities

2010-2011 Restated £ million		2011-2012 £ million
-91.441	Cash receipts of short- and long-term borrowing	-70.042
0.000	Other cash receipts from financing activities	-0.889
-4.834	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	-4.358
91.344	Repayments of short and long-term borrowing	63.567
0.604	Other payments for financing activities	3.126
-4.327	**Net cash flows from financing activities**	**-8.596**

24. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service as shown in the Comprehensive Income and Expenditure Account is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council’s Cabinet on the basis of budget reports analysed across Cabinet directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Account)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

A description of the Council’s directorates are as follows:

Adult & Community Services (ACS)
This includes three main elements that appear in the statement of accounts:

- Adult Social Care – includes both the provision and the purchase of services for older people, mental health, learning disabilities and physical disabilities. Within this, the main services include residential and nursing care, homecare, day-care, and supported living, plus the associated assessment and care management functions. The majority of fees and charges income within ACS comes from charges for adult social care services
- Community Services – includes libraries and archives (record offices) and cultural and sports funding
- Housing – this is Supporting People payments for housing related support.

Children & Young People (CYP)
This area is broken down into three distinct parts:

Children's Services – Within this area the main services include:
- Corporate Parenting, which includes the provision and purchase of placements for Looked After Children, providing a high quality, safe, flexible family placement service. This includes fostering, agency placements and children's homes.
- Adoption Service offers access to information, along with advice and support to provide a permanent, stable home to a child or young person.
- Safeguarding service which promotes the welfare of children and focuses on protecting children from significant harm.
- Integrated teams in each locality working with vulnerable children, young people and families. The integrated teams include, school nurses, health visitors, children's centres, parent support advisers, family support workers, Common Assessment Framework co-ordinators, some social workers, education welfare officers and youth workers. Integrated Service Delivery Teams focuses on preventative services such as Family Support, and is a way of working alongside children, young people, their families and communities where everyone shares responsibility for promoting health, well-being and safety.
- The Youth Offending Service aims to prevent offending by tackling the causes of crime by taking the lead role in delivering the Suffolk Youth Justice Plan and working in partnership with specialist services, Intergrated Teams, Local Education Authority, Health Authorities, the Police, the Probation Service, Youth Service, the Courts and relevant others.
- Children with Additional Needs service which supports children and young people with a physical, sensory, communication, behavioural or learning difficulty. This includes Activities Unlimited – a website and service for families who have children with additional needs to help access short breaks.
- Social Worker costs of those who are directly involved with the care of children and with the commissioning of services for children.

Education Services (non schools) – Within this area the main services include:
- Learning Improvement Service which focuses on inclusiveness and improving attainment levels in schools.
- The Early Years and Childcare Service who are responsible for helping develop, maintain, and provide access to good quality early education and childcare.
- Special Educational Needs which helps children who have needs that make it harder for them to learn or access education.
- Home to School Transport is provided to children in Suffolk who meet certain criteria under the Education and Inspections Act 2006.

Education Services (schools)
- The provision of education to children and young people in Suffolk.

Economy, Skills & Environment (ESE)
This includes the following services:
- Waste disposal, economic development, skills, spatial planning, development control, archaeology, environmental services, greenest county, countryside management, and rights of way.
- Transport policy, public transport, structural and routine roads maintenance, winter maintenance, bridges, street lighting, traffic signals, and road safety.

Public Protection, Social Inclusion & Diversity
This includes the following services:
- Trading standards, community safety, and social inclusion.
- Central Services to the Public – includes citizens' advice bureau grants.
- Fire Services
- Diversity

Resource Management
This includes the following support services:
- Legal
- Internal Audit
- Corporate Property

- Strategic Finance/ICT/HR
- Communications & Marketing
- Democratic Services
- Business Development
- Sourcing, Procurement & Contract Management
- CSD Contract

As an interim measure during 2011-2012 the drug action and alcohol team moved from Public Protection, Social Inclusion & Diversity into Resource Management Directorate. From April 2012 this will be included within the new Public Health Directorate.

Capital Financing and Corporate
This includes the following central expenditure:

- Interest payable and receivable
- Minimum Revenue Provision
- Councillor Locality Budgets
- External Audit Fees
- Flood Defence Committee levy
- Eastern Inshore Fisheries Conservation Authority levy
- Contingency
- Major Projects fund
- Management of Change fund

Portfolio Income and Expenditure	Restated 2010-2011 Comparative Figures						
	Adult & Community Services	**Children & Young People**	**Economy, Skills & Environment**	**Public Protection (inc Social Inclusion & Diversity)**	**Resource Management**	**Capital Financing & Corporate**	**Total Portfolio**
	£ million	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
Fees, charges & other service income	-65.421	-60.297	-77.979	-2.034	-77.835	-11.341	-294.907
Government grants	-10.442	-570.958	-2.242	-2.245	-1.308	0.000	-587.195
Total Income	**-75.863**	**-631.255**	**-80.221**	**-4.279**	**-79.143**	**-11.341**	**-882.102**
Employee expenses	71.080	450.449	28.860	23.179	38.735	3.848	616.151
Other service expenses	202.207	275.042	118.109	8.236	104.279	51.748	759.621
Total Expenditure	**273.287**	**725.491**	**146.969**	**31.415**	**143.014**	**55.596**	**1,375.772**
Net Expenditure as per final outturn reported to Cabinet	**197.424**	**94.236**	**66.748**	**27.136**	**63.871**	**44.255**	**493.670**

Portfolio Income and Expenditure	2011-2012						
	Adult & Community Services	**Children & Young People**	**Economy, Skills & Environment**	**Public Protection (inc Social Inclusion & Diversity)**	**Resource Management**	**Capital Financing & Corporate**	**Total Portfolio**
	£ million	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
Fees, charges & other service income	-55.753	-63.010	-63.985	-3.096	-66.767	-7.086	-259.697
Government grants	-29.397	-465.492	-0.931	-2.791	-0.506	-0.114	-499.231
Total Income	**-85.150**	**-528.502**	**-64.916**	**-5.887**	**-67.273**	**-7.200**	**-758.928**
Employee expenses	61.753	382.024	25.666	20.873	26.837	3.822	520.975
Other service expenses	210.004	229.578	107.457	9.718	94.074	57.585	708.416
Total Expenditure	**271.757**	**611.602**	**133.123**	**30.591**	**120.911**	**61.407**	**1,229.391**
Net Expenditure as per final outturn reported to Cabinet	**186.607**	**83.100**	**68.207**	**24.704**	**53.638**	**54.207**	**470.463**

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Account

	2010-2011	**2011-2012**
	£ million	**£ million**
Net expenditure in the Portfolio Analysis	493.670	470.463
Amounts in the Comprehensive Income and Expenditure Account not reported to management in Analysis	14.714	89.684
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Account	-29.085	-55.498
Cost of Services in Comprehensive Income and Expenditure Account	**479.299**	**504.649**

2010-2011 Restated	Portfolio Analysis £ million	Technical adjustments not reported to management £ million	Amounts not included in Net Cost of Services £ million	Cost of Services £ million	Corporate Amounts £ million	Total £ million
Fees, charges & other service income	-294.907			**-294.907**		-294.907
Surplus on trading operations		5.921		**5.921**	-5.921	0.000
Interest and investment income		0.682		**0.682**	-0.682	0.000
Income from council tax				**0.000**	-287.524	-287.524
Government grants and contributions	-587.195			**-587.195**	-301.692	-888.887
Total Income	**-882.102**	**6.603**	**0.000**	**-875.499**	**-595.819**	**-1,471.318**
Employee expenses	616.151	-5.723		**610.428**		610.428
Other services expenses	759.621		-8.561	**751.060**		751.060
Depreciation and impairment		125.971		**125.971**		125.971
Revenue expenditure funded from capital under statute		38.172		**38.172**		38.172
Provision for repayment of debt			-20.524	**-20.524**		-20.524
Interest Payments		-13.844		**-13.844**	13.844	0.000
IAS 19 Interest Cost and Return on Assets		-135.470		**-135.470**	21.358	-114.112
Precepts & Levies		-0.995		**-0.995**	0.995	0.000
Gain (-) or Loss on Disposal of Fixed Assets				**0.000**	15.688	15.688
Total Expenditure	**1,375.772**	**8.111**	**-29.085**	**1,354.798**	**51.885**	**1,406.683**
Surplus (-) or deficit on the provision of services	**493.670**	**14.714**	**-29.085**	**479.299**	**-543.934**	**-64.635**

2011-2012	Portfolio Analysis £ million	Technical adjustments not reported to management £ million	Amounts not included in Net Cost of Services £ million	Cost of Services £ million	Corporate Amounts £ million	Total £ million
Fees, charges & other service income	-259.697			**-259.697**		-259.697
Surplus on trading operations		-0.916		**-0.916**	0.916	0.000
Interest and investment income		0.997		**0.997**	-0.997	0.000
Income from council tax				**0.000**	-289.586	-289.586
Government grants and contributions	-499.231	1.659		**-497.572**	-278.159	-775.731
Total Income	**-758.928**	**1.740**	**0.000**	**-757.188**	**-567.826**	**-1,325.014**
Employee expenses	520.975	-6.268		**514.707**		514.707
Other services expenses	708.416		-34.421	**673.995**		673.995
Depreciation and impairment		90.866		**90.866**		90.866
Revenue expenditure funded from capital under statute		30.007		**30.007**		30.007
Provision for repayment of debt			-20.893	**-20.893**		-20.893
Interest Payments		-14.436		**-14.436**	14.436	0.000
IAS 19 Interest Cost and Return on Assets		-11.160		**-11.160**	9.553	-1.607
Precepts & Levies		-1.065		**-1.065**	1.065	0.000
Gain (-) or Loss on Disposal of Fixed Assets			-0.184	**-0.184**	205.069	204.885
Total Expenditure	**1,229.391**	**87.944**	**-55.498**	**1,261.837**	**230.123**	**1,491.960**
Surplus (-) or deficit on the provision of services	**470.463**	**89.684**	**-55.498**	**504.649**	**-337.703**	**166.946**

25. Trading Operations

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 Council or other organisations. The aim of each of the units is to operate a value for money service.

A number of trading units transferred on 1 November 2011 to an arms length company, Eastern Facilities Management Solutions Ltd, a company wholly owned by the Council. The services that transferred were Cleaning Buildings, Grounds, Catering, Design & Print and Central Traders (excluding Insurance). The figures shown for these services in the table overleaf therefore only reflect the period April to October 2011 and are not therefore directly comparable to 2010 - 2011.

Details of those trading units which transferred to EFMS are as follows:

Cleaning Buildings – the Council operated the cleaning of education and commercial buildings and the provision of related services. The main recipient of the services was Suffolk County Council but other recipients included private companies and other borough and district councils.

Grounds Maintenance - the Council operated grounds maintenance and design services. The main recipients of the services were education facilities operated by Suffolk County Council.

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

Suffolk Design and Print - the Council operated design, copying and printing services. The services were provided to Suffolk County Council and other borough and district councils.

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

Central Department Traders – these trading units supply a range of services to Suffolk County Council including custodial services and security services (these elements transferred to EFMS). There is also an insurance trading account (this element did not transfer to EFMS). The insurance trading account provides insurance cover for most of the Councils 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.

Details of other trading units that did not transfer to EFMS Ltd:

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 Councils 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.

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.

2010 - 2011 Gross Spending £ million	Income £ million	Surplus (-) or deficit £ million		2011 - 2012 Gross Spending £ million	Income £ million	Surplus (-) or deficit £ million
3.636	-3.730	-0.094	Cleaning Buildings	2.160	-2.258	-0.098
4.772	-4.936	-0.164	Grounds Maintenance	2.169	-2.150	0.019
13.968	-13.938	0.030	Catering	7.472	-7.138	0.334
1.267	-1.222	0.045	Suffolk Design and Print	0.649	-0.591	0.058
25.777	-25.733	0.044	Suffolk Highways Contracting	24.020	-24.070	-0.050
2.463	-2.601	-0.138	Suffolk Fleet Management	2.407	-2.586	-0.179
8.793	-14.041	-5.248	Central Department Traders	7.293	-6.339	0.954
0.503	-0.634	-0.131	Schools Library Service	0.472	-0.545	-0.073
2.441	-2.706	-0.265	Travel Services	2.341	-2.390	-0.049
63.620	**-69.541**	**-5.921**	**Net surplus / deficit taken to the revenue account**	**48.983**	**-48.067**	**0.916**

26. Pooled Budgets

The pooled fund for services to people with learning disabilities

Up to the end of 2010 – 2011 the Council and the Primary Care Trusts (PCT's) operating in Suffolk (Suffolk PCT and Gt Yarmouth and Waveney PCT) pooled money to be spent on services for people with learning disabilities. The main aims were 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.

From 2011 – 2012 the Department of Health transferred the responsibility for commissioning services for people with a learning disability from PCT's to Local Authorities. As a result the pooled fund ceased and was replaced by a government grant entitled Learning Disability and Health Reform Grant which incorporated the income previously received from the PCT's.

2010 - 2011 £ million	£ million			2011 - 2012 £ million	£ million
		Income			
-27.581		Funding:	Suffolk County Council	0.000	
-6.613			Primary Care Trusts	0.000	
	-34.194				**0.000**
-2.725		Income:	Residents' contributions	0.000	
-0.258			Other	0.000	
	-2.983				**0.000**
	-37.177				**0.000**
		Expenditure			
0.045			Expenditure Review Team	0.000	
18.908			Residential services	0.000	
15.535			Supported living	0.000	
2.689			Day services	0.000	
	37.177				**0.000**
	0.000	**Net under (-) or over spend**			**0.000**

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

From 1 April 2002, Suffolk County Council and the Primary Care Trusts (PCT's) operating in Suffolk (Suffolk and Gt Yarmouth and Waveney) have pooled money through the Section 75 agreement of the Health Act. This will be spent on helping to put into practice the National Service Framework for Mental Health and the best value review of mental-health residential care, supported housing and support work services. The main aims are to:

- increase the availability of 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 income and expenditure figures below reflect the overall position of the pooled fund not purely Suffolk County Council. The mental health pooled fund under spent by £0.039 million compared to the original allocations of funding for 2011 - 2012.

The table below details income and expenditure for the year.

2010 - 2011				2011 - 2012	
£ million	**£ million**			**£ million**	**£ million**
		Income			
-2.769		Funding:	Suffolk County Council	-2.630	
-1.657			Primary Care Trusts	-1.574	
	-4.426				**-4.204**
		Expenditure			
0.205			Residential services	0.150	
0.543			Day care	0.670	
1.185			Support work	0.844	
1.712			Supported housing	1.743	
0.277			Advocacy	0.240	
0.317			Employment	0.362	
0.100			Direct Payments	0.100	
0.062			Other Projects	0.056	
	4.401				**4.165**
	-0.025	**Net under (-) or over spend**			**-0.039**

The pooled fund for services relating to the treatment of adult substance misuse

Suffolk County Council and the Primary Care Trusts (PCT's) operating in Suffolk (Suffolk and Gt Yarmouth and Waveney) have pooled money through the Section 75 agreement of the Health Act, to be spent on adult substance misuse treatments. The National Drug Strategy Outcomes are to:

- To improve the availability, accessibility and effectiveness of treatment for drug dependency in England and to maximise the benefits of that treatment for individuals, their families and communities.
- Work closely with the Home Office, the Department for Education, and the Ministry of Justice.
- Provide treatment as the gateway through which drug users can rebuild their lives, and reintegrate with their families and communities.
- Being committed to providing a balanced treatment system, which can offer people the help that will most likely meet their individual needs.
- Continually seek to improve results for users in treatment.

The income and expenditure figures below reflect the overall position of the pooled fund not purely Suffolk County Council. Of the 2011- 2012 over spend, £0.042 million has been brought forward and offset against the 2011- 2012 budget, leaving a £0.336 million under spend as the year end position.

2010 - 2011				2011 - 2012	
£ million	**£ million**			**£ million**	**£ million**
		Income			
-0.621		Funding:	Underspend (-) / Overspend	0.042	
-1.235			Suffolk County Council	-1.332	
-2.808			NHS - Pooled Treatment Budget	-2.749	
-1.031			Primary Care Trusts	-1.031	
	-5.695				**-5.070**
		Expenditure			
5.737			Substance Misuse Services	4.734	
	5.737				**4.734**
	0.042	**Net under (-) or over spend**			**-0.336**

Notes to the Core Statements

27. Councillors' Allowances

Allowances paid to the Council's elected members are shown below:

2010-2011 £ million		2011-2012 £ million
0.756	Basic allowance	0.757
0.312	Special responsibility allowance	0.297
0.073	Expenses	0.084
1.141	**Total**	**1.138**

28. Officers' Remuneration

Regulation 4 of the Accounts and Audit (Amendment No.2) Regulations 2009 introduced a legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees. The 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 regulations require a disclosure on individual remuneration for senior employees.

Employees' pay is defined in the latest Code of Practice on Local Authority Accounting in the United Kingdom 2011 - 2012. This definition includes the following:

- Gross pay (before the deduction of employees' pension contributions)
- Payments in relation to the ending of employment
- Expense allowances chargeable to tax and other benefits (as declared on HM Revenue & Customs form P11D)

The table below details the pay of Senior Officers.

Job Title		Salary, Fees & Allowances £	Expense Allowances Chargeable to Tax £	End of Employment Payment £	Pension Contribution £	**Total** £
Chief Executive - Deborah Cadman	**2011/12**	44,167	-327		9,938	**53,778**
	2010/11					0
Chief Executive - Andrea Hill	**2011/12**	72,864		218,592	16,394	**307,850**
	2010/11	218,592			49,183	267,775
Director of Adult & Community Services - Anna McCreadie	**2011/12**	114,137	-43		25,681	**139,775**
	2010/11	112,388	-386		25,287	137,289
Director of Economy Skills & Environment - Lucy Robinson	**2011/12**	132,695	-4		29,856	**162,547**
	2010/11	122,011			27,453	149,464
Interim Director of Economy Skills & Environment - Bryn Griffiths	**2011/12**	89,499	-183		20,137	**109,453**
	2010/11	83,829	-113		18,861	102,577
Director of Public Protection, Social Inclusion & Diversity - Andy Fry	**2011/12**	117,497	481		25,027	**143,005**
	2010/11	117,497	222		25,027	142,746
Head of Strategic Finance (S151 Officer) - Geoff Dobson	**2011/12**	90,522	56		20,367	**110,945**
	2010/11	90,522			20,367	110,889
Interim Assistant Director of Scrutiny & Monitoring (Monitoring Officer) - Tim Ryder	**2011/12**	84,713	-9		19,060	**103,764**
	2010/11	62,877			14,148	77,025

Note 1: Deborah Cadman was appointed Chief Executive from 19 December 2011.
Note 2: Andrea Hill left the employment of Suffolk County Council on 31 July 2011.
Note 3: Lucy Robinson was interim Chief Executive for the period 1 August 2011 to 18 December 2011. During this period Bryn Griffiths was interim Director of Economy Skills & Environment.

Note 4: Anna McCreadie became the Director of Adult and Community Services from 1 April 2012 having previously been interim Director of Adult and Community Services from 26 April 2010.
Note 5: Tim Ryder was appointed interim Assistant Director of Scrutiny & Monitoring (Monitoring Officer) on 1 April 2011, having been Head of Audit Services during 2010 - 2011.
Note 6: The credit in the expense allowances are due to mileage being paid at a lower rate than the HMRC approved rate, resulting in an entitlement to tax relief.
Note 7: The post of Director of Resource Management has been deleted from April 2011.

The Council also engaged the services of an interim Director of Children and Young People (Simon White) throughout 2011 - 2012 costing a total of £183,690 (£183,194 2010 - 2011).

The Council also shares a 'Director of Public Health' post with NHS who employ this director with Suffolk County Council making a 50% contribution towards the costs.

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 16.6% for future service funding.

The LGPS is a funded scheme and derives its income from investments, employees' contributions and employer's contributions. The last actuarial valuation of the LGPS took place in 2010; no changes are to be made to the current levels of contributions.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) in 2011 - 2012 is detailed in the table below.

Remuneration Band	2010 - 2011 No of employees Non Schools	2011 - 2012 No of employees Non Schools	2010 - 2011 No of employees Schools	2011 - 2012 No of employees Schools
£50,000 - £54,999	87	83	185	150
£55,000 - £59,999	60	61	97	91
£60,000 - £64,999	30	28	50	45
£65,000 - £69,999	16	6	25	19
£70,000 - £74,999	10	6	16	16
£75,000 - £79,999	14	5	14	7
£80,000 - £84,999	15	6	3	5
£85,000 - £89,999	5	2	6	3
£90,000 - £94,999	5	7	4	0
£95,000 - £99,999	1	2	2	3
£100,000 - £104,999	1	1	1	0
£105,000 - £109,999	2	0	1	1
	246	**207**	**404**	**340**

The pay bands required to be disclosed in the table above are not index linked, unlike individuals' pay that may be subject to annual pay awards. The bands have therefore remained unchanged at this level since they were introduced in the Accounts and Audit Regulations 2003. The above numbers include officers who were made redundant during the 2011 – 2012 financial year and whose remuneration may not have normally been included within the limits of the above table, but who have received a redundancy payment which increased their earnings to over the minimum £50,000 or resulted in them being included in a higher band than their basic pay.

29. External Audit Costs

In 2011 - 2012 the Council incurred the following fees relating to external audit and inspection.

2010-2011 £ million		2011-2012 £ million
0.224	Fees payable to the Audit Commission with regards to external audit services carried out by the appointed auditor for the year	0.201
0.045	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	0.029
0.269	**Total**	**0.230**

30. Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2011 – 2012 are as follows:

	Central Expenditure £ million	ISB £ million	Total £ million
Final DSG for 2011-2012			384.115
Carry forward to 2012-2013 agreed in advance			-4.961
Agreed budgeted distribution in 2011-2012	**57.683**	**321.471**	**379.154**
Actual central expenditure	-55.395		-55.395
Actual ISB deployed to schools		-321.471	-321.471
Local authority contribution for 2011-2012			0.000
Carry forward to 2012-2013	**2.288**	**0.000**	**2.288**
Brought forward from 2010-2011 and carried forward to 2012-13			1.129
Planned carry forward to 2012-2013 agreed in advance			4.961
Total carry forward to 2012-2013			**8.378**

31. Grant Income

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

	2010-2011 £ million	2011-2012 £ million
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	-21.420	-43.746
Council Tax Freeze Grant	0.000	-7.221
New Homes Bonus	0.000	-0.702
Local Support Services Grant	0.000	-1.659
Area Based Grant	-44.364	0.000
Total	**-65.784**	**-53.328**
Credited to Services		
Department for Education	-499.673	-441.921
Department for Innovation, Universities & Skills	-3.402	-2.596
Communities and Local Government	-2.586	-11.919
Department of Health	-6.345	-26.801
East of England Development Agency	-0.871	0.000
Teachers Delivery Agency	-2.739	-2.310
Home Office	-1.892	-1.074
Youth Justice Board	-1.340	-1.116
Department of Work and Pensions	-0.247	0.000
Department for Transport	-6.981	-0.368
General Register Office	-0.011	-0.010
Department for Environment, Food and Rural Affairs	-0.304	-0.343
Rural Payment Agency	-0.027	0.000
Federation of Music Studies	0.000	-0.784
Others	-0.029	0.000
Total	**-526.447**	**-489.242**

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

Capital Grants and Contributions	2010-2011 £ million	2011-2012 £ million
Crest Nicholson	-3.482	-2.306
Department for Environment, Food and Rural Affairs	-0.487	-0.027
Department for Education	-46.554	-41.618
Department for Communities & Local Government	-0.797	-1.980
Department for Energy and Climate Change	-0.350	-0.048
Department for Transport	-3.343	-22.904
Department of Health	-1.417	-1.675
Environment Agency	-0.005	-0.008
Home and Communities Agency	-1.519	0.000
Big Lottery on behalf of Department for Education	0.000	-1.497
Learning and Skills Council	0.000	-0.352
Young People's Learning Agency	-24.700	-6.239
National Health Service	-1.958	-0.620
Home Office	-0.012	0.000
Improvement East	-1.000	0.000
Local Authorities	-1.398	-0.277
Abbeygate	0.000	-0.351
AEA Technology Ltd	0.000	-0.116
ISG Jackson Ltd	0.000	-0.106
Retail Development Partnership	0.000	-0.254
Wilcon Homes	0.000	-0.117
Bloor Homes	0.000	-0.365
Taylor Wimpey	0.000	-0.915
Weston Homes (Housing) Ltd	0.000	-0.100
Badger Building (East Anglia) Ltd	0.000	-0.182
Bovis Homes Ltd	0.000	-0.273
Other	-1.377	-0.976
Total	**-88.399**	**-83.306**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the grantor. The balances at the year end are:

Capital Grants Receipts in Advance	31 March 2011 £ million	31 March 2012 £ million
Department of Health - Improving Management Information in ACS	-0.301	-0.301
Suffolk PCT - Campus re-provisioning	-0.618	0.000
Department for Education - Devolved Formula Capital	-4.410	-5.357
Learning and Skills Council - Suffolk One	-1.083	-0.731
Young People's Learning Agency - Lowestoft Sixth Form College	-6.239	0.000
Department for Education - Academies and Free Schools	0.000	-1.325
Communities and Local Government - Fire Control	0.000	-0.200
Other contributions	-0.284	-0.182
Total	**-12.935**	**-8.096**

32. Related Parties

The Council is required to disclose significant transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows an assessment to be made to the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. The Council have set a de-minimis limit of £0.100 million for items the Council 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 Plc 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 Plc for the services provided by CSD. For 2011 - 2012 this totalled £47.846 million (2010 - 2011: £51.434 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 2011 - 2012, this reimbursement totalled £22.783 million (2010 - 2011: £25.876 million).

Other public bodies

Suffolk Police Authority

Nine of the Council's County Councillors form part of the 17 members of Suffolk Police Authority. During the year the Council had the following transactions with Suffolk Police Authority:

2010 - 2011			2011 - 2012	
Income £ million	Spending £ million		Income £ million	Spending £ million
-2.828	1.110	Suffolk Police Auhtority	-3.206	0.210
-2.828	**1.110**		**-3.206**	**0.210**

Ipswich Buses Ltd

Two of the non-executive directors of Ipswich Buses Ltd are also County Councillors. In 2011 - 2012 the Council made contract payments totalling £2.781 million (2010 - 2011 £3.474 million).

Eastern Inshore Fisheries and Conservation Authority

There are three councillors that represent the Council on the Eastern Inshore Fisheries and Conservation Authority (EIFCA). At 31 March 2012 the total amount invested by the Council on behalf of the EIFCA, including accumulated interest, was £0.560 million (31 March 2011: £0.515 million).

Eastern Facilities Management Solutions Ltd

Eastern Facilities Management Solutions Ltd (EFMS) is a wholly-owned subsidiary of Suffolk County Council. Its principal activities are the provision of Grounds, Catering, Caretaking and Cleaning, Facilities Management and Print and Design services.

Three Councillors and one senior officer of the Council are board members for EFMS.

EFMS became a wholly owned subsidiary on 1 November 2011. During 2011 – 2012, the Council paid EFMS a total of £10.495 million. The majority of this spend relates to services delivered to schools (£9.717 million). During 2011 - 2012, the Council has also received income from EFMS of £2.145 million. The main source of income for the Council was from the provision of Support Services eg accommodation (£0.672 million), the sale of vehicles, plant and equipment (£0.430 million) and receipt of loan interest (£0.101million).

As part of the set up arrangements for EFMS the Council made a long-term loan to EFMS of £2.430 million.

Sensing Change

Sensing Change is a Social Enterprise (wholly owned by Suffolk County Council) run by a Board of Directors, the majority of whom are drawn from the Sensing Change Strategic Managers. The Enterprise has been formed to provide services to people with sight and/or hearing loss in Suffolk. Staff within Sensing Change previously worked for Suffolk County Council's Sensory Team and moved to the new organisation in October 2011. The pilot scheme will run for 2 years with the project evaluated throughout to determine the benefits for both customers and staff.

Sensing Change is one of only 7 Social Work Practice Pilots across the UK having put together a successful bid for the opportunity to provide services. The practice not only provides social work, but a range of other services that address the needs of people with sight and hearing loss such as rehabilitation, interpreting, and home visit support.

Since October 2011, net expenditure for Sensing Change amounted to £0.777 million with the majority of the cost being the contract sum between the two parties of £0.731 million.

Pension Fund

The table below shows the amount charged to the pension fund for expenses incurred in administering the fund:

2010 - 2011 Income £ million		2011 - 2012 Income £ million
-1.227	Administration expenses charged to Pension Fund	-1.211
-1.227		**-1.211**

Other Organisations

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

2010 - 2011 £ million		2011 - 2012 £ million
7.213	Other Related Transactions (Members)	5.376
0.135	Other Related Transactions (Officers)	0.634
7.348		**6.010**

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.

33. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2010-2011 £ million	2011-2012 £ million
Opening Capital Financing Requirement	542.709	573.921
Capital investment		
Property, Plant and Equipment - Operational Assets	110.688	96.295
Property, Plant and Equipment - Non Operational Assets	7.881	14.095
Revenue Expenditure Funded from Capital under Statute	38.173	30.007
Sources of finance		
Capital receipts	-1.755	-2.344
Government grants and other contributions	-85.065	-86.848
Sums set aside from revenue:		
Direct revenue contributions	-18.186	-9.764
Minimum revenue provision	-20.524	-20.893
Closing Capital Financing Requirement	**573.921**	**594.468**
Explanation of movements in year		
Increase in underlying need to borrow (supported by government financial assistance)	26.389	0.000
Increase in underlying need to borrow (unsupported by government financial assistance)	0.000	15.825
Assets acquired under PFI contracts	4.823	4.722
Increase in Capital Financing Requirement	**31.212**	**20.547**

34. Leases

Authority as Lessee

Finance Leases

The Council has 16 buildings recognised on the Balance Sheet as a result of being finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2011 £ million	31 March 2012 £ million
Other Land and Buildings	7.078	5.715
	7.078	**5.715**

The minimum payments under these leases are immaterial and therefore no liability is recognised in the balance sheet. The small payments that are made are charged to the Comprehensive Income and Expenditure Account.

Operating Leases

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

	31 March 2011 Total £ million	31 March 2012 Land and Buildings £ million	31 March 2012 Vehicles, Plant and Equipment £ million	31 March 2012 Total £ million
Not later than one year	0.913	0.447	0.186	0.633
Later than one year and not later than five years	1.251	0.881	0.245	1.126
Later than five years	1.103	1.028	0.000	1.028
	3.267	**2.356**	**0.431**	**2.787**

Authority as Lessor

Finance Leases

The Council has leased out 15 school properties, these are schools that have converted to academies and had the lease agreement finalised. There is also the lease of Leiston Leisure Centre, and a portacabin at Handford Primary School. The Council therefore does not recognise these assets on the balance sheet.

The future minimum lease payments to be received are immaterial therefore there is no debtor to be recognised in the balance sheet.

Operating Leases

The Council leases out a number of properties and land under operating leases. The table below shows the lease payments due over the period shown:

	31 March 2011 £ million	31 March 2012 £ million
Not later than one year	0.160	0.138
Later than one year and not later than five years	0.339	0.380
Later than five years	0.194	0.111
	0.693	**0.629**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011 - 2012 £1.014 million were receivable by the Council in relation to County Farms (£1.010 million in 2010 - 2011).

35. PFI and Similar Contracts

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

The Council currently has two PFI schemes, one relating to the Fire Service and the other relating to waste disposal, details of which are set out below.

Fire Service

The Council has a PFI contract in relation to the upgrade and maintenance of 10 fire stations. The project reached financial close on 11 June 2008 having been awarded PFI credits of £27.100 million (a specific grant paid over the life of the contract towards the capital element of the scheme). The contract originally covered the rebuilding of six new fire stations and the refurbishment of four further fire stations.

During 2011 – 2012 the construction phase of the scheme was completed. All PFI stations are now operational. There was one change to the original construction arrangement where a new Ipswich East Fire Station was constructed as opposed to a refurbishment of the existing asset. The additional capital cost was met by the Council during 2011 - 2012.

The following tables show the movement in value of the fire stations included in the PFI contract during 2011-2012 with comparators and the movement in the value of the liability.

Movement in the value of Fire Stations

	2010-2011 Restated £ million	2011-2012 £ million
Value at Start of year	9.466	13.948
New stations & enhancements to PFI assets	4.823	6.617
Revaluations	0.000	-5.983
Depreciation	-0.341	-0.365
Value at End of year	**13.948**	**14.217**

Liability outstanding on the Fire PFI Contract

	2010-2011 £ million	2011-2012 £ million
Balance outstanding at start of year	5.422	9.630
Payments during the year	-0.615	-0.188
Capital expenditure incurred in the year	4.823	4.722
Balance outstanding at year-end	**9.630**	**14.164**

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.

The 2011 - 2012 figure of £14.164 million reconciles to the short and long-term PFI liability figures on the balance sheet. The 2010 - 2011 figure reconciles after allowing for a one-off debtor of £0.303 million that is owed to the Council as part of the PFI arrangements.

	Repayment of liability £ million	Interest £ million	Service charges £ million	PFI Grant £ million	Net Cost £ million
Payments due - received;					
During 2012 - 2013	0.165	1.596	1.174	-1.097	1.838
Payable within two to five years	0.868	6.178	4.697	-4.386	7.357
Payable within six to ten years	1.762	7.045	5.871	-5.483	9.195
Payable within eleven to fifteen years	3.005	5.802	5.871	-5.483	9.195
Payable within sixteen to twenty years	5.126	3.681	5.871	-5.483	9.195
Payable within twenty one to twenty five years	3.238	0.578	2.544	-2.147	4.213
Total	**14.164**	**24.880**	**26.028**	**-24.079**	**40.993**

Waste Service

The County Council signed a contract with SITA Suffolk Ltd. on the 5 October 2010 for the provision of an Energy from Waste incinerator, at the former Highways Depot in Great Blakenham. Planning approval and the environmental permit required to construct and operate this facility were received in 2011. Clearance of the site began in February 2012. There will be a period of construction, and testing, before full-scale operations at the plant can begin, which is expected to be in December 2014.

The details of the scheme can be found in the report presented to the full County Council on 23 September 2010.

http://committeeminutes.suffolkcc.gov.uk/searchResult.aspx?qry=c_committee~~County%20Council

In broad terms, the contract is for the disposal of between 170,000 and 240,000 tonnes per annum of the waste left over after recycling and composting as much as is reasonably possible. The Department of Environment, Food and Rural Affairs (DEFRA), have confirmed their support for the Project by awarding £102 million in Waste Infrastructure Credits (formerly known as PFI Credits), which will provide a total income stream to the County Council of about £199 million over the 25 year operational span of the contract.

The plant capacity is expected to be around 269,000 tonnes per annum. At the end of the 25 year operational phase of the contract, the plant will either be handed over to the County Council, with a minimum of 5 years of useful life for the plant stipulated in the contract, or an extension to the original contract can be agreed with SITA, or another contractor, but adjusted for the full repayment of the original capital sums of the construction costs.

The actual payments by the Council will depend largely on the number of tonnes of waste processed at the plant. Inflation rates are the other major factor that will influence the total payments. At present, the total payments are estimated at £602 million from December 2014 to November 2039, based on an increasing projection of tonnages of waste over that period. Contract payments at the lowest tonnage projection, a constant 170,000 tonnes per annum, would be £450 million. No payments have been made to SITA under this contract in 2011 - 2012, and are not expected to be made until 2014 - 2015. No asset has been created as at 31 March 2012.

36. Impairment Losses

During 2011 - 2012 the Council has recognised in the Comprehensive Income and Expenditure Account an impairment loss of £2.880 million in relation to its Schools Organisation Review programme. Chalkstone and Castle Hill Middle Schools in Haverhill and Lothingland Middle School are now disused and awaiting demolition. The recoverable amount of the buildings at these three sites is now nil.

As a result of the five yearly revaluation exercise, there was a total downward revaluation charged to the Comprehensive Income and Expenditure Account of £37.792 million on the Council's non-current assets. A significant part of this relates to the revaluation of the Adult and Community Services portfolio.

37. Termination Benefits and Exit Packages

The 2011 – 2012 Code of Practice on Local Authority Accounting introduced a new requirement to disclose in bands, separated between compulsory and other redundancies, the number of exit packages agreed and the cost of those packages to the authority in the financial year. Exit costs include all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table overleaf.

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£ million)	
	2010 - 2011	2011 - 2012	2010 - 2011	2011 - 2012	2010 - 2011	2011 - 2012	2010 - 2011	2011 - 2012
£0 - £20,000	140	371	95	204	235	575	1.271	3.270
£20,001 - £40,000	15	60	22	76	37	136	1.105	3.806
£40,001 - £60,000	12	10	10	43	22	53	1.032	2.487
£60,001 - £80,000	0	6	4	22	4	28	0.288	1.846
£80,001 - £100,000	1	3	1	5	2	8	0.175	0.732
£100,001 - £150,000	1	2	1	3	2	5	0.273	0.534
£150,001 - £200,000	1	0	0	2	1	2	0.164	0.350
£200,001 - £250,000	0	0	0	1	0	1	0.000	0.218
Total - excluding provision	170	452	133	356	303	808	4.308	13.243

The total cost of £13.243 million in the table above includes exit packages that have been paid in 2011 – 2012. In addition the Comprehensive Income and Expenditure Statement includes a provision for £5.138 million as at 31 March 2012 (£13.748 million 31 March 2011) which is set aside to pay officers in 2012 - 2013. These costs are not included in the bands but will be in 2012 - 2013 when the exit packages can be allocated into bands.

38. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011 - 2012, the County Council paid £36.514 million to Teachers' Pensions in respect of teachers' retirement benefits (£43.768 million 2010 - 2011), representing 14.1% of pensionable pay (14.1% 2010 – 2011).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 39.

39. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two pension schemes (excludes teachers):

- the Local Government Pension Scheme for civilian employees, administered by Suffolk County Council - this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

- the Fire Pension Scheme for Fire Fighters - 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 pension 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.

Transactions Relating to Post-employment Benefits

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

	Suffolk County Council Pension Fund		**Uniformed Fire Fighters**	
Comprehensive Income and Expenditure Statement	**2010-2011 £ million**	**2011-2012 £ million**	**2010-2011 £ million**	**2011-2012 £ million**
Cost of Services:				
Current service cost	39.004	32.299	4.800	4.300
Past Service cost	-113.988	0.037	-17.956	1.600
Settlements and curtailments	2.281	-3.963	0.000	0.000
Financing and Investment Income and Expenditure				
Interest cost	64.278	53.898	8.600	8.300
Expected return on scheme assets	-51.520	-52.645	0.000	0.000
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**-59.945**	**29.626**	**-4.556**	**14.200**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Actuarial gains and losses (-)	214.891	-83.472	12.059	0.118
	214.891	**-83.472**	**12.059**	**0.118**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	59.945	-29.626	4.556	-14.200
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	**45.326**	**41.351**	**4.285**	**4.082**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £367.070 million.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme		Unfunded Liabilities Uniformed Fire Fighters	
	2010-2011 £ million	2011-2012 £ million	2010-2011 £ million	2011-2012 £ million
Opening balance 1 April	-1,246.440	-996.649	-169.900	-149.000
Current service cost	-39.004	-32.299	-4.800	-4.300
Interest cost	-64.278	-53.898	-8.600	-8.300
Contributions by scheme participants	-12.506	-11.126	-0.700	-0.900
Actuarial gains and losses (-)	221.596	-36.493	12.059	0.118
Benefits paid	32.276	35.109	4.985	4.982
Past service costs	113.988	-0.037	17.956	-1.600
Curtailments	-2.281	34.199	0.000	0.000
Closing balance at 31 March	**-996.649**	**-1,061.194**	**-149.000**	**-159.000**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2010-2011 £ million	2011-2012 £ million
Opening balance 1 April	724.102	794.473
Expected rate of return	51.520	52.645
Actuarial gains and losses (-)	-6.705	-46.979
Employer contributions	45.326	41.351
Contributions by scheme participants	12.506	11.126
Benefits paid	-32.276	-35.109
Settlements		-30.236
Closing balance at 31 March	**794.473**	**787.271**

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 rate 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.

The actual return on scheme assets in the year was £5.511 million (2010 - 2011: £53.084 million).

Scheme history	Year to 31 Mar 2008 £ million	Year to 31 Mar 2009 £ million	Year to 31 Mar 2010 £ million	Year to 31 Mar 2011 £ million	Year to 31 Mar 2012 £ million
Present value of liabilities:					
Local Government Pension Scheme	-750.691	-748.839	-1,246.441	-996.649	-1,061.194
Uniformed Fire Fighters	-109.700	-115.600	-169.900	-149.000	-159.000
Fair value of assets in the Local Government Pension Scheme	642.993	519.096	724.103	794.473	787.271
Total	**-217.398**	**-345.343**	**-692.238**	**-351.176**	**-432.923**
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	-107.698	-229.743	-522.338	-202.176	-273.923
Uniformed Fire Fighters	-109.700	-115.600	-169.900	-149.000	-159.000
Total	**-217.398**	**-345.343**	**-692.238**	**-351.176**	**-432.923**

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £1,220.194 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £432.923 million.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased pension contributions over the remaining working life of employees (i.e before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £37.426 million.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimation of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		**Uniformed Fire Fighters**	
	2010-2011	**2011-2012**	**2010-2011**	**2011-2012**
Long-term expected rate of return on assets in the				
Equity investments	7.5%	6.3%	N/A	N/A
Bonds	4.9%	3.3%	N/A	N/A
Property	5.5%	4.4%	N/A	N/A
Cash	4.6%	3.5%	N/A	N/A
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.4	21.4	27.9	27.9
Women	23.3	23.3	30.8	30.8
Longevity at 65 for future pensioners:				
Men	23.7	23.7	29.5	29.5
Women	25.7	25.7	32.3	32.3
Rate of increase in pensions	2.8%	2.5%	3.6%	3.3%
Rate of increase in salaries	5.1%	4.8%	4.6%	3.5%
Rate of expected return on assets	6.7%	5.6%	2.8%	2.5%
Rate for discounting scheme liabilities	5.5%	4.8%	5.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum	25.0%	25.0%		

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011	**31 March 2012**
Equity investments	69%	72%
Debt instruments	18%	15%
Property	9%	10%
Cash	4%	3%
	100%	**100%**

History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2011 - 2012 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

Local Government Pension Scheme

	Year to 31 Mar 2008	Year to 31 Mar 2009	Year to 31 Mar 2010	Year to 31 Mar 2011	Year to 31 Mar 2012
Differences between the expected and actual return on assets	-10.8%	-38.2%	19.6%	-0.8%	-6.0%
Experience gains/losses (-) on liabilities	0.0%	-2.0%	0.0%	-10.1%	1.2%

Uniformed Fire Fighters

	Year to 31 Mar 2008	Year to 31 Mar 2009	Year to 31 Mar 2010	Year to 31 Mar 2011	Year to 31 Mar 2012
Experience gains/losses (-) on liabilities	0.3%	1.1%	0.7%	1.3%	4.4%

International Accounting Standard 1 (IAS1) - Sensitivity Analysis

IAS1 requires the disclosure of the sensitivity of the results to the assumptions used. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on the pension fund assets. Hymans Robertson LLP are employed as the Council’s actuaries to provide expert advice about the assumptions to be applied. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Suffolk County Council

Change in assumptions at year ended 31 March 2012:	Approximate % increase to Employer Liability	Approximate Monetary Amount £ million
0.5 % decrease in Real Discount Rate	10%	103.265
1 year increase in Member Life Expectancy	3%	31.836
0.5% increase in the Pension Increase Rate	3%	29.376
0.5% increase in the Salary Increase Rate	7%	73.148

Uniformed Fire Fighters

Change in assumptions at year ended 31 March 2012:	Approximate % increase to Employer Liability	Approximate Monetary Amount £ million
0.5 % decrease in Real Discount Rate	2%	2.600
1 year increase in Member Life Expectancy	3%	4.800
0.5% increase in the Pension Increase Rate	1%	1.800
0.5% increase in the Salary Increase Rate	8%	11.700

40. Contingent Liabilities

At 31 March 2012, the Council had 5 contingent liabilities:

Civil claim for damages
The Council has received a formal letter of claim from former residents of a Suffolk school. The claims are in relation to allegations of treatment at the school, and the former residents making the claim are seeking payment for damages.

The Council is investigating the allegations. The merits and quantum of the claim are currently unknown.

Municipal Mutual Insurance (MMI)
In 1992, Municipal Mutual Insurance (MMI), one of the Council's insurers at the time, stopped accepting new business. MMI and its policy holders, including local authorities, 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. In the event of any clawback, the Council have estimated the potential liability and have concluded that there is sufficient cover in the insurance reserve to fund these claims.

One of the factors which will determine whether or not MMI decides to claim back part of the amounts paid out since 1992 is the outcome of the 'employer liability (EL) trigger cases'. The judgement of the United Kingdom Supreme Court in the EL Trigger Litigation was handed down on the 28 March 2012. The finding of the court was that the insurer/s on risk at the time of negligent exposure to asbestos is liable to pay compensation to an employee who contracts mesothelioma as a result of exposure. At this point in time, it is not possible to assess in detail when MMI's financial position will be affected by the future trigger limitation judgement and therefore the impact on the Council.

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 £0.141 million instead of waiting for a decision as to whether Enfield Council or Ealing Council is wholly or partly liable. Suffolk County Council does not accept liability for this amount and is in discussion with Ealing Council and Enfield Council to resolve the issue.

Contractor Dispute
There is an ongoing dispute with a contractor concerning payment of care fees. It is the view of the Council that the contractor has overcharged for its services by approx £0.700 million but the view of the contractor is that it has received approx £1.000 million less than its due. This dispute spans several years and is complex in nature. The contractor has paid £0.400 million as a gesture of goodwill and that it is not a payment of debt.

41. 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 1997 and this was declared as a contingent asset within the accounts. This claim was settled within 2009 - 2010 for £0.326 million, 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 £1.195 million. 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.

NHS Suffolk
During 2011 - 2012 there have been additional spending pressures on the Council's Mental Health Care Purchasing budget. This was partly as a result of actions taken by NHS Suffolk (PCT) to achieve savings on its budget by optimising its Mental Health Gateway efficiency programme. Discussions are ongoing between both parties in order that the Council may share some of the benefits of this programme in order to recognise the additional costs that the Council is incurring. An assessment has been made that NHS Suffolk should contribute a further £0.340 million to these costs. A new funding protocol is being developed to address this issue for 2012 - 2013 onwards.

42. Nature and Extent of Risks Arising from Financial Instruments

The Council'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 Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council'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 Council's customers. Deposits are not made with banks and financial institutions unless they meet the following criteria as set out in the Treasury Management Practices document.

As at 31 March 2012, 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 makes use of money market funds that have been rated by all three ratings agencies as AAA MR1+ and have deposits in excess of £2.5 billion. This is the highest credit rating that the agencies award. The Council currently has four money market fund accounts in place, with Scottish Widows Investment Partnership, Deutsche (use of this account was suspended in April 2012 as it is no longer rated by Fitch ratings agency), Royal Bank of Scotland and Goldman Sachs. 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 (Lloyds TSB, 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 also has a 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 Council's potential maximum exposure to credit risk.

	Amount at 31 March 2012 £ million	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default and uncollectability at 31 March 2012 £ million	Estimated maximum exposure at 31 March 2011 £ million
Deposits with Banks and Financial institutions	23.476	0.001%	0.001%	0.000	0.000
Secured debt	8.237	0.001%	0.001%	0.000	0.000
Customers					
External debts (non aged)	10.659				
General debts less than 90 days	10.239	0.000%	0.000%	0.000	0.000
General debts >90days but <365 days	1.106	30.000%	30.000%	0.332	0.482
General debts >365 days	1.054	61.119%	61.119%	0.644	0.526
Total	**54.771**			**0.976**	**1.008**

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council generally has terms that give customers 30 days to pay their debts. Of the £12.399 million classified as receivable trade / general debtors, there is £6.661 million (£4.091 million 2010 - 2011) outstanding greater than 30 days.

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

	31 March 2011 £ million	31 March 2012 £ million
Current	6.473	5.738
Less than three months	1.707	4.501
Three to six months	0.585	0.572
Six months to one year	0.630	0.534
More than one year	1.169	1.054
Total	**10.564**	**12.399**

Liquidity risk

As the Council 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 Council 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 30% of loans are repayable within 12 months.

The maturity analysis of financial liabilities is as follows:

	31 March 2011 £ million	31 March 2012 £ million
Less than one year	7.518	17.514
Between one and two years	3.506	3.507
Between two and five years	10.524	33.027
More than five years	322.049	296.039
	343.597	**350.087**

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 £8.225 million (£11.350 million 2010 - 2011). 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 Council 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 Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities 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 Comprehensive Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Account and affect the General Fund Balance pound for pound.

The Council 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 2012, if interest rates had been 1% higher with all other variables constant the main impact would be on £8.225 million of developers contributions included within long term debt (potential impact £0.082 million). All other variable rate debt and investments are immaterial as at 31 March 2012 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 Council does not generally invest in equity shares but does have shareholdings to the value of £0.002 million in CSD Ltd (a joint venture between Suffolk County Council, Mid Suffolk District Council and BT). The Council is not currently exposed to any gains and losses relating to this joint venture.

The £0.002 million 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 non current assets. Therefore the shares are valued at amortised cost.

The Council also has 100% shareholding in its subsidiary Eastern Facilities Management Solutions Ltd (EFMS). In monetary terms the shareholding is £0.001million. The Council is potentially exposed to gains and losses in relation to EFMS although the company made a profit before tax of £0.442 million in 2011 – 2012.

The £0.001million 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 has no profit history, issued no dividends in 2011 - 2012 and holds low values of non current assets. Therefore the shares are valued at amortised cost.

43. Interest in Companies

The Council has 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 and Public Access 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 contract has 2 years left to run. The approximate annual revenue commitment is £40.000 million.

CSD Ltd has the policy not to own any assets and at 31 March 2012 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 2011 - 2012 was £51.777 million (£53.566 million 2010 - 2011), and operating costs £51.777 million (£53.566 million 2010 - 2011). The accounts of CSD Ltd received an unqualified opinion in 2011 – 2012.

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, Constantine House, 5 Constantine Road, Ipswich, Suffolk, IP1 2DH.

The Council also has an interest in Eastern Facilities Management Solutions Ltd (EFMS). The Council owns 100% of the ordinary share capital of EFMS which consists of 100 ordinary shares with par value £10.00 and EFMS is therefore a wholly-owned subsidiary of the Council.

The principal activities of EFMS are the provision of Grounds, Catering, Caretaking, Facilities Management services along with the Print and Design services, primarily to the Council, schools and other public sector organisations.

The turnover of EFMS for 2011 - 2012 was £12.900 million and operating costs £12.458 million. The carrying value of assets owned by the organisation is £0.392 million, and in addition to this £0.265 million of assets are recognised through finance leases. As EFMS only incorporated in 2011 – 2012 there is no comparator information. The EFMS accounts are subject to audit.

Eastern Facilities Management Solutions Limited information is as follows: Registered number is 07728211, registered office and principal place of business is Endeavour House, 8 Russell Road, Ipswich, Suffolk, IP1 8BX.

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

Please refer to the prepared Group Accounts that begin on page 87. The statements are intended to present financial information about the parent (the Council) and then additionally reflect the Council's share of CSD Ltd and EFMS Ltd net assets, expenditure and income in a unified set of accounts.

44. 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.

2010 - 2011 £ million		**2011 - 2012 £ million**
0.914	Staff recruitment	0.814
0.802	Other advertising such as public notices	0.456
0.529	Other public information activities	0.303
2.245		**1.573**

45. Landfill usage

In relation to the Landfill Allowance Trading Scheme (LATS), Central Government allocated an allowance of 115,731 tonnes to Suffolk County Council. This represents the maximum amount of Biodegradable Municipal Waste (BMW) the Council could landfill in 2011 - 2012, without paying penalties, or buying more allowances from other waste disposal authorities. It is estimated that we have landfilled approximately 97,000 tonnes of BMW was landfilled. This means that 18,731 tonnes of the Council's LATS allowances was unused.

2011 - 2012 is a trading year for LATS allowances. A trading year is when unused allowances from that year can be sold to other waste disposal authorities up until September 2012. They cannot be carried forward into 2012 - 2013 as this is a 'Target Year', when only allowances for that specific year can be used or traded. Although there were a few trades in the LATS market during 2011 - 2012, the activity at the year end has been very low, leaving the Council with little prospect of selling the surplus allowances.
Therefore, the accumulated surplus allowances (61,301 tonnes) have been assessed at zero value, as were the 2010 - 2011 surplus allowances in the 2010 - 2011 Accounts.
The effect on the Balance Sheet is summarised in the table overleaf:

Assets and Liabilities in the Balance Sheet	Brought Forward As at 1 April 2011 £ million	Initial Recognition of 2011-2012 Allowances £ million	2011-2012 In-year movements £ million	As at 31 March 2012 £ million
Current Assets				
Landfill Usage Allowances	0.022	0.012	-0.024	0.010
Total Assets	**0.022**	**0.012**	**-0.024**	**0.010**
Liabilities				
Deferred Income	0.000	-0.012	0.012	0.000
Liability to DEFRA for BMW landfill usage	-0.022	0.000	0.012	-0.010
Total Liabilities	**-0.022**	**-0.012**	**0.024**	**-0.010**
Net Assets / (Liabilities)	**0.000**	**0.000**	**0.000**	**0.000**
Reserves				
Earmarked Reserves	0.000	0.000	0.000	0.000
Total Reserves	**0.000**	**0.000**	**0.000**	**0.000**

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

Income & Expenditure Transactions in year		2011 - 2012	
	Gross Income £ million	Gross Expenditure £ million	Net Income £ million
Cultural, Environmental and Planning Services	-0.012	0.012	0.000

For information on the accounting treatment of Landfill Usage please refer to the accounting policies in note 1.

46. Insurance arrangements

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

47. Trust and Amenity Funds

2010 - 2011 £ million		2011 - 2012 £ million
0.594	Trust funds	0.132
0.328	Amenity funds	0.398

The Council looks after 117 trust and amenity funds (114 in 2010 - 2011) relating to specific services. Of these 6 are trust funds, most of which were set up after the council was left money or property in somebody's will. The 111 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 £0.120 million (£0.448 million in 2010 - 2011), and cash totalling £0.410 million at 31 March 2012 (£0.473 million at 31 March 2011) was lent to the Council.

When comparing the value of trust funds between 2010 - 2011 and 2011 -2012 it should be noted that the majority of the £0.462 million can be explained by the fact that monies were returned back to the Northgate Foundation in March 2012.

48. Prior Year Adjustments

The Council has identified four prior period adjustments that need to be made to the accounts and these are described in more detail in this note.

The following tables explain the material differences between the amounts presented in the 2010 - 2011 financial statements and the equivalent amounts presented in the 2011 - 2012 financial statements. The numbers in the columns below refer to adjustment references that are then detailed and explained on page 85.

In addition please refer to notes 7, 12, 20 & 24 as the 2010 - 2011 figures have been restated.

Comprehensive Income and Expenditure Account

	2010 - 2011 Gross Expenditure £ million	Adjustments 1 £ million	Adjustments 2 £ million	Adjustments 3 £ million	Restated 2010 - 2011 Gross Expenditure £ million	2010 - 2011 Gross Income £ million	Adjustment 1 £ million	Restated 2010 - 2011 Gross Income £ million	2010 - 2011 Net Expenditure £ million	Restated 2010 - 2011 Net Expenditure £ million
Central services to the public	3.402				3.402	-1.369		-1.369	2.033	2.033
Court Services	0.954				0.954	-0.002		-0.002	0.952	0.952
Cultural and Related Services		21.647			21.647		-2.777	-2.777	0.000	18.870
Planning Services		7.726			7.726		-4.826	-4.826	0.000	2.900
Environment & Regulatory Services		42.160			42.160		-8.079	-8.079	0.000	34.081
Cultural, environmental, regulatory and planning services	71.533	-71.533			0.000	-15.683	15.683	0.000	55.850	0.000
Education and children's services	793.251		0.093	0.300	793.644	-546.159		-546.159	247.092	247.485
Fire Services	30.023				30.023	-2.738		-2.738	27.285	27.285
Highways and transport services	68.199				68.199	-13.242		-13.242	54.957	54.957
Housing services	16.709				16.709	-0.430		-0.430	16.279	16.279
Adult social care	251.719				251.719	-55.402		-55.402	196.317	196.317
Corporate and democratic core	8.786				8.786	-0.034		-0.034	8.752	8.752
Non distributed costs	-130.595				-130.595	-0.016		-0.016	-130.611	-130.611
Cost of Services	**1,113.981**	**0.000**	**0.093**	**0.300**	**1,114.374**	**-635.075**	**0.000**	**-635.075**	**478.906**	**479.299**
Other Operating Expenditure (note 9)	16.683				16.683	-5.921		-5.921	10.762	10.762
Financing and Investment Income and Expenditure (note 10)	35.202				35.202	-0.682		-0.682	34.520	34.520
Surplus or Deficit of Discontinued Operations	0.000							0.000		
Taxation and Non-Specific Grant Income (note 11)					0.000	-589.216		-589.216	-589.216	-589.216
Surplus or deficit on revaluation of Property Plant and Equipment assets									-3.711	-3.711
Actuarial gains/losses on pension assets/liabilities									-226.950	-226.950
Total Comprehensive Income and Expenditure									**-295.689**	**-295.296**

Balance Sheet

31 March 2010 £ million	Adjustments 2	3	4	Restated 31 March 2010 £ million		31 March 2011 £ million	Adjustments 2	3	4	Restated 31 March 2011 £ million
1,384.802	8.011	31.092	-0.096	1,423.809	Other land and buildings	1,346.954	7.919	30.792	-0.096	1,385.569
36.955				36.955	Vehicles, plant, furniture and equipment	35.132				35.132
0.498			-0.010	0.488	Community assets	0.497			-0.010	0.487
356.692				356.692	Infrastructure	397.301				397.301
26.318				26.318	Assets under construction	4.123				4.123
15.259	0.074			15.333	Surplus assets not held for sale	12.551	0.074			12.625
			0.906	0.906	Heritage Assets				0.906	0.906
0.142				0.142	Long Term Investments	0.007				0.007
5.049				5.049	Long Term Debtors	5.418				5.418
1,825.715	**8.085**	**31.092**	**0.800**	**1,865.692**	**Long Term Assets**	**1,801.983**	**7.993**	**30.792**	**0.800**	**1,841.568**
24.531				24.531	Short Term Investments	22.329				22.329
5.640				5.640	Assets held for sale	3.867				3.867
0.947				0.947	Inventories	1.323				1.323
51.635				51.635	Short Term Debtors	51.688				51.688
0.006				0.006	Landfill Allowance	0.022				0.022
82.759	**0.000**	**0.000**	**0.000**	**82.759**	**Current Assets**	**79.229**	**0.000**	**0.000**	**0.000**	**79.229**
-11.773				-11.773	Cash and Cash Equivalents	-23.131				-23.131
-53.886				-53.886	Short Term Borrowing	-7.518				-7.518
-102.754				-102.754	Short Term Creditors	-101.464				-101.464
-0.615				-0.615	PFI Liability	-0.292				-0.292
-23.058				-23.058	Provisions	-30.560				-30.560
-192.086	**0.000**	**0.000**	**0.000**	**-192.086**	**Current Liabilities**	**-162.965**	**0.000**	**0.000**	**0.000**	**-162.965**
					Long Term Creditors					
-4.897				-4.897	Provisions	-5.527				-5.527
-289.585				-289.585	Long Term Borrowing	-336.079				-336.079
-11.954				-11.954	Other Long Term Liabilities	-11.350				-11.350
-4.807				-4.807	PFI Liability	-9.641				-9.641
-692.238				-692.238	Liability related to defined benefit pension scheme	-351.176				-351.176
-17.057				-17.057	Capital Grants Receipts in Advance	-12.935				-12.935
-1,020.538	**0.000**	**0.000**	**0.000**	**-1,020.538**	**Long Term Liabilities**	**-726.708**	**0.000**	**0.000**	**0.000**	**-726.708**
695.850	**8.085**	**31.092**	**0.800**	**735.827**	**Net Assets**	**991.539**	**7.993**	**30.792**	**0.800**	**1,031.124**
126.634				126.634	Usable reserves	131.100				131.100
569.216	8.085	31.092	0.800	609.193	Unusable reserves	860.439	7.993	30.792	0.800	900.024
695.850	**8.085**	**31.092**	**0.800**	**735.827**	**Total Reserves**	**991.539**	**7.993**	**30.792**	**0.800**	**1,031.124**

Adjustment 1. Change in accounting policy / disclosure requirement

The Service Reporting Code of Practice (SeRCOP) sets out the service expenditure analysis local authorities are required to use to present their Net Cost of Services from 2011 - 2012. The 2011 - 2012 includes a change in the presentation of Cultural, Environmental, Regulatory and Planning Services into three separate lines. This change in presentation requires re-presentation of the 2010 - 2011 comparative information.

Adjustments 2 and 3. Additional asset recognition

Under IAS16, the standard covering Property, Plant and Equipment, the Council is required to recognise assets, that, in accounting terms, are under the control of the Council. The Council has decided that this principle should be applied to all Voluntary Controlled schools as it is probable that future economic benefits will flow to the school, and as the school is under the local authority control their assets form part of the Council's Balance Sheet.

Following a review of the Voluntary Controlled schools disclosed in the balance sheet at 31 March 2011, the council identified a number of schools that had previously been missed or only partially included. In addition, 5 other assets were identified that needed to be recognised on the Council's balance sheet.

The additional assets recognised in the Balance Sheet require an additional depreciation charge to the Comprehensive Income and Expenditure Account in 2010 - 2011 (£0.393 million). The charge is matched by a credit to the Capital Adjustment Account.

Adjustment 4. Heritage assets

Under the Code a new category of asset is shown on the Balance Sheet. Heritage assets are defined as assets with historical, artistic, scientific, technological, geophysical and environmental qualities which are held and maintained principally for their contribution to knowledge and culture. The Council has identified 3 assets that meet the criteria. The assets are Buttrams Mill, Woodbridge; Greyfriars Priory, Dunwich; St Edmund Statue, Bury St Edmunds.

49. Heritage Assets

For 2011 - 2012 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet, or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's accounting policies.

In applying the new accounting policy, the Council has identified that the assets that were previously held as community assets within property, plant and equipment at £0.106 million should now be recognised as heritage assets. This relates to Buttrams Mill in Woodbridge, previously recognised as a finance lease with the Council as lessee within operational land and buildings and Greyfriars Priory in Dunwich, previously recognised within community assets. The Council will also recognise an additional £0.800 million for the recognition of a statue of St. Edmund as a heritage asset that was not previously recognised in the Balance Sheet. This increase is recognised in the Revaluation Reserve.

The Council reports the St Edmund Statue in the Balance Sheet at insurance valuation due to the specialist nature of the asset and no other valuation data being available. The statue of St Edmund by Dame Elizabeth Frink, currently stands beside Bury St. Edmunds Cathedral. Buttrams Mill in Woodbridge is carried at fair value on the Balance Sheet. A lease has been granted to SCC to preserve the heritage of this windmill, originally built in 1836. The Council reports Greyfriars Priory in the Balance Sheet at historical cost due to the specialist nature of the asset and no valuation data being available. Greyfriars Priory is the remains of a Franciscan Monastery in the village of Dunwich.

The Council has recognised the medieval castle remains at Clare Country Park and the Bliss Mausoleum at Brandon Country Park as meeting the Heritage Asset requirements. The Council does not consider that reliable cost or valuation information can be obtained for these assets due to their diverse nature and lack of comparable market values. As a result, a disclosure in the notes to the accounts has been made for these assets but they will not be carried on the Balance Sheet.

Suffolk County Council recognises that it holds Heritage Assets within its records office facilities in Ipswich, Lowestoft and Bury St. Edmunds however it is impracticable to identify and value individual assets due to the cost and resources required outweighing the benefits to the users of the financial statements. As a result, a disclosure in the notes to the accounts will be made for these assets but they will not be carried on the Balance Sheet.

The 1 April 2010 and 31 March 2011 Balance Sheets and 2010 - 2011 comparative figures have thus been restated in the 2011 - 2012 Statement of Accounts to apply the new policy. The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation of £0.906 million. The element that was previously recognised in Property, Plant and Equipment has been reclassified and the Revaluation Reserve has increased by £0.800 million.
- The heritage asset category has been subject to no revaluations, disposals, impairments or depreciation in either 2010 - 2011 or 2011 - 2012.

Group Accounts – Introduction

Introduction to the Group Accounts

The 2011 - 2012 Code of Practice on Local Authority Accounting in the United Kingdom 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 Eastern Facilities Management Solutions Ltd (EFMS Ltd) as a subsidiary, and Customer Services Direct Ltd (CSD Ltd) as a joint venture and prepare group accounts. Both organisations have prepared accounts to 31st March 2012, and these have been used as the source of information to consolidate the group statements.

The statements are intended to present financial information about the parent (the Council) and then additionally reflect the Council's share of assets, liabilities, expenditure and income in a unified set of accounts.

The accounts of EFMS Ltd are consolidated into the group under acquisition accounting principles, and the accounts of CSD Ltd are consolidated into the group accounts using the Equity Method.

Customer Service Direct Ltd

CSD Ltd was created in 2004 as a result of a 10 year contract for the provision of services outlined below. The Council owns 16.4% of the ordinary shareholding of CSD Ltd. The two other shareholders are BT plc and Mid Suffolk District Council.

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

Eastern Facilities Management Solutions Ltd

EFMS Ltd was created in 2011 as a wholly owned subsidiary of the Council and began trading on 1 November 2011.

The Council owns 100% of the shareholding of EFMS Ltd. The Council also made a loan to EFMS of £2.430 million at the point of inception.

The principal activities of EFMS Ltd are to provide Catering, Grounds, Caretaking and Cleaning, Facilities Management and Design and Print services to the Council, Schools and other local government and private organisations.

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 21 - 33.

Group Accounts – Comprehensive Income and Expenditure Account

2010 - 2011 Restated Gross Expenditure £ million	2010 - 2011 Restated Gross Income £ million	2010 - 2011 Restated Net Expenditure £ million		Notes	2011 - 2012 Gross Expenditure £ million	2011 - 2012 Gross Income £ million	2011 - 2012 Net Expenditure £ million
3.402	-1.369	2.033	Central services to the public		3.916	-2.069	1.847
0.954	-0.002	0.952	Court services (Coroners)		0.871	0.000	0.871
21.647	-2.777	18.870	Cultural and related services		21.641	-2.236	19.405
7.726	-4.827	2.899	Planning services		5.569	-3.095	2.474
42.160	-8.079	34.081	Environmental and regulatory services		41.300	-10.181	31.119
793.644	-546.159	247.485	Education and children's services		633.273	-497.903	135.370
30.023	-2.738	27.285	Fire services		34.793	-3.784	31.009
68.199	-13.242	54.957	Highways and transport services		66.822	-6.509	60.313
16.709	-0.430	16.279	Housing services (Supporting People)		11.886	-0.169	11.717
251.719	-55.402	196.317	Adult social care		268.626	-70.425	198.201
8.786	-0.034	8.752	Corporate and democratic core		7.213	-0.065	7.148
-130.595	-0.016	-130.611	Non distributed costs *		-3.196	-0.064	-3.260
0.000	0.000	0.000	Other services		10.326	-2.406	7.920
8.785	-8.785	0.000	Share of operating results of joint venture		8.491	-8.491	0.000
1,123.159	**-643.860**	**479.299**	**Net cost of services**		**1,111.531**	**-607.397**	**504.134**
16.683	-5.921	10.762	Other operating expenditure	G1	207.069	0.000	207.069
35.202	-0.682	34.520	Financing and investment income and expenditure	G2	23.941	-0.895	23.046
	-589.216	-589.216	Taxation and non-specific grant income	G3	0.000	-567.745	-567.745
1,175.044	**-1,239.679**	**-64.635**	**Surplus (-) or deficit on provision of services**	G12	**1,342.541**	**-1,176.037**	**166.504**
		0.000	Tax expenses of subsidiaries				0.112
		-64.635	**Group surplus (-) / deficit**				**166.616**
		-3.711	Surplus or deficit on revaluation of property plant and equipment assets				-23.679
		-226.950	Actuarial gains (-)/losses on pension assets/liabilities				82.031
		-230.661	**Other comprehensive income and expenditure**				**58.352**
		-295.296	**Total comprehensive income and expenditure**				**224.968**

* For an explanation of the figures in Non distributed costs please refer to the Council's accounts on p16.

Group Accounts – Movement in Reserves Statement

	Council's Usable Reserves £ million	Council's share of EFMS Ltd Usable Reserves £ million	Total Group Usable Reserves £ million	Council's Unusable Reserves £ million	Council's share of EFMS Ltd Unusable Reserves £ million	Total Unusable Reserves £ million	Total Group Reserves £ million
Balance at 31 March 2010	**126.634**	**0.000**	**126.634**	**609.193**	**0.000**	**609.193**	**735.827**
Movement in reserves during 2010 - 2011							
Group surplus / (deficit) on provision of services	64.635	0.000	64.635	0.000	0.000	0.000	**64.635**
Other comprehensive expenditure and income	0.000	0.000	0.000	230.661	0.000	230.661	**230.661**
Total comprehensive expenditure and income	**64.635**	**0.000**	**64.635**	**230.661**	**0.000**	**230.661**	**295.296**
Adjustments between accounting basis and funding basis under regulations (note 7)	-60.168	0.000	-60.168	60.168	0.000	60.168	0.000
Transfer to / from earmarked reserves	**-0.001**	**0.000**	**-0.001**	**0.002**	**0.000**	**0.002**	**0.001**
Increase/Decrease in 2010 - 2011	**4.466**	**0.000**	**4.466**	**290.831**	**0.000**	**290.831**	**295.297**
Balance at 31 March 2011 Carried forward	**131.100**	**0.000**	**131.100**	**900.024**	**0.000**	**900.024**	**1,031.124**
Movement in Reserves during 2011 - 2012							
Group surplus / (deficit) on provision of services	-158.631	-7.985	-166.616	0.000	0.000	0.000	**-166.616**
Other comprehensive expenditure and income	0.000	1.323	1.323	-59.675	0.000	-59.675	**-58.352**
Total comprehensive expenditure and income	**-158.631**	**-6.662**	**-165.293**	**-59.675**	**0.000**	**-59.675**	**-224.968**
Adjustments between Group Accounts and Council Accounts *	-8.316	8.315	-0.001	0.000	0.001	0.001	**0.000**
Net increase / decrease before transfers	**-166.947**	**1.653**	**-165.294**	**-59.675**	**0.001**	**-59.674**	**-224.968**
Adjustments between accounting basis and funding basis under regulations (note 7)	202.540	0.000	202.540	-202.540	0.000	-202.540	0.000
Increase/Decrease in 2011 - 2012	**35.593**	**1.653**	**37.247**	**-262.214**	**0.001**	**-262.215**	**-224.968**
Balance at 31 March 2012 Carried forward	**166.693**	**1.653**	**168.346**	**637.807**	**0.001**	**637.808**	**806.154**

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

Group Accounts – Balance Sheet

31 March 2010 Restated £ million	31 March 2011 Restated £ million		Notes	31 March 2012 £ million	31 March 2012 £ million
1,859.595	1,835.238	Property, Plant and Equipment			1,669.486
0.906	0.906	Heritage Assets	**49**		0.906
0.140	0.005	Long-term Investments			0.005
2.459	2.357	Share of gross assets of Joint Venture		1.385	
-2.457	-2.355	Share of gross liabilities of Joint Venture		-1.383	
		Total long term investment in Joint Venture			0.002
5.049	5.418	Long-term Debtors			8.307
1,865.692	**1,841.569**	**Total Long-Term Assets**			**1,678.706**
24.531	22.329	Short Term Investments			23.476
5.640	3.867	Assets held for sale	**17**		4.975
0.947	1.323	Inventories	**G4**		1.602
51.635	51.688	Short Term Debtors	**G5**		42.057
0.006	0.022	Landfill Allowances			0.010
82.759	**79.229**	**Current Assets**			**72.120**
-11.773	-23.131	Cash and Cash Equivalents	**G6**		-25.525
-53.886	-7.518	Short Term Borrowing			-17.514
-102.754	-101.464	Short Term Creditors	**G7**		-82.151
-0.615	-0.292	PFI Liability	**35**		-0.165
-23.058	-30.560	Provisions	**G8**		-18.192
-192.086	**-162.965**	**Current Liabilities**			**-143.547**
-4.897	-5.527	Provisions	**19**		-6.513
-289.585	-336.079	Long Term Borrowing	**13**		-332.573
-11.954	-11.350	Other Long Term Liabilities	**13**		-8.521
-4.807	-9.641	PFI Liability	**35**		-13.999
-692.238	-351.176	Liability related to defined benefit pension scheme			-431.421
-17.057	-12.935	Capital Grants Receipts in Advance	**31**		-8.096
-1,020.538	**-726.708**	**Long Term Liabilities**			**-801.125**
735.827	**1,031.124**	**Net Assets**			**806.154**
126.634	131.100	Usable Reserves			168.346
609.193	900.024	Unusable Reserves	**20**		637.808
735.827	**1,031.124**	**Total Reserves**			**806.154**

Group Accounts – Cash Flow Statement

2010 - 2011 Restated £ million		Notes	2011 - 2012 £ million
-64.635	**Net surplus (-) or deficit on the provision of services**		**166.616**
-34.440	Adjust net surplus or deficit on the provision of services for non cash movements		-270.670
88.399	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		86.739
-10.676	Net cash flows from Operating Activities	**G9**	**-17.315**
26.361	Investing Activities	**G10**	28.592
-4.327	Financing Activities	**G11**	-8.883
11.358	**Net increase (-) or decrease in cash and cash equivalents**		**2.394**
11.773	Cash and cash equivalents at the beginning of the reporting period		23.131
23.131	**Cash and cash equivalents at the end of the reporting period**		**25.525**

Notes to the Group Accounts

Where added value is provided, additional disclosures are presented below in respect of the Group Accounts. These are referenced with a **G** and can be referred to against the main statements of the Group Accounts on pages 88 to 91.

Otherwise the references without a **G** in the above statements refer to the notes in the single entity accounts on pages 20 to 86.

G1. Other Operating Expenditure

2010 - 2011 £ million		2011 - 2012 £ million
0.611	Payments to the Environment Agency	0.611
0.384	Payments to the Eastern Inshore Fisheries and Conservation Authority	0.454
-5.921	Gains/losses on trading operations	0.935
15.688	Gains/losses on the disposal of non current assets	205.069
10.762	**Total**	**207.069**

G2. Financing and Investment Income and Expenditure

2010 - 2011 £ million		2011 - 2012 £ million
13.844	Interest payable and similar charges	14.389
21.358	Pensions interest cost and expected return on pensions assets	9.553
-0.682	Interest receivable and similar income	-0.896
34.520	**Total**	**23.046**

G3. Taxation and Non-Specific Grant Income

2010 - 2011 £ million		2011 - 2012 £ million
-287.524	Council Tax Income	-289.586
-147.509	Non domestic rates	-141.525
-65.784	Non-ringfenced government grants (note 31)	-53.328
-88.399	Capital grant and contributions (note 31)	-83.306
-589.216	**Total**	**-567.745**

G4. Inventories

The table below details the purchases and expenses during the year and any adjustments to reconcile to the value of inventory held at 31 March 2012. Revaluation increases/decreases have resulted from the update of cost rates in the inventory systems used to reflect the accurate value of inventory items held.

2010 - 2011 £ million		2011 - 2012 £ million
1.323	Suffolk County Council	1.282
0.000	EFMS Ltd	0.320
1.323	**Total**	**1.602**

G5. Debtors

31 March 2011 £ million		31 March 2012 £ million
14.304	Central government bodies	11.785
21.734	Other local authorities	13.976
3.083	NHS bodies	1.909
0.593	Public corporations and trading funds	0.061
11.974	Other entities and individuals	14.821
51.688	**Total**	**42.552**
0.000	EFMS Ltd	1.164
0.000	Less intra Group debtors	-1.659
51.688	**Group Total**	**42.057**

G6. Cash and Cash Equivalents

31 March 2011 £ million		31 March 2012 £ million
0.978	Cash held by the Authority	0.010
-24.109	Bank current accounts	-30.093
-23.131	**Total**	**-30.083**
0.000	EFMS Ltd Cash and Bank Balances	4.558
-23.131	**Total Group Cash Total**	**-25.525**

G7. Creditors

31 March 2011 £ million		31 March 2012 £ million
-35.424	Central government bodies	-10.932
-18.162	Other local authorities	-11.858
-2.259	NHS bodies	-1.064
-1.030	Public corporations and trading funds	-0.617
-44.589	Other entities and individuals	-55.693
-101.464	**Total**	**-80.164**
0.000	EFMS Ltd	-3.646
0.000	Less intra Group creditors	1.659
-101.464	**Group Total**	**-82.151**

G8. Provisions - Current

In addition to the information in note 19 of the Council only accounts, the EFMS provisions shown in the table below relate to provision for termination benefits (£0.075 million) and accrued holiday pay (£0.099 million).

	Total Council Provisions as per note 19 £ million	EFMS Provisions £ million	Total Group Provisions £ million
Balance at 1 April 2011	30.560	0.000	30.560
Additional provisions made in 2011-2012	15.971	0.174	16.145
Amounts used in 2011-2012	-11.454	0.000	-11.454
Unused amounts reversed in 2011-2012	-17.059	0.000	-17.059
Balance at 31 March 2012	**18.018**	**0.174**	**18.192**

G9. Operating Activities

The cash flows for operating activities include the following:

2010-2011 £ million		2011-2012 £ million
-0.682	Interest received	-0.854
13.844	Interest paid	14.420
13.162	**Total**	**13.566**

G10. Investing Activities

2010-2011 Restated £ million		2011-2012 £ million
122.654	Purchase of property, plant and equipment, investment property and intangible assets	111.529
1,068.377	Purchase of short-term and long-term investments	1,050.259
-1.755	Proceeds from the sale of property, plant and equipment	-4.243
-1,077.632	Proceeds from short-term and long-term activities	- 1,049.144
-85.283	Other receipts from investing activities	-79.809
26.361	**Net cash flows from investing activities**	**28.592**

G11. Financing Activities

2010-2011 Restated £ million		2011-2012 £ million
-91.441	Cash receipts of short- and long-term borrowing	-70.359
0.000	Other receipts from financing activities	-0.889
-4.834	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-4.329
91.344	Repayments of short- and long-term borrowing	63.567
0.604	Other payments for financing activities	3.126
-4.327	**Net cash flows from financing activities**	**-8.884**

G12. Amounts Reported for Resource Allocation Decisions

For more information on the services described below please refer to the equivalent note 24 in the Council only accounts.

Portfolio Income and Expenditure — **Restated 2010-2011 Comparative Figures**

	Adult & Community Services	Children & Young People	Economy, Skills & Environment	Public Protection (inc Social Inclusion & Diversity)	Resource Management	Capital Financing & Corporate	Total Portfolio
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Fees, charges & other service income	-65.421	-60.297	-77.979	-2.034	-77.835	-11.341	-294.907
Government grants	-10.442	-570.958	-2.242	-2.245	-1.308	0.000	-587.195
Total Income	**-75.863**	**-631.255**	**-80.221**	**-4.279**	**-79.143**	**-11.341**	**-882.102**
Employee expenses	71.080	450.449	28.860	23.179	38.735	3.848	616.151
Other service expenses	202.207	275.042	118.109	8.236	104.279	51.748	759.621
Total Expenditure	**273.287**	**725.491**	**146.969**	**31.415**	**143.014**	**55.596**	**1,375.772**
Net Expenditure as per final outturn reported to Cabinet	**197.424**	**94.236**	**66.748**	**27.136**	**63.871**	**44.255**	**493.670**

Portfolio Income and Expenditure — **2011-2012**

	Adult & Community Services	Children & Young People	Economy, Skills & Environment	Public Protection (inc Social Inclusion & Diversity)	Resource Management	Capital Financing & Corporate	Total Portfolio
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Fees, charges & other service income	-55.753	-63.010	-63.985	-3.096	-66.767	-7.086	-259.697
Government grants	-29.397	-465.492	-0.931	-2.791	-0.506	-0.114	-499.231
Total Income	**-85.150**	**-528.502**	**-64.916**	**-5.887**	**-67.273**	**-7.200**	**-758.928**
Employee expenses	61.754	382.024	25.666	20.873	26.837	3.822	520.976
Other service expenses	210.004	229.578	107.457	9.718	94.074	57.585	708.416
Total Expenditure	**271.758**	**611.602**	**133.123**	**30.591**	**120.911**	**61.407**	**1,229.392**
Net Expenditure as per final outturn reported to Cabinet	**186.608**	**83.100**	**68.207**	**24.704**	**53.638**	**54.207**	**470.464**

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Account

	2010-2011	2011-2012
	£ million	£ million
Net expenditure in the Portfolio Analysis	493.670	470.464
Net expenditure of Subsidiaries not included in the analysis	0.000	-0.516
Amounts in the Comprehensive Income and Expenditure Account not reported to management in Analysis	14.714	89.684
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Account	-29.085	-55.498
Cost of Services in Comprehensive Income and Expenditure Account	**479.299**	**504.134**

2010-2011 Restated	Portfolio Analysis £ million	Technical adjustments not reported to management £ million	Amounts not included in Net Cost of Services £ million	Net Expenditure of Subsidiaries not included in the analysis £ million	Cost of Services £ million	Corporate Amounts relating to Subisidiaries £ million	Corporate Amounts £ million	Total £ million
Fees, charges & other service income	-294.907				**-294.907**			-294.907
Surplus on trading operations		5.921			**5.921**		-5.921	0.000
Interest and investment income		0.682			**0.682**		-0.682	0.000
Income from council tax					**0.000**		-287.524	-287.524
Government grants and contributions	-587.195				**-587.195**		-301.692	-888.887
Total Income	**-882.102**	**6.603**	**0.000**	**0.000**	**-875.499**	**0.000**	**-595.819**	**-1,471.318**
Employee expenses	616.151	-5.723			**610.428**			610.428
Other services expenses	759.621		-8.561		**751.060**			751.060
Depreciation and impairment		125.971			**125.971**			125.971
Revenue expenditure funded from capital under statute		38.172			**38.172**			38.172
Provision for repayment of debt			-20.524		**-20.524**			-20.524
Interest Payments		-13.844			**-13.844**		13.844	0.000
IAS 19 Interest Cost and Return on Assets		-135.470			**-135.470**		21.358	-114.112
Precepts & Levies		-0.995			**-0.995**		0.995	0.000
Gain (-) or Loss on Disposal of Fixed Assets					**0.000**		15.688	15.688
Total Expenditure	**1,375.772**	**8.111**	**-29.085**	**0.000**	**1,354.798**	**0.000**	**51.885**	**1,406.683**
Surplus (-) or deficit on the provision of services	**493.670**	**14.714**	**-29.085**	**0.000**	**479.299**	**0.000**	**-543.934**	**-64.635**

2011-2012	Portfolio Analysis £ million	Technical adjustments not reported to management £ million	Amounts not included in Net Cost of Services £ million	Net Expenditure of Subsidiaries not included in the analysis £ million	Cost of Services £ million	Corporate Amounts relating to Subisidiaries £ million	Corporate Amounts £ million	Total £ million
Fees, charges & other service income	-259.697			-12.900	**-272.597**			-272.597
Surplus on trading operations		-0.916			**-0.916**		0.916	0.000
Interest and investment income		0.997			**0.997**	-0.047	-0.997	-0.047
Income from council tax					**0.000**		-289.586	-289.586
Government grants and contributions	-499.231	1.659			**-497.572**		-278.159	-775.731
Total Income	**-758.928**	**1.740**	**0.000**	**-12.900**	**-770.088**	**-0.047**	**-567.826**	**-1,337.961**
Employee expenses	520.976	-6.268		6.875	**521.583**			521.583
Other services expenses	708.416		-34.421	5.422	**679.417**	0.019		679.436
Depreciation and impairment		90.866		0.087	**90.953**			90.953
Revenue expenditure funded from capital under statute		30.007			**30.007**			30.007
Provision for repayment of debt			-20.893		**-20.893**			-20.893
Interest Payments		-14.436			**-14.436**	0.101	14.436	0.101
IAS 19 Interest Cost and Return on Assets		-11.160			**-11.160**		9.553	-1.607
Precepts & Levies		-1.065			**-1.065**		1.065	0.000
Gain (-) or Loss on Disposal of Fixed Assets			-0.184		**-0.184**		205.069	204.885
Total Expenditure	**1,229.392**	**87.944**	**-55.498**	**12.384**	**1,274.222**	**0.120**	**230.123**	**1,504.465**
Surplus (-) or deficit on the provision of services	**470.464**	**89.684**	**-55.498**	**-0.516**	**504.134**	**0.073**	**-337.703**	**166.504**

Pension Fund Accounts

Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund's transactions for the 2011 - 2012 financial year and its position as at 31 March 2012.

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2011 - 2012, which is based upon International Financial Reporting Standards (IFRS). The Code also incorporates elements of 2007 SORP "Financial Reports of Pension Schemes".

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take into account obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS 26) basis, is disclosed in note 6.3 of these accounts.

Restated 2010 - 2011 £ million	**Fund Account**	**Notes**	**2011 - 2012 £ million**
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
66.474	Normal	**4**	61.568
3.602	Deficit funding	**4**	6.200
3.548	Other	**4**	3.936
	From members		
20.404	Normal	**4**	19.200
	Transfers In		
7.381	Individual transfers in from other schemes		3.402
0.000	Group transfers in from other schemes		0.194
0.036	Other Income		0.023
	Benefits payable:		
-50.064	Pensions	**4**	-55.097
-16.390	Commutations of pensions and lump sum retirement benefits		-17.246
-1.961	Lump sum death benefits		-2.219
	Payments to and on account of leavers:		
-0.002	Refunds of Contributions		-0.007
-12.605	Individual transfers out to other schemes		-4.878
-28.627	Group Transfers out to other Schemes		0.000
-1.624	Administration expenses borne by the scheme		-1.619
-9.828	**Net additions (withdrawals) from dealings with members**		**13.457**
	Returns on investments		
	Investment income		
0.693	Interest from fixed interest securities		0.890
17.937	Dividends from equities		20.522
8.201	Income from pooled investment vehicles		6.679
0.347	Interest on Cash Deposits		0.004
0.186	Other		0.341
-0.511	Taxes on Income		-0.359
73.377	Change in market value of investments	**10**	1.481
0.000	Impairment of Investments	**10**	-6.219
-3.869	Investment management expenses borne by the scheme		-3.973
96.361	**Net returns on investments**		**19.366**
86.533	Net increase, or (decrease), in the fund during the year		32.823
1,436.528	Opening net assets of the scheme		1,523.061
1,523.061	**Closing net assets of the scheme**		**1,555.884**

Restated 31 March 2011 £ million	Net asset statement	Notes	31 March 2012 £ million
	Investment assets		
	Fixed interest securities:		
22.601	UK government fixed interest securities	**10**	23.053
	Equities:		
340.136	UK companies	**10**	330.882
390.029	Overseas companies	**10**	376.191
59.518	Private Equity	**10**	66.212
0.000	Other Managed Funds	**10**	9.338
	Pooled Investment Vehicles		
75.356	Open ended investment company	**10**	83.537
8.679	Unit trusts	**10**	15.010
429.485	Unit linked insurance policies	**10**	443.687
142.065	Property unit trust	**10**	147.155
	Derivative Contracts:		
32.414	Active Currency	**10**	33.724
47.072	Futures: UK	**10**	0.000
	Other Investment Balance		
2.974	Cash held by broker for Futures Contracts	**5,10**	0.026
0.000	Cash Backing Open Futures Contracts	**5,10**	4.457
6.764	Cash [held by the investment managers]	**5**	6.307
2.182	Margin Variation	**5,10**	0.049
1,559.275			**1,539.628**
	Investment liabilities		
-4.084	Futures:Overseas		-4.457
-0.070	Forward Foreign Exchange Contracts		-0.086
-42.986	Cash Backing Open Futures Contracts		0.000
1,512.135	**Total investments**		**1,535.085**
	Current assets		
9.536	Sundry debtors	**16**	13.292
7.945	Cash Deposits		12.273
0.234	Cash at Bank		0.374
17.715			**25.939**
	Current liabilities		
-6.789	Sundry creditors	**16**	-5.140
-6.789			**-5.140**
10.926	**Net current assets**		**20.799**
1,523.061	**Net assets**		**1,555.884**

Pension Fund Accounts

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 some Town Councils in Suffolk, 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, Fire-fighters and Police officers have their own pension schemes and are not included in the Fund.

2. Restatements

The 2011 – 2012 accounts reflect restatements to the 2010 – 2011 comparative figures to ensure a consistent accounting treatment in both years. One of these restatements was of a significant nature, £3.859 million was incorrectly accounted for as income from dividends in the Fund account whereas it should have been accounted for as pooled investment income.

3. Events after the Balance Sheet Date

There have been no events since 31 March 2012, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

4. Membership

The Fund has the following numbers of members and pensioners:

31 March 2011		31 March 2012
18,505	Members	17,779
9,810	Employee pensioners	10,458
1,817	Dependent pensioners	1,863
14,593	Deferred	16,040

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

2010-2011				2011-2012		
Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million		Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million
45.323	12.499	-24.498	Suffolk County Council	40.144	10.987	-27.518
25.837	7.187	-24.756	Other Scheduled and Resolution Bodies	28.956	7.514	-26.403
2.461	0.721	-0.810	Admitted Bodies	2.604	0.699	-1.176
73.621	**20.407**	**-50.064**	**Total**	**71.704**	**19.200**	**-55.097**

Included within employer contributions of £71.704 million shown in the fund account and the table above, is an amount for deficit funding of £12.563 million paid within the employers percentage. The deficit funding identified separately on the fund account of £6.200 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 a deficit 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 20 years as per the actuarial position on note 6.

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 amount. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific spreading and phasing periods.

2011 - 2012 is the first year of three, recovering the contribution rates set by the actuary at the 2010 valuation to reflect the future service rate and the past service adjustment.

A full list of employers and their contribution rates are included in the Funding Strategy Statement that is published separately on the Suffolk County Council website.

http://www.suffolk.gov.uk/your-council/finance/pension-fund-and-accounts

Scheduled Bodies are organisations as listed in the Local Government Pension Scheme Regulations 1997 (Schedule 2) such as County Councils and Borough/District Councils etc, the employees of which may join the Scheme as a right.

Resolution Bodies are organisations which have the right to join the Scheme if they elect to do so (e.g. a Parish Council). Membership may apply to some or all of its employees.

5. Managing the Fund

The Fund is invested in line with Local Government Pension Regulations.

The Fund investments are managed by:

- Aberdeen Asset Managers
- AllianceBernstein Institutional Investments
- BlackRock Investment Management
- Cambridge Research and Innovation Limited
- JP Morgan Asset Management
- Kohlberg Kravis Roberts (From Dec 2011)
- Legal and General Investment Management
- Millennium Global Investments
- MF Global (up to Oct 2011)
- Newton Investment Management
- Pantheon Ventures
- Partners Group (from Mar 2012)
- Schroders Property Investment Management

[1] See Regulation 77(4) of the Local Government Scheme Regulations
[2] See Regulation 77(6) of the Local Government Scheme Regulations

- Wilshire Associates

The managers invest within a broad policy agreed by 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. A copy of the Fund's Statement of Investment Principles can be obtained from the Suffolk County Council website.

http://www.suffolk.gov.uk/your-council/finance/pension-fund-and-accounts

The following table shows the market value of investments held by each manager at 31 March 2012:

31 March 2011			31 March 2012	
Market Value £ million	**Percentage of Assets %**		**Market Value £ million**	**Percentage of Assets %**
97.296	6.30%	Aberdeen Asset Managers	106.710	**7.00%**
167.250	10.83%	AllianceBernstein Institutional Investments	165.261	**10.84%**
142.321	9.22%	BlackRock Investment Management	140.778	**9.24%**
0.118	0.01%	Cambridge Research & Innovation Limited	0.064	**0.00%**
213.069	13.80%	JP Morgan Asset Management	207.517	**13.61%**
0.000	0.00%	Kohlberg Kravis Roberts	1.232	**0.08%**
429.486	27.82%	Legal and General Investment Management	443.687	**29.11%**
45.664	2.96%	Man financials	-	**0.00%**
32.414	2.10%	Millennium Global Investments	33.724	**2.21%**
214.117	13.87%	Newton Investment Management	202.046	**13.26%**
24.611	1.64%	Pantheon Ventures	26.691	**1.75%**
0.000	0.00%	Partners Group	4.865	**0.32%**
142.065	9.20%	Schroder Property Investment Management	152.215	**9.99%**
34.790	2.25%	Wilshire Associates	39.456	**2.59%**
1,543.201	**100.00%**		**1,524.246**	**100.00%**

The value of the investments held by the managers (£1,524.246 million) reconciles to the net asset statement as follows:

2010 - 2011 £ million		**2011 - 2012 £ million**
1,512.135	Total Investments	1,535.085
-2.974	Cash held by Broker	-0.026
-6.764	Cash held by investment Manager	-6.307
-2.182	Margin Variation	-0.049
42.986	Cash backing futures contracts	-4.457
1,543.201	**Market Value**	**1,524.246**

Legal and General Investments are invested in its own index pooled funds, of this £187.572 million is invested in currency hedged funds (£206.560 million as at 31 March 2011). Similarly, £83.538 million (78.3%) of Aberdeen investments are in its own pooled Funds (£73.361 million, 75.4% as at 31 March 2011). 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 101, includes both equities and pooled fund investments.

At the 31 March 2012 the Derivative contracts shown below were outstanding. The Futures were held by Aberdeen Asset Managers. The Forward exchange contracts were held by Aberdeen Asset Managers, Newton Investment Management and JP Morgan.

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 Managers makes use of forward foreign exchange contracts on an unleveraged basis for the purposes of reducing or gaining exposure to currency markets.

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 2011 Economic Exposure Value £ million	Type of Derivative	Expiration	31 March 2012 Economic Exposure Value £ million
15.209	Forward foreign exchange contracts (over the counter)	Less than 1 Year	23.018
45.428	UK FTSE (exchange traded)	Less than 1 Year	0.000
1.406	UK Treasury (exchange traded)	Less than 1 Year	0.000
-6.547	Overseas Treasury (exchange traded)	Less than 1 Year	-7.122

6. Actuarial Position

An actuarial valuation is a type of appraisal which requires making economic and demographic assumptions in order to estimate future liabilities of pensions payable. The assumptions are typically based on a mix of statistical studies and experienced judgements. Hymans Robertson provides the Fund's actuarial appraisal.

There are three actuarial valuation figures provided below: The first (6.1) is based on information collected at the last formal valuation which was 31 March 2010. The second (6.2) is an interim valuation carried out at 31 March 2012. This is based on assumptions specifically tailored to the Suffolk Pension Fund. Lastly there is the IAS26 (6.3). This is carried out at 31 March 2012, but is based on standardised assumptions set by CIPFA so Pension Funds can be compared.

6.1 Formal Valuation

The last formal three-yearly actuarial valuation was carried out as at 31 March 2010. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2011. 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 2010.
- The 'projected unit method' of actuarial valuation.
- Projected investment returns of 6.1% per year, increases in future salaries of 5.3% a year (pay increases of 1.0% in 2010 - 2011 and 2011 - 2012 and 2.0% thereafter plus any allowance for increments) and for pension increases of 3.3% a year.

The results of the valuation were:

- The actuarial assessment of the value of the Fund's assets was £1,415 million as at 31 March 2010 (the market value of assets in the accounts of the Pension Fund).
- The actuarial assessment of the Fund's liabilities, was £1,721 million at 31 March 2010.

The valuation showed that the Fund's assets covered 82% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £306 million. The actuary has confirmed that the employer's Common Contribution Rate should be 22.3% of pensionable pay for the three years starting 1 April 2011. The aim is to recover the Pension Fund deficit over a period of twenty years.

6.2 Interim Valuation

An interim valuation was carried out as at 31 March 2012. The valuation was based on the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Fund and contains the following assumptions:

- Projected investment returns of 4.86% per year, increases in future salaries of 4.80% a year and for pension increases of 3.30% a year.
- The actuarial value of the Fund's assets was £1,631 million and the liabilities £2,264 million at 31 March 2012.

The valuation showed that the Fund's assets covered 72.0% of its liabilities at the valuation date and the deficit was £633 million.

6.3 International Accounting Standard 26 (IAS26)

CIPFA's Code of Practice on Local Authority Accounting 2011 - 2012 requires administering authorities of the LGPS Funds that prepare Pension Fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. This is similar to the interim valuation but the assumptions used are in line with IAS19 rather than assumptions tailored to the Suffolk Pension Fund.

The following assumptions have been used:
- Pension increases of 2.5% a year.
- Increases in future salaries of 4.8% a year.
- Projected investment returns of 4.8% per year.

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £2,114 million as at the 31 March 2012 (£1,932 million as at 31 March 2011).

7. Accounting Policies

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2011 – 2012, which is based upon International Financial Reporting Standards (IFRS). The Code also incorporates elements of 2007 SORP 'Financial Reports of Pension Schemes'.

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 Suffolk County Council 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.
- Unit trusts investments are shown at the current market value.
- Private Equity are valuations as at 31 December 2011 which are compiled in accordance with the guidelines issued by the British Venture Association or equivalent body, adjusted for payments to and received from the equity manager in the period 1 January 2012 to 31 March 2012.
- 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.
- Forward foreign exchange contracts outstanding at year end are stated at fair value, which is determined as the loss or gain that would arise if the outstanding contract was required to be settled on 31 March.

- For exchange traded derivative contracts which are assets, market value is based on quoted bid prices.
- For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

All investment income is valued at the balance sheet date, as follows:

- Investment income is taken into account where dividends have been declared at the end of the financial year. Investment income also includes withholding tax. The amount of irrecoverable withholding tax is disclosed as a separate line item on the face of the Fund account.
- Income from fixed interest and index linked securities, cash and short-term deposits is accounted for on an accruals basis.
- Income from other investments is accounted for on an accruals basis.
- The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Bank balances and cash held by the Pension Fund at the 31 March are therefore clearly cash equivalent sums. For short term investments there are no strict criteria to follow relating to the nature and maturity of these items. The Pension Fund holds short term investments for the purpose of obtaining a gain or return and its policy is that fixed term deposits of any length should be classed as an investment and not a cash equivalent on the Balance Sheet.

Impairments - assets are assessed at each year-end to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised in the fund account.

8. Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds, Wilshire and Pantheon in which Suffolk County Council Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation guidelines, which follow the valuation principles of IFRS. The value of the unquoted equities at 31 March 2012 was £66.212 million (£59.518 million at 31 March 2011).

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, Hymans Robertson LLP. The methodology used is in line with accepted guidelines and in accordance with IAS 19. The assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 6.1. This estimate is subject to significant variances based on changes to the underlying assumptions.

9. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Net Asset Statement as at March 2012 for which there is a significant risk of material adjustment in the forth coming financial year are as follows:

Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.

Private Equity

Private equity investments are valued at fair value in accordance with appropriate standards and guidance. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

10. Buying and Selling Investments

The following is a summary of the investments that were bought and sold during the year. The total of the summary (£1524.246 million and £10.839 million) is the Total Investment as shown in the net asset statement £1,535.085 million (£1,512.135 million 2010 - 2011)

	Restated Opening Balance 01 April 2011 £ million	Purchase £ million	Transaction costs on purchase £ million	Sales £ million	Transaction costs on sale £ million	Change in Market Value £ million	Closing Balance 31 March 2012 £ million
Quoted							
UK Government Fixed Interest Securities	22.601	14.928	0.000	-18.441	0.000	3.965	23.053
UK Companies	340.136	149.675	0.143	-142.467	0.137	-16.740	330.882
Overseas Companies	390.029	269.106	0.981	-262.330	0.287	-21.882	376.191
Other Managed Funds	0.000	69.434	0.000	-60.460	0.000	0.364	9.338
UK FTSE exchange traded futures	45.666	84.480	0.000	-128.969	0.000	-1.177	0.000
UK Treasury Exchange Traded Futures	1.406	2.218	0.004	-3.744	0.000	0.116	0.000
Overseas Treasury Exchange Traded Futures	-4.084	17.213	0.001	-17.225	0.000	-0.364	-4.457
Derivatives - Currency	32.414	0.000	0.000	0.000	0.000	1.310	33.724
Derivatives - Forward Foreign Exchange contracts	-0.070	344.908	0.000	-344.908	0.000	-0.016	-0.086
Pooled Investment Vehicles							
Open ended investment company	75.356	6.646	0.000	-2.535	0.000	4.070	83.537
Unit trusts	8.679	32.380	0.000	-25.494	0.000	-0.555	15.010
Unit linked insurance policies	429.485	28.375	0.000	-37.375	0.000	23.202	443.687
	1,341.618	**1,019.363**	**1.129**	**-1,043.948**	**0.424**	**-7.707**	**1,310.879**
Unquoted							
Pooled investment vehicle -property unit trust	142.065	20.541	0.000	-18.358	0.000	2.907	147.155
Private Equity	59.518	5.717	0.000	-4.440	0.000	5.417	66.212
	201.583	**26.258**	**0.000**	**-22.798**	**0.000**	**8.324**	**213.367**
	1,543.201	**1,045.621**	**1.129**	**-1,066.746**	**0.424**	**0.617**	**1,524.246**

	Opening Balance 2011-2012 £ million	Movement in cash balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Balance 2011-2012 £ million
Margin Variation	2.182	0.000	0.000	-2.133	0.049
Cash Backing Open Futures	-42.986	45.309	0.000	2.134	4.457
Cash Held by the Broker for Future Contracts	2.974	-2.948	0.000	0.000	0.026
Cash Held by the investment managers	6.764	4.945	-6.219	0.817	0.088
	-31.066	**47.306**	**-6.219**	**0.818**	**10.839**

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

The change in market value £1.435 million (£0.617 million plus £0.818 million) on the table above is £0.046 million lower than the change in market value on the fund account £1.481 million. The difference is caused by the exchange rate differences between the Aberdeen futures when they were opened in 2010 - 2011 and when they closed in 2011 - 2012; the realised loss has been included in the fund account.

The impairment of investments, £6.219 million relates to the MF Global investment. Further details can be found in Note 13c.

11. 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 2011 £ million	Percentage of the Fund 31 March 2011	Asset Type	Manager	Market Value 31 March 2012 £ million	Percentage of the Fund 31 March 2012
90.665	5.82%	Corporate Bond Index	Legal and General	95.079	6.19%
87.052	5.59%	North American Index	Legal and General	88.281	5.75%
70.261	4.65%	Global Sterling Credit Fund	Aberdeen	77.941	5.08%
75.193	4.98%	European Equity Index Hedged	Legal and General	77.272	5.03%

Pension Fund Accounts

This is a summary of individual holdings within the Fund which exceed 5% of any class or type of security at the balance sheet date.

Restated Market Value of Asset Class 31 March 2011 £ million	Restated Market Value of Securities 31 March 2011 £ million	Restated Percentage of the Asset Class 31 March 2011 %	Holdings by Asset Type	Market Value of Asset Class 31 March 2012 £ million	Market Value of Securities 31 March 2012 £ million	Percentage of the Asset Class 31 March 2012 %
	1.857	8.22%	Tsy 4 1/4 2036 Bonds 03/36 4.25		4.604	19.97%
	N/A	N/A	Tsy 4 1/2 2042 Bonds 12/42 4.5		4.041	17.53%
	N/A	N/A	Tsy 4 1/4 2055 Bonds 12/55 4.25		3.514	15.24%
	N/A	N/A	Tsy 4 2060 Bonds 01/60 4.		3.384	14.68%
	N/A	N/A	Tsy 4 1/4 2046 Bonds 12/46 4.25		3.273	14.20%
	3.713	16.43%	Tsy 4 1/4 2039 Bonds 09/39 4.25		2.938	12.74%
	8.968	39.68%	Tsy 4 1/4 2049 Bonds 12/49 4.25		1.299	5.64%
	3.604	15.94%	Tsy 4 1/2Pct 2042 4.5Pct 07Dec42 Stk Gbp100		N/A	N/A
	3.096	13.70%	Tsy 4 1/2Pct 2034 09/34 Fixed 4.5		N/A	N/A
	1.363	6.03%	Tsy 4 1/4Pct 2027 4.25Pct Stk 07Dec27		N/A	N/A
22.601	**22.601**	**100.00%**	**UK Government Fixed Interest Securities**	**23.053**	**23.053**	**100.00%**
	22.945	6.75%	Royal Dutch Shell PLC		22.799	6.89%
	19.821	5.83%	Vodafone Group PLC		21.558	6.52%
	17.463	5.13%	HSBC Holdings PLC		18.521	5.60%
	N/A	N/A	British American Tobacco		18.331	5.54%
	20.353	5.98%	BP PLC		18.055	5.46%
	N/A	N/A	GlaxoSmithKline		17.522	5.30%
	18.701	5.50%	Rio Tinto PLC		N/A	N/A
340.136	**99.283**	**29.14%**	**UK Equities**	**330.882**	**116.786**	**35.30%**
	7.977	13.40%	Wilshire USA VII		9.022	13.63%
	4.949	8.32%	Wilshire Euro VII		6.097	9.21%
	4.101	6.89%	Wilshire USA VIII		5.286	7.98%
	4.803	8.07%	Wilshire USA VI		5.045	7.62%
	4.350	7.31%	Pantheon International Participations		4.590	6.93%
	4.433	7.45%	Wilshire USA V		4.355	6.58%
	4.284	7.20%	Pantheon Euro IV		4.267	6.44%
	3.426	5.76%	Wilshire Euro VI		3.549	5.36%
	3.435	5.77%	Pantheon USA V		N/A	N/A
59.518	**41.758**	**70.09%**	**Private Equity**	**66.212**	**42.211**	**63.75%**
	70.223	93.19%	Aberdeen Global II Sterling Crd Fd Z2		77.940	93.30%
	4.013	5.33%	Aberdeen Global II Emerging Market Fix Fund		5.597	6.70%
75.356	**74.236**	**98.51%**	**Pooled Investment - Open ended investment company**	**83.537**	**83.537**	**100.00%**
	7.896	90.98%	BlackRock Fd Mgrs Bief Uk Smaller Co Fund		7.611	50.71%
	N/A	N/A	Partners Group Global Infrastructure		4.865	32.41%
	0.783	9.02%	Institutional Cash Series		1.232	8.21%
	N/A	N/A	KKR Global Infrastructure		1.302	8.67%
8.679	**8.679**	**100.00%**	**Pooled Investment - Unit trusts**	**15.010**	**15.010**	**100.00%**
	91.170	21.23%	L&G Investment Grade Corporate Bond		95.079	21.43%
	87.075	20.27%	North America Equity Index GBP hedged		88.281	19.90%
	73.380	17.09%	L&G European Equity Index Hedged		77.272	17.42%
	63.193	14.71%	L&G Over 5 Year Linked Gilts Index		65.355	14.73%
	34.615	8.06%	L&G Global Emerging Markets Index		36.258	8.17%
	30.394	7.08%	L&G Pacific Basin Equity Index Hedged		31.054	7.00%
	28.921	6.73%	L&G Over 15 Years Gilts Index		28.369	6.39%
429.485	**408.748**	**95.17%**	**Pooled Investment - Unit linked insurance policies**	**443.687**	**421.668**	**95.04%**
	15.378	10.81%	Schroder Exempt Property Unit		15.700	10.67%
	13.680	9.62%	Standard Life Assurance		14.279	9.70%
	11.982	8.42%	Legal And General Managed Property		12.586	8.55%
	10.253	7.21%	BlackRock Asset Management Ltd		10.305	7.00%
	9.558	6.72%	Lothbury Prop Property Fund		9.896	6.73%
	8.221	5.78%	Hermes Property Unit Trust		8.404	5.71%
	N/A	N/A	Fund A Units		7.608	5.17%
	N/A	N/A	Mayfair Capital Property Units		7.581	5.15%
142.065	**69.072**	**48.56%**	**Property unit trust**	**147.155**	**86.359**	**58.69%**
	30.729	94.80%	Alpha Fund Limited Class A Gbp Shares Series 1		29.511	87.50%
	4.091	12.62%	Millennium Glbl Alpha Fund Ltd Mutual Fund		3.929	11.65%
	-2.406	-7.42%	Millennium Passive Currency Hedge		N/A	N/A
32.414	**32.414**	**100.00%**	**Active Currency**	**33.725**	**33.440**	**99.15%**
	45.428	96.51%	FTSE 100 Index Futures Jun11 Xlif		N/A	N/A
47.072	**45.428**	**96.51%**	**Futures: UK**	**0.000**	**0.000**	**0.00%**
390.029	0.000	0.00%	Overseas companies	376.191	0.000	0.00%
N/A	0.000	0.00%	Other Managed Funds	9.338	0.000	0.00%
0.000	0.000	0.00%	Cash Backing Open Futures	4.457	0.000	0.00%
2.974	0.000	0.00%	Cash held by broker for Futures Contracts	0.026	0.000	0.00%
6.764	0.000	0.00%	Cash [held by the investment managers]	6.307	0.000	0.00%
2.182	0.000	0.00%	Margin Variation	0.049	0.000	0.00%
401.949	**0.000**	**0.00%**	**Securities/Asset types with no holdings over 5%**	**396.368**	**0.000**	**0.00%**
1,559.275	**802.335**	**51.43%**	**Total**	**1,539.628**	**822.065**	**53.55%**

N/A denotes that the holding is lower than 5% in the relevant year.

12. Nature and Extent of Risks Arising from Financial Instruments

The key risks that have been identified are:
A. Credit risk
B. Liquidity risk
C. Market risk
D. Interest Rate Risk
E. Currency Risk
F. Price Risk
G. Custody
H. Investment Management
I. Sensitivity of Funding position to market conditions and investment performance

A. Credit Risk

Credit risk, is the risk that one party to a financial instrument will cause a financial loss to another party by failing to meet its obligations.

The Fund is exposed to credit risk in its operational activities through securities lending, forward currency contracts, derivative positions (futures) and treasury management activities. Commercial credit risk also arises with those organisations that pay monies over to the Fund (debtors) as part of the administration function, principally contributions from employers and transfers in from other registered pension schemes.

The Fund monitors the monthly receipt of contributions from employers. The Funding Strategy Statement requires safeguards to be in place for all new admission agreements to protect the Fund from an employer default, primarily through a guarantee from a tax-backed scheme employer for any new employer in the Fund. An analysis of debtor balances at 31 March 2012 is provided in note 16.

The securities lending programme is undertaken on behalf of the Fund by the custodian State Street Bank and Trust and is managed through a securities lending agreement. The arrangements to manage risks in the securities lending programme are set out in note 14.

Forward currency contracts are undertaken by Millennium for the passive currency hedging programme and by the fund managers within the terms set out in their investment management agreements. All parties entering into forward contracts on behalf of the Fund are Financial Services Authority (FSA) regulated and meet the requirements of the LGPS investment regulations. Further details of forward foreign exchange contracts are provided in note 5.

Futures contracts entered into by the Fund are all exchange traded. Further details of these futures contracts are provided in note 5.

The Fund's bank account is held with Lloyds TSB Bank, which is also banker to Suffolk County Council the Administering Authority for the Pension Fund. The bank held a Long-Term rating of 'A' and a Short Term Rating 'F1' with Fitch as at May 2012.

Pension Fund cash that is held pending its allocation to the Fund's investment managers is not invested with Lloyds TSB but is placed with institutions on the Pension Fund Committee's approved counter-party list. The management of cash is carried out by the Treasury Management team of Customer Service Direct in accordance with the cash management strategy approved by the Pension Fund Committee and set out in its statement of investment principles. The Pension Fund Committee invests only in money market funds with a 'AAA MR1+' rating. The Fund has had no occasion of default or uncollectable deposits.

The Fund's cash within the custody system is held in the bank account of the custodian, State Street Bank and Trust, or placed on deposit at the instruction of the individual managers.

At 31 March 2012 £0.374 million was with Lloyds TSB. Cash held within the custody system amounted to £6.307 million at 31 March 2012. At 31 March 2012 £12.273 million was invested by the Pension Fund in the Insight Money Market Fund. In addition to this there was £0.026 million held directly with the broker on a variation margin account in respect of futures positions open at the year-end.

Credit risk is considered by the Fund’s bond manager, Aberdeen Asset Managers, in their portfolio construction.

B. Liquidity Risk

Liquidity risk is the risk that the Fund will have insufficient liquid assets (cash) to meet its investment or benefit obligations as they fall due.

The Pension Fund holds sufficient working capital to ensure that it has cash available to meet benefit and transfer payments and cash drawdown requirements in respect of certain investment transactions. Within mandates it is the responsibility of the individual managers to ensure that they have sufficient funds available to meet the transactions they enter into on behalf of the Fund. These responsibilities are detailed within the investment management agreements. At an investment level a large proportion of the Fund’s investments are held in instruments that can be realised at short notice if a cash flow need arose. Certain investments, particularly property and private equity funds are considerably less liquid but these make up a far smaller proportion of the overall portfolio (less than 15% of the Fund).

C. Market Risk

Market risk is the risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market sentiment. Market risk reflects interest rate, currency and other price risk.

Market risk is inherent in the investments that the Fund makes. To mitigate market risk the investments are made in a diversified pool of asset classes and investment approaches to ensure a risk adjusted balance between categories. The Fund takes formal advice from its independent investment advisers (Hymans Robertson LLP) and the portfolio is split between a number of managers and investment strategies with different benchmarks and performance targets. Full details can be found in the statement of investment principles that is available at www.suffolk.gov.uk/your-council/finance/pension-fund-and-accounts. Investment risk and strategy are regularly reviewed by the Pension Fund Committee.

D. Interest Rate Risk

Interest rate risk affects mainly the valuation of the Fund’s bond holdings. The bond exposure in the active bonds mandate is managed by the Fund’s investment manager, Aberdeen Asset Managers. The bonds holdings within the Legal & General mandate are managed to match the return on the UK Over 15 Years Gilts index.

E. Currency Risk

Currency risk is the extent to which the Pension Fund is exposed to fluctuations in exchange rates and the impact these fluctuations have on the Sterling valuation of assets denominated in foreign currency. To partly mitigate this risk the Fund has a currency hedging programme in place. This is undertaken partly by investment in the currency-hedged Funds managed by its index-tracking manager, Legal & General Investment Management. In addition the Fund has a currency-hedging programme in place with Millennium for the balance of the Fund’s exposure to Euro exchange rate movements.

An analysis of historical data and expected investment return movements by State Street Investment Analytics has resulted in a potential market movement price risk index for each currency that the fund has holdings in. If the market price of the currency increases or decreases in line with the potential market movements then the change in the value of the assets in each currency would be as follows:

Currency	Value £ million	Change %	Value on Increase £ million	Value on Decrease £ million
Australian Dollar	9.976	10.49%	11.023	8.929
Brazilian Real	6.486	12.83%	7.319	5.654
Canadian Dollar	8.252	9.63%	9.046	7.457
EURO	47.775	0.00%	47.775	47.775
Hong Kong Dollar	17.859	9.60%	19.573	16.146
Indian Rupee	4.733	9.31%	5.174	4.293
Indonesian Rupiah	2.513	8.99%	2.739	2.287
Japanese Yen	29.915	13.29%	33.892	25.938
Norwegian Krone	1.964	10.52%	2.170	1.757
Singapore Dollar	3.480	7.49%	3.741	3.219
South African Rand	4.660	13.59%	5.294	4.027
South Korean Won	4.179	10.27%	4.608	3.749
Swedish Krona	2.359	10.22%	2.600	2.118
Swiss Franc	27.552	10.25%	30.376	24.728
Taiwan Dollar	0.881	8.97%	0.960	0.802
Thai Baht	4.779	8.90%	5.204	4.353
Turkish Lira	0.998	9.74%	1.095	0.901
US Dollar	197.830	9.75%	217.123	178.536
Total	**376.190**		**409.712**	**342.669**

F. Price Risk

Price risk is the risk of volatility in the valuation of the assets held by the Fund. The level of volatility will vary by asset class and also over time. The Fund has some diversification in the asset classes in which it invests, which seeks to reduce the correlation of price movements between different asset types, while employing specialist investment managers to best deploy capital in line with the Fund's overall strategy. The local government investment regulations contain prescribed limits to avoid over-concentration in specific areas. The Fund complies with all the restrictions contained in the investment regulations.

An analysis of historical data and expected investment return movements by State Street Investment Analytics has resulted in a potential market movement price risk index for each asset type. If the market price of the fund's investments increase or decrease in line with the potential market movements then the change in the value of the net assets would be as follows:

Asset Type	Value £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	330.882	16.67%	386.040	275.724
Overseas Equities	376.191	14.48%	430.663	321.719
Total Bonds	23.053	5.77%	24.383	21.723
Index Linked	443.687	7.66%	477.673	409.701
Cash	10.839	0.02%	10.841	10.837
Property	147.155	6.33%	156.470	137.840
Alternatives	203.278	8.95%	221.471	185.085
Total Assets	**1,535.085**		**1,707.541**	**1,362.629**

G. Custody

The Fund has appointed State Street Bank and Trust as a global custodian with responsibility for safeguarding the assets of the Fund. State Street Bank and Trust is an established custodian bank with more than $15 trillion of assets under custody. They were reappointed as the Fund's custodian in 2007 following an OJEU tendering process. Monthly reconciliations are performed between the underlying records of the custodian and the appointed investment managers.

H. Investment Management

The Fund has appointed a number of segregated and pooled fund managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS investment regulations. Managers report performance on a quarterly basis and this is monitored and reported to Pension Fund Committee. The Fund makes use of a third party performance measurement service (State Street Investment Analytics). All managers have regular review meetings and discussions with officers and also explain their performance to the committee.

I. Sensitivity of funding position to market conditions and investment performance

When preparing the formal valuation the Actuary takes the assets of the Fund at the market value on the valuation date. Volatility in investment performance as a result of market risk factors can have an immediate effect on the funding level and deficit. This is particularly relevant because the Fund is invested predominantly in riskier (and historically higher return) assets such as equities and equity-like investments (e.g. property trusts). A rise or fall in the level of equity prices can have a direct impact on the financial position of the Fund.

Less obvious is the effect of anticipated investment performance on the Fund's liability to pay future pension benefits. Here the returns available on government bonds (gilts) are important, as the discount rate that is used to place a value on liabilities is the gilt yield at the valuation date plus a margin of 1.6% per annum. Effectively if the gilt yield rises the discount rate will increase and all other things being equal the value placed on liabilities will fall. If the Fund was invested entirely in gilts rather than potentially higher returning assets the discount rate would be lower as no margin for the expected out performance of the Fund's investments over gilts could be assumed.

The table below has been prepared by the Fund Actuary and shows how the funding level (top) and deficit (bottom) would vary if the investment conditions at 31 March 2012 had been different. The level of the FTSE 100 index is used as a proxy for investment performance and the Fixed Interest Gilt yield as the proxy measure for the valuation of Fund's liabilities. The shaded box is the actual position at 31 March 2012.

Fixed Interest Gilts yield (% p.a.)	3.40%	69% (£679m)	72% (£624m)	74% (£577m)	77% (£515m)	79% (£460m)
	3.26%	68% (£735m)	701% (£681m)	**72% (£633m)**	75% (£571m)	77% (£517m)
	3.10%	66% (£801m)	68% (£747m)	70% (£699m)	73% (£637m)	75% (£583m)
FTSE 100 Index		5,300	5,550	5,768	6,050	6,300

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

http://www.suffolk.gov.uk/your-council/finance/pension-fund-and-accounts

13a. Financial Instruments – Classification

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The table over the page analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading, excluding statutory creditors (prepayments from employers, transfer values, lump sum benefit payments, payroll adjustments) and statutory debtors, (employer and employee contributions, VAT, transfer values and capital cost of retirement). No financial assets were reclassified during the accounting period.

31 March 2011 Designated as Fair Value through Profit & Loss £ million	31 March 2011 Loans and Receivables £ million	31 March 2011 Financial Liabilities at Amortised Cost £ million		31 March 2012 Designated as Fair Value through Profit & Loss £ million	31 March 2012 Loans and Receivables £ million	31 March 2012 Financial Liabilities at Amortised Cost £ million
			Financial Assets			
22.601			Fixed Interest Securities	23.053		
730.165			Equities	716.411		
513.520			Pooled Investments	542.234		
142.065			Pooled Property	147.155		
59.518			Private Equity	66.212		
79.486			Derivatives	33.724		
	8.179		Cash		12.647	
11.920			Other Investment Balances	10.839		
	3.952		Debtors		6.344	
1,559.275	12.131	0.000		1,539.628	18.991	0.000
			Financial Liabilities			
-47.140			Derivative contracts	-4.543		
		-0.839	Creditors			-2.077
			Borrowings			
-47.140	0.000	-0.839		-4.543	0.000	-2.077
1,512.135	12.131	-0.839		1,535.085	18.991	-2.077

13b. Net Gains and Losses on Financial Instruments

31 March 2011 £ million		31 March 2012 £ million
	Financial Assets	
86.996	Fair value through profit and loss	43.485
	Loans and receivables	
	Financial Liabilities measured at amortised cost	
	Financial Liabilities	
-13.619	Fair value through profit and loss	-42.005
	Loans and receivables	
	Financial Liabilities measured at amortised cost	
73.377	**Total**	**1.480**

13c. Impairments on Investments

MF Global

The Pension Fund used the brokerage services of MF Global UK in relation to a UK equities futures programme. MF Global UK went into administration on 31 October 2011, following problems in its US parent, MF Global Inc. The accountancy firm KPMG has been appointed as the administrator of MF Global UK Ltd.

The Pension Fund has made a claim to KPMG for £8.412 million in respect of client money held by MF Global UK for the Fund. KPMG has made an interim distribution of £2.193 million in respect of this claim, which represents 26% of the Fund's claim. The recovery of the remaining £6.219 million of the claim is uncertain and therefore, this amount has been written off the value of the investment as an impairment. The initial distribution of £2.193 million has been taken into account in 2011-12 and is disclosed in change in market value of investments in the fund account and futures, derivative contracts in the net asset statement. The distribution could be subject to claw back by KPMG in the event of a future shortfall in the funds recovered by the administrator.

13d Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values excluding statutory creditors and debtors.

31 March 2011			31 March 2012	
Carrying Value £ million	Fair Value £ million	Financial Assets	Carrying Value £ million	Fair Value £ million
	1,559.275	Fair value through profit and loss		1,539.628
	12.131	Loans and receivables		18.991
0	**1,571.406**	**Total Financial Assets**	**0.000**	**1,558.619**
		Financial Liabilities		
	-47.140	Fair value through profit and loss		-4.543
	-0.839	Financial Liabilities measured at amortised cost		-2.077
0	**-47.979**	**Total Financial Liabilities**	**0.000**	**-6.620**
0	**1,523.427**	**Total**	**0.000**	**1,551.999**

Note 13e Valuation of Financial Instruments Carried at Fair Value

Level 1
The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical asset or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid price. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3
Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Suffolk County Council Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets and liabilities of the pension fund, (excluding statutory creditors and debtors) grouped into Level 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2012	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Financial Assets				
Fair value through profit and loss	897.108	0.049	642.471	1,539.628
Loans and receivables	18.991			18.991
Total Financial Assets	**916.099**	**0.049**	**642.471**	**1,558.619**
Financial Liabilities				
Fair value through profit and loss	-4.543			-4.543
Financial Liabilities at amortised cost	-2.077			-2.077
Total Financial Assets	**-6.620**	**0.000**	**0.000**	**-6.620**
Net Financial Assets	**909.479**	**0.049**	**642.471**	**1,551.999**

Values at 31 March 2011	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Financial Assets				
Fair value through profit and loss	954.750	2.182	602.343	1,559.275
Loans and receivables	12.131			12.131
Total Financial Assets	**966.881**	**2.182**	**602.343**	**1,571.406**
Financial Liabilities				
Fair value through profit and loss	-47.140			-47.140
Financial Liabilities at amortised cost	-0.839			-0.839
Total Financial Assets	**-47.979**	**0.000**	**0.000**	**-47.979**
Net Financial Assets	**918.902**	**2.182**	**602.343**	**1,523.427**

14. Stock Lending

The Fund has an arrangement with its custodian State Street Bank and Trust to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the total value. Collateralised lending generated income of £0.128 million in 2011 – 2012 (£0.116 million 2010 - 2011). This is included within ‘other’ investment income in the Fund Account. At 31 March 2012 £18.695 million worth of stock (1.22% of the Fund) was on loan, for which the Fund was in receipt of £19.614 million worth of collateral.

15. Related Parties

Related Party Transaction requiring disclosure in accordance with International Accounting Standard 24 are as follows:
Under legislation introduced in 2003 - 2004 Councillors are entitled to join the scheme. Three members of the committee, including two councillors are scheme members within the Pension Fund, but are not currently receiving benefits from the scheme. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

Disclosure of senior officers remuneration is made in note 28 of the Statement of Accounts of the Administering Authority (Suffolk County Council). This disclosure includes the Head of Strategic Finance who has responsibility under S151 of the Local Government Act 1972 for the proper financial administration of the Fund and performs the role of Fund Administrator.

No senior officer responsible for the administration of the Fund has entered into any contract, other than their contract of employment with the Council for the supply of goods or services to the Fund.

Suffolk County Council is the largest single employer of members of the Pension Fund and contributed £40.144 million to the Fund in 2011 - 2012 (2010 - 2011 £45.323 million).

The Council incurred costs of £1.211 million (2010 - 2011 £1.227 million) in relation to administration of the Fund and have been reimbursed by the Fund.

Part of the Pension Fund cash holdings are invested in a money market Fund by the Treasury Management operations of Suffolk County Council through a service level agreement. During the year ended 31 March 2012 the Fund had an average investment balance of £10.500 million (2010 - 2011 £10.500 million) earning interest of £76,765 (2010 - 2011 £67,639) from these investments.

16. Net Current Assets and Liabilities

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

31 March 2011 £ million		31 March 2012 £ million
	Analysis of Debtors	
0.267	Central Government Bodies	0.183
5.317	Other Local Authorities	6.765
3.952	Other entities and individuals	6.344
9.536		**13.292**
	Analysis of Creditors	
-0.561	Central Government Bodies	-0.610
-2.144	Other Local Authorities	-1.479
0.000	NHS Bodies	-0.077
-4.084	Other entities and individuals	-2.974
-6.789		**-5.140**

17. Audit Fees

The Audit Commission are the external auditors for the Pension Fund. Audit fees for 2011 - 2012 were £0.036 million, (£0.039 million 2010 - 2011).

18. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4 (2) (b) of the Local Government Pension Scheme Regulations 2009 (as amended), additional voluntary contributions have been excluded from the Fund Account and Net Asset Statement. These contributions are held by the providers and therefore do not form part of the Fund's investments.

A total of £0.823 million was paid over to the providers, Prudential, Clerical Medical, Standard Life, Equitable Life and Century Life in 2011 – 2012, (£1.073 million 2010 – 2011).

19. Contingent Liabilities and Assets

Contractual Commitments

At 31 March 2012 the Fund had made contractual commitments to private equity funds managed by Wilshire and Pantheon. Commitments are made in the underlying currency of the Fund (Euros and Dollars respectively) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both the value of unfunded commitments in Sterling terms and the valuation of the funded interest and monies received as distributions.

Unfunded Commitments

At 31 March 2012 the unfunded commitment (monies to be drawn in future periods) was £25.692 million (£36.240 million 2010 - 2011). The commitments are paid over the investment timeframe of the underlying partnerships. The current value of the funded commitment net of distributions in these funds at 31 March 2012 is included in the net asset statement.

In addition to the private equity commitments, within the Schroders property portfolio there are unfunded commitments of £1.961 million (£9.778 million 2010 - 2011) to various property investment vehicles.

Additional funds have been committed towards the end of the 2011 – 2012 financial year, Kohlberg Kravis Roberts and Partners Group have already drawn down some of their commitment and have £32.184 million and £38.183 million remaining respectively.

Brookfield Timberland has a commitment of £30.263 million and M&G Investments £30.000 million, neither of these funds have drawn down any capital in 2011 – 2012.

2010 - 2011 £ million	Fund Account	2011 - 2012 £ million
	Contributions Receivable	
	From Employer	
1.748	Normal	1.713
0.986	From members	0.971
0.095	Transfers In	0.012
	Benefits Payable	
-4.303	Pensions	-4.217
-0.896	Commutations and Lump Sum retirement benefits	-0.508
0.051	Other - Ill Health	0.019
	Payments to and on account of leavers	
0.000	Individual transfers out to other schemes	-0.062
-2.319	Net amount payable (-) for the year before top-up grant	-2.072
1.827	Top-up grant received	2.369
0.492	Net amount payable from/to(-) sponsoring department	-0.297

2010 - 2011 £ million	Net Assets Statement	2011 - 2012 £ million
	Net current assets and liabilities	
-0.492	Amount (from)/to sponsoring department	0.297

1. Administration of the Fire Pension Fund

The Fire Pension Fund is administered by Suffolk County Council following financial guidance issued in April 2006 by The Department for Communities and Local Government. The fund for the pensions of Fire Fighters has no assets and is balanced to nil each year by receipt of a pension top-up grant from the Department for 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 2011. The accounts are prepared on an accruals basis. This means that, within material levels, income and expenditure is recognised in the accounts in the accounting period in which the effect of the relevant transactions take place and not in the period in which cash is received or paid.

3. Accounting for liabilities and other benefits arising after period end.

The Funds financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

Glossary

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

Accruals basis
Income and expenditure is accounted for as we earn it or commit to it, not as we receive or pay out cash.

Accumulated Absences Account
The Accumulated Absences Account contains the differences that would otherwise arise on the General Fund Balance from accounting for absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is balanced by transfers to or from the Account.

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

- things that the actuary thought would happen at the last valuation did not happen; or
- the actuary’s assumptions have changed.

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

Asset
An Asset is something of value owned by an organisation.

Assets held for sale
Assets held for sale are assets that are anticipated to be sold within the next year, rather than continue to be used by the authority. They are measured at market value.

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, equipment and vehicles.

Capital receipts
Money obtained on the sale of a capital asset

Cash and cash equivalents
Cash is represented by notes and coins held by the authority and deposits available on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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
A person or organisation that we owe money to.

Current assets
Short-term assets which change in value such as inventories, debtors and bank balances.

Current liabilities
Short-term liabilities which are due to be paid in less than one year, such as bank overdrafts and money owed to suppliers.

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

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.

Componentisation
Each part of an asset with a cost that is significant in relation to the total cost of an asset is held separately in the asset register and depreciated separately.

County Fund
See General Fund

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

Debtors
A person or organisation that owes 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
The calculation of 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.

Donated Assets
Assets transferred to the Council for nil consideration.

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.

Finance Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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.

General Fund
The General Fund is the main revenue fund from which service costs are met.

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.

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

Heritage Assets
Assets held principally for contribution to knowledge and culture.

ICT
Information and communications technology.

IFRS
International Financial Reporting Standards (IFRS) is a set of accounting standards developed by the International Accounting Standards Board (IASB) to provide a global framework for how organisations prepare and disclose their financial statements.

Impairment
A reduction in value of a fixed asset resulting from, for example, fall in market values, obsolescence or physical damage. To comply with accounting standards the 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.

Inventories
Goods bought which have not been used.

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.

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

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

Minimum revenue provision
A minimum amount, set by law, which the 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
This is the difference between money spent on an area of work and income received toward that activity.

Non-current asset (formerly fixed asset)
An asset which is intended to be used for several years such as a building or a vehicle.

Non-current liability
Liabilities which are due to be paid in one year or more, such as a loan with a payback period of longer than one year.

Non-distributed costs
Spending on items not directly related to supplying our services. These items are not charged to services.

Operating lease
An operating lease is any lease that is not a finance lease.

Pay
Pay is defined in the latest CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This definition includes the following:

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

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 borough and 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. Guidance on the projected unit method can be found 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.

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

Subsidiary
The Council normally through shareholding, controls an organisation – it has the power to govern its financial and operating policies so as to benefit from its activities.

Surplus
The remaining income after taking away all expenses.

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 the Council but is managed by the Council on behalf of the owners.

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.