Suffolk County Council

Statement of Accounts

2016 - 2017

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Suffolk County Council

Statement of Accounts

for the year ended **31 March 2017**

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

Opinion on the Authority and firefighters' pension fund financial statements

We have audited the financial statements and the firefighters' pension fund financial statements of Suffolk County Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Authority and Group Comprehensive Income and Expenditure Statement, Authority and Group Movement in Reserves Statement, Authority and Group Balance Sheet, Authority and Group Cash Flow Statement, the related notes 1 to 41 to the Authority Accounts, including the Authority Expenditure and Funding Analysis and notes G1 to G14 to the Group Accounts, and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 5.

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 2016/17.

This report is made solely to the members of Suffolk County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resource Management and auditor

As explained more fully in the statement of Responsibilities of the Director of Resource Management set out on page iv, the Director of Resource Management is responsible for the preparation of the Statement of Accounts, which includes 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 2016/17, and for being satisfied that they give a true and fair view. Our 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 us 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 Group and the firefighters pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resource Management (Section 151 Officer); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016-2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Suffolk County Council and Group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016-2017 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we 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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Suffolk County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Suffolk County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Suffolk County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are 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 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Mark Hodgson
Mark Hodgson (Senior Statutory Auditor) Date: 26th July 2017

for and on behalf of Ernst & Young LLP, Appointed Auditor
Cambridge

The maintenance and integrity of the Suffolk County Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 Director of Resource Management;
- 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 26 July 2017 on behalf of Suffolk County Council and have been authorised for issue.

Signed at Audit Committee on 26.07.17

Councillor K Soons
Chairman of the Audit Committee
Date 26 July 2017

The responsibilities of the Director of Resource Management (Section 151 Officer)

The Director of Resource Management is responsible for the preparation of the Council's Statements of Accounts including those of the Pension Fund. 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 Fund at 31 March 2017, and the income and expenditure (spending) for the year to that date.

In preparing this Statement of Accounts, the Director of Resource Management 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 Director of Resource Management 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 Council at 31 March 2017 and its income and expenditure for the year to that date.

Signed at Audit Committee on 26.07.17

Louise Aynsley
Interim Head of Finance (Section 151 Officer) following retirement of Director of Resource Management on 31 May 2017

Date 26 July 2017

Narrative Report

1.0 An Introduction to Suffolk

Suffolk is a rural county in the East of England with a population of approximately 741,000. Life expectancy is higher than the national average and levels of deprivation are generally low but there are small but significant pockets of deprivation in the major towns and some rural areas. Employment levels overall are generally good but average earnings are below the national average. The Suffolk countryside and coastline is rich in cultural heritage and landscape beauty and the county has one of the warmest and driest climates in the country, but being a rural county can provide challenges to the Council in the provision of services.

During 2016 - 2017 there had not been any significant changes to the statutory functions delivered by the Council. The Council is organised into four directorates:

- Adult & Community Services (ACS) – services commissioned or supported by ACS include Access to Care Services, Safeguarding of Vulnerable Adults, Libraries, Archives, Museums, Culture and Sport. Suffolk's population is older than England's and will age faster with 1 in 3 residents expected to be 65 or over in 20 years' time (currently 1 in 5). By 2037 it is expected that 59,000 Suffolk residents will be over 85 (currently 21,500). Consequently, it is likely that the demand for health and social care support will increase as more people with longer term conditions live longer, whilst the working age population is proportionately lower. In the next 20 years Suffolk's total population is forecast to increase by nearly 10% with the proportion of older people increasing by 50%.
- Children & Young People (CYP) – deliver a range of statutory duties in relation to the safety and welfare of children and young people. These include Early Help services, Health Visiting, School Nursing, Education & Learning, Special Education Needs and Disabilities, Social Care Services, Fostering & Adoption, Disabled Children's Services, and Youth Offending. In Suffolk, there are currently 200 maintained schools, 113 academies and 7 free schools. At the end of March 2017 there were 835 Children in Care, an increase of 14% in two years.
- Public Health & Protection (PH&P) – the directorate includes Suffolk Fire & Rescue Service, Public Health, Trading Standards, Community Safety, Emergency Planning, Health & Safety and Partnerships and Localities. The Council runs 35 fire stations including 4 whole time stations, 29 on-call stations and 2 day-crewed stations. In 2016 - 2017, the Fire Service attended 5,259 incidents compared to 4,932 in 2015 - 2016. Public Health commission a wide range of services to improve the health of people in Suffolk, including healthy lifestyles, health protection and advice.
- Resource Management (RM) – responsible for the provision of Highways, Transport, Waste Disposal services, Economic Development, Planning Registrars, Coroners and the support services to the Council (Finance, Human Resources, Information Technology). The Council is responsible for and maintains 6,618km of roads, 5,900km of footways, and 72,000 streetlights. In 2016-17 the Council disposed of, recycled or composted 351,000 tonnes of waste produced by Suffolk households. There were 13,200 travel passes issued for children to get to school and there were over 1.2 million passenger journeys taken on buses sponsored by the Council.

Suffolk County Council's directly employed workforce was 5,347 (4,204 FTE) at the end of 2016 - 2017 (excluding schools staff). This has reduced by half since 2010 as a result of both cost reduction and divestment of services.

2.0 Council's Priorities and Achievements

Suffolk County Council has five Corporate Priorities. These have guided the work of the Council throughout the year. The priorities are set out below, alongside details of some of the ways in which the Council is working towards meeting these priorities and recognised achievements to date.

2.1 Support those most vulnerable in our communities

- The Council continues to develop new ways of delivering services for adults and children which have early intervention and prevention at their heart. In turn, this will enable people to live more independent lives, call on wider support networks to make the changes they want to see and reduce the need for more specialist services.
- An integrated approach is being taken across organisations and detailed plans are contained in the 'System Transformation Plan' and the Family 2020 Strategy. For adults' services this includes a relentless focus on ensuring a care market that is of high quality, sustainable and value for money and ensuring that choice and control are at the heart of all we do. For children's services safety and emotional health and wellbeing are central to plans, as well as ensuring that young adults with complex needs experience a smooth transition into adulthood and can lead fulfilling lives.

2.2 Raise educational attainment and skill levels

- The Council has been focused on raising standards through the 'Raising the Bar' strategy, and as a result educational attainment has significantly improved and 89% of Suffolk schools are now rated as Good or Outstanding by Ofsted. The Council will continue to monitor, support and challenge schools, to ensure effective and timely school improvement in Suffolk.
- The number of unemployed 18 to 24 year olds in Suffolk continues to fall.

2.3 Support the Local Enterprise Partnerships (LEPs) to increase economic growth

- The Suffolk Growth Strategy and New Anglia LEP Strategic Economic Plan, set out a joint vision for how to grow and develop the economy of Suffolk and the wider region over the medium-term.
- Working with the LEPs, the Council is building on existing strengths and exploiting new opportunities to accelerate economic growth particularly across Suffolk's key sectors: energy; food, drink and agriculture; ICT and tourism. This aspiration is underpinned by a strong, collaborative approach, for example using pooled business rates to support projects of county wide significance and taking a holistic approach to stimulating economic growth across the county.
- The Council is supporting local growth initiatives, for example working with public and private sector partners in driving forward the Ipswich Vision and through establishing Barley Homes, a new housing development company with councils in West Suffolk. Through investment in the housing market this company will build new homes and generate a return for the councils.

2.4 Develop Suffolk's infrastructure and maintain roads

- As part of the Growth Strategy, the Council is committed to improving the infrastructure of the county. This involves improving the quality of the road network to make it easier for people to access work and businesses to reach their growth potential. In 2016 - 2017 the Council spent £55.745 million on capital investment on Suffolk's highways
- The Council is making major investments in the county's road network – including new river crossings in Ipswich and Lowestoft with the help of Government funding. 2.5 million square metres of surface dressing was carried out in the summer of 2016 using the extra £10 million allocated for highway maintenance in 2016 – 2017 and in 2017 - 2018 a further 2.5 million square metres of dressing is planned for the summer of 2017.
- In July 2016, the Council approved a new Highway Infrastructure Asset Management Plan (so that funding is targeted in a more strategic, prioritised manner) and Highway Maintenance Operational Plan (to adopt a risk-based approach to reactive maintenance repairs). Through the implementation of these policies, the cost of reactive repairs was reduced from around £3.8 million to £3.5 million and the percentage of temporary carriageway repairs fell from 21% in April 2016 to 5% by the end of 2016.
- The roll-out of superfast broadband across the county has continued during 2016 - 2017. The aim is to give as many communities, individuals and businesses as possible the opportunity to have access to superfast broadband.

2.5 Empower Local Communities

- The Council wants to empower local people to have more control over what happens in their communities and to provide them with the tools to help them meet their needs and achieve their aspirations in ways that make the most sense to them locally. This involves making it easier for people to find and access information and, where appropriate, to interact with services that will help them live full, active and healthy lives.
- The Council's localities and partnership team continue to work with services on community-based initiatives and have led the development of a Suffolk wide-approach to developing community resilience. These community-centred projects have helped to divert or delay the demand for services. For example, a number of social prescribing projects are emerging across Suffolk where volunteers work alongside paid employees to provide early help and support within a GP practice. These projects aim to improve health & wellbeing outcomes whilst also reducing the cost of prescriptions and the number of repeat appointments for non-medical issues.

3.0 Resident Satisfaction

The Council undertook a major consultation exercise in March 2016 in order to measure residents' satisfaction with the Council's performance and their local area, and satisfaction with a range of services provided or supported by the Council. The vast majority of people (84%) were satisfied with their local area as a place to live, whereas only 7% were dissatisfied. In addition, 55% of respondents said they were satisfied with the way the Council runs things, with only 20% dissatisfied. Furthermore, 39% of people believe that the Council provides value for money, whereas only 22% disagreed. These findings are particularly positive when compared to regional and national benchmarking levels. A date for the next residents survey has not yet been set.

4.0 Financial Performance

The Council's overall financial position remains sound but it is clear that containing spending within the budget while maintaining services is becoming very challenging in the face of significant savings targets that are the necessary response to the Government's reductions to local government funding. Demand and the cost of providing services for the most vulnerable in Suffolk continues to increase so the Council has had to use reserves in the current financial year to balance Directorate budgets. Financial resilience and sustainability are essential and neither can be guaranteed under the present financial and demographic environment. The Cabinet receives quarterly budget monitoring reports and receives a detailed report of the outturn in June 2017.

4.1 Revenue

The Council set a net budget of £492.390 million for the year 2016 - 2017. The budget included a target for planned savings of £34.441 million to reach a balanced budget. The net budget is the budget after fees, charges, contributions and some service specific grants have been deducted. Table 1 shows how the net budget was expected to be funded when the budget was set and how it was finally funded. The change was due to a reduction in the Education Services Grant and a higher level of business rates than was originally budgeted.

Table 1: Funding of Net Budget

	As at 1 April 2016 £ million	As at 31 March 2017 £ million
New Homes Bonus	3.949	3.949
Rural Services Delivery Grant	2.159	2.159
Public Health Ring-Fenced Grant	31.571	31.571
Education Services Grant	5.881	5.441
Transitional Grant	1.944	1.944
Funding from Contingency Reserve	1.633	0
Revenue Support Grant	68.230	68.230
Business Rates Top Up Grant	69.561	69.561
Business Rates	24.433	30.487
Council Tax	277.614	277.614
Social Care Precept	5.415	5.415
	492.390	**496.370**

The table shows the actual spending of the Council against the net budget for each directorate. Overall the Council overspent by £8.990 million. The under/overspendings (variances) have been added to or taken from the service reserves.

Table 2: Actual Spending compared to the Final Net Budget 2016 – 2017

	Net Budget £ million	Actual Expenditure £ million	Variance over (+) under (-) Budget £ million
Adult & Community Services	215.762	215.696	-0.066
Children & Young People	98.179	105.465	7.286
Public Health & Protection	56.723	56.240	-0.483
Resource Management	88.376	88.064	-0.312
Corporate Resources & Capital Financing	37.330	39.895	2.565
Total Suffolk County Council	**496.370**	**505.360**	**8.990**

Schools hold delegated budgets which are funded mainly from the Dedicated Schools Grant. Any under/overspendings by schools are transferred to school's balances. These are earmarked reserves held by the schools that appear within the Council's balance sheet as useable reserves but can only be used by schools. As schools become academies these balances are removed from the Council's balance sheet. At 31 March 2017 school balances were £19.794 million (£25.755 million at 31 March 2016).

The reasons for the variances in Table 2 are explained in the following paragraphs.

Within Adult & Community Services there is continuing pressure on the budget for purchased adult care (£2.101 million overspend), in particular services for people with a learning disability. However, this is mostly offset by underspends in other areas of the budget including spend on Family Carer Support where demand has not reached the levels expected following new statutory duties being introduced under the Care Act, resulting in a £1.426 million underspend. Management and Support was £0.435 million underspent because of lower than expected legal costs associated with Deprivation of Liberty Safeguards cases. Costs associated with fulfilling the Council's Safeguarding duties were also lower than the budget resulting in a £0.417 million underspend. These along with other smaller underspends in other parts of the service has resulted in an overall underspend of £0.066 million.

Children & Young People Service was overspent by £7.286 million. This largely relates to pressures against the budget for looking after children in care (£6.657 million overspent). Expenditure rose significantly over the year due to increasing numbers of adolescents with challenging and complex needs. There has also been a higher than anticipated number of permanent placements for young people under the age of 16 with high risk behaviours (gang crime, drugs and at risk of sexual exploitation). There was also an overspend on the Home to School Transport budget (£0.989 million) as there were an above average number of school days in 2016 – 2017 and although the total average daily cost of transport reduced in year there were insufficient recovery actions to deliver the total savings required. There also continues to be significant pressure on the Special Educational Needs (SEN) placements budget to either support children who are unable to attend school due to ill health or exclusion, or to meet the SEN needs of children in mainstream education (including Post 16 learners). The pressure was partly offset by underspending in other Education & Learning budgets.

The underspend on the budget for Public Health and Protection was £0.483 million. This is after drawing down £0.611 million from the ring fenced Public Health grant reserve to meet the costs of the Public Health service. This was required as allocated contract management savings have not yet been realised but will be in future. Suffolk Fire & Rescue Service underspent by £0.393 million due to vacancies, there were no ill health retirements in year, and the implementation of the Integrated Risk Management Plan has started to realise savings which will continue into 2017 - 2018. Trading Standards underspent by £0.088 million due to staff savings and collecting more income than expected.

The underspend on the Resource Management budget was £0.312 million. There were underspends in Waste, Strategic Development and vacancies in support services such as Human Resources and Finance. The Waste budget underspend (£1.318 million) was due to savings on disposal costs and Household Waste Recycling Centres. These underspends were offset by an overspend of £0.539 million on the Operational Highways budget which is due to Works, notably Cyclic Drainage and Winter Maintenance caused by a higher than average turnout for treatments.

The overspend on the Corporate Resources & Capital Financing budget relates to contract savings that have not been achieved in year. In setting the 2017 - 2018 budget these savings have been allocated to directorates pro-rata to non-pay spend. As a result of the Council changing its policy on Minimum Revenue Provision in February and the continuing low interest rate environment it has been possible to contribute £16.461 million to the capital financing reserve. This reserve is used to finance capital expenditure and therefore has reduced the need to borrow.

4.2 Capital

Table 3 shows the Council's capital programme for 2016 - 2017, the final expenditure against the programme and how this has been funded.

Table 3: Capital Programme 2016 – 2017

	Planned Expenditure Programme 2016 - 2017	Actual Expenditure 2016 - 2017	Variance Compared to Expenditure Programme
	million	**£ million**	**£ million**
Adult & Community Services	11.543	4.638	6.905
Children and Young People	70.745	38.941	31.804
Schools	8.211	5.910	2.301
Public Health & Protection	10.091	3.067	7.024
Highways	71.233	55.745	15.488
Waste & Environment	20.216	5.502	14.713
Property	13.124	6.631	6.493
IT	5.314	4.242	1.072
Broadband	11.359	4.181	7.178
	221.836	**128.858**	**92.978**
Financed by:			
Ringfenced Government Grant	21.708	15.014	6.693
Ringfenced Contributions	12.320	4.186	8.133
Non-Ringfenced Government Grant	39.815	29.818	9.997
Capital Receipts	15.153	11.833	3.320
Revenue Budgets or Reserves	29.252	25.801	3.451
Borrowing	103.588	42.205	61.383
	221.836	**128.858**	**92.978**

The following paragraphs explain the main areas of expenditure and the key variances.

Adult & Community Services paid £2.723 million to districts and borough councils through the Disabled Facilities Grant to provide support to disabled people who require adaptations to their home. The service also included £1.520 million for community equipment and £0.272 million on Libraries and Heritage, including spend on the planning stages of the Suffolk Heritage Centre known as “The Hold”, updating self-service in Libraries and the new Heritage website. The remaining spend has been on supported housing for working age adults. The variance of £6.905 million relates mainly to the ACS IT transformation programme, which will see the implementation of a new IT system to record client notes. The contract was awarded in February 2017 and the first contract payment will be made in 2017/18.

The programme for Children & Young People included expenditure of £9.167 million on basic need schemes which provided new school places in areas of pupil growth and £4.354 million has been spent on school maintenance and refurbishment. Some basic need schemes will take place in future years due to delays in planning and site acquisition. The major projects programme included £1.177 million to co-locate the Sexton Manor nursery on the same site as Sexton Manor primary school, Bury St Edmunds and £2.398 million on Pakefield High School, Lowestoft. There was a total spend of £20.173 million on School Organisation Review (SOR). The focus of this review is raising attainment and creating a school system in Suffolk that is sustainable for the future by implementing a two-tier system of Primary and Secondary Education across the county. The early years service have distributed £0.976 million of funding to help early years’ providers make adaptions and improvements to help facilitate the increase in government free child care hours from 15 to 30 hours.

The Public Health & Protection programme included the replacement of ageing emergency vehicles and new operational equipment for Suffolk Fire and Rescue Service. Initial work has started to create shared blue light stations for Felixstowe; Saxmundham and Ipswich at a cost of £0.949 million. The remaining budget will be carried forward into 2017 – 2018 to complete this work.

The highways programme included maintenance work on principal & non-principal roads, bridges, street lighting, traffic signals, footways and drainage. Construction of the Beccles Relief Road which was subject to a public inquiry, now has the compulsory purchase and side roads orders confirmed by the Secretary of State and it is anticipated that construction will commence early in 2017 - 2018. Initial planning and design work has commenced on the Ipswich wet dock crossing at a cost of £0.405 million with the majority of planning costs to be incurred in 2017 - 2018.

In the Waste & Environment programme £2.170 million has been spent from the Green Deal Communities grant which is being used to help Suffolk homeowners and private renting tenants with the cost of installing energy efficiency home improvements. The capital budget for waste of £14.405 million will be carried forward into future years as plans for the improvement of household waste sites are developed. The delay to the scheme has been due to the expansion of the West Suffolk Operational hub, to include a vehicle depot as well as the transfer station, which resulted in the original site no longer being viable. A new site has now been found and work should commence in the autumn 2017 unless a judicial review is called. There have also been issues with finding suitable sites for the Household Waste Recycling Centres (HWRC).

The Property programme included the successful completion of two office buildings, Riverside Road and Beacon House. These were occupied in 2015 - 2016, with the final accounts for construction, refurbishment and fees being paid in this financial year. Further costs have been incurred on the planning and design stage of South Lowestoft industrial units which will be leased out within the Great Yarmouth & Lowestoft Enterprise Zone. This project will be completed during the Summer 2018. There has been £1.216 million spend on maintenance of the corporate office estate, including the refresh of the Ipswich Data centre to comply with flood regulations. There was also a £2.500 million investment in Concertus Design & Property Consultants Ltd, who provide the Council with their property design and project management services. The investment is to allow them to purchase a new building to re-locate their head office.

On the 1 April 2017 phase 2 of the Superfast Broadband project began. Capital investment has been used to establish the foundation infrastructure and architecture to support the Council's IT Strategy. This includes investment in cyber security protection, installation of new firewalls and establishing a resilient connectivity to cloud services provided by Microsoft for the Suffolk wide area network.

4.2.1 Future capital programme

In February 2017, the Council set a capital programme for 2017 - 2020 that totals £236.041 million. The programme includes investment in schools of £64.670 million, investment in the county's road network of £84.511 million, £7.000 million on the planning and design of the wet dock crossing in Ipswich and Lake Lothing in Lowestoft and £20.880 million for the Suffolk Better Broadband programme which will provide 98% of premises in Suffolk with access to superfast broadband speeds. The programme also includes £19.840 million for a new Suffolk Heritage Centre "The Hold" and a £6.000 million investment in Barley Homes.

4.3 Balance Sheet

Table 4 summarises the Balance Sheet of Suffolk County Council at 31 March 2016 and 31 March 2017. The full Balance Sheet can be found on page 20 together with references to the notes that support each of the figures.

Table 4: Balance Sheet as at 31 March 2017

31 March 2016 £ million		31 March 2017 £ million	Increase/ Decrease (-) 2016 - 2017 from 2015 - 2016 £ million
1,627.818	Non Current Assets	1,581.964	-45.854
138.485	Current Assets	96.522	-41.963
-149.154	Current Liabilities	-229.694	-80.540
-1,113.463	Long Term Liabilities	-1,108.101	5.362
503.686	**Net Assets**	**340.691**	**-162.995**
223.335	Usable Reserves	193.938	-29.397
280.351	Unusable Reserves	146.753	-133.598
503.686	**Total Reserves**	**340.691**	**-162.995**

The net decrease in non current assets mainly relates to the movement in Property, Plant and Equipment, a reduction of £49.883 million. During 2016 – 2017 28 schools, where the Council held the asset on the balance sheet, transferred from the Council to Academy status, totalling £79.270 million (note 5 of the core statements). Capital expenditure during the year created additions to non current assets of £86.698 million and depreciation charged to the assets reduced the balance by £53.488 million. Long term debtors increased by £4.087 million of which £3.500 million relate to loans to Concertus and Schools Choice (see note 27 of the core statements).

Current Assets have decreased by £41.963 million which includes a reduction on short term investments of £36.693 million.

Current Liabilities includes an increase of £88.886 million in short term borrowing. During the year the Council repaid £25 million of PWLB and made a capital contribution of £37.500 million to reduce the waste PFI liability whilst refinancing only £25 million longer term. Other borrowing necessary for short term cash flow need and the Council's capital programme was taken through short term loans due to the low interest rates available. Short term borrowing will continue until interest rates or maturity constraints indicate that long term borrowing is more suitable.

Long term liabilities include the liabilities in relation to two Private Finance Initiative schemes the Council has in place and the pension liability (see paragraph 4.4). The PFI schemes relate to the construction and management of the Energy from Waste facility at Great Blakenham and the upgrade and maintenance of fire stations for Suffolk Fire and Rescue (see note 30 of the core statements).

Usable reserves are cash reserves that can be used to fund the activities of the authority. Details of the decrease in usable reserves of £29.397 million are shown in note 8 alongside details of the types of reserves the council holds. Unusable reserves are those which exist because the Council has to comply with accounting practice and statute. Details of the decrease in unusable reserves of £133.598 million are shown in Note 19. Table 5 summarises the Council's reserves.

Table 5: Useable Reserves

31 March 2016 £ million		31 March 2017 £ million	Increase/Decrease (-) 2016 - 2017 from 2015 - 2016 £ million
49.455	General reserves	50.588	1.133
26.508	Service reserves	19.352	-7.156
62.807	Specific Activity reserves	50.650	-12.157
67.504	Other earmarked reserves	57.180	-10.324
206.274	**Total Revenue reserves**	**177.770**	**-28.504**
17.061	Capital reserves	16.168	-0.893
223.335	**Total Useable reserves**	**193.938**	**-29.397**

The movement in reserves has been used to support £3.596 million of revenue spend and £25.801 million to fund the capital programme.

4.4 Pension Liabilities

Suffolk County Council participates in four pension schemes, the firefighters', teachers', National Health Service (NHS) 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 2017 of £631.193 million (£587.370 million at 31 March 2016) in respect of the firefighters' and the local government pension schemes. The increase of £43.823 million in the pension fund liabilities is because of a decrease in the net discount rate as determined by the actuary over the period. The Local Government pension scheme liability has only decreased slightly; this is due to the higher than expected asset returns slightly outweighing the negative impact of the decrease in net discount rate.

The teachers' pensions' scheme is administered nationally by the Department for Education and the NHS scheme is administered by NHS Pensions. Their liabilities are not reported separately in the accounts of individual local authorities.

The Suffolk County Council Pension Fund is revalued every three years with the last full valuation in 2016 reporting a funding level of 89.0%.

The Pension Fund has a deficit recovery plan in place to return to a 100% funding level over the next 20 years. Further detail on the schemes funding position can be seen in Note 19 of the Pension Fund Accounts.

5.0 Treasury Management & Cashflow

Table 6: Cash and Short Term Investments

2015 - 2016 £ million		2016 - 2017 £ million
0.385	Cash and other cash equivalents	1.156
65.467	Short term investments	28.774
65.852	**Total**	**29.930**

Total cash and equivalents at 31 March 2017 were £1.156 million. The main factors that would affect cash in the future are:

- Acquisition and disposals relating to the capital programme;
- The value of reserve balances;
- Provisions;

- Grants and contributions unapplied.

The Council held £28.774 million of invested funds at 31 March 2017. These investments consisted of £4.180 million in Lloyds deposit account and £24.594 million in money market funds.

5.1 Borrowing

The Council's total gross external debt, including accrued interest was £577 million at 31 March 2017 (£540 million at 31 March 2016). This consisted of borrowing of £404 million and a PFI and donated asset liability of £168 million. This was substantially below the Council's capital financing requirement (£689 million at March 2017), 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.

The Council's external borrowing at 31 March 2017 consisted of Public Works Loan Board (PWLB) of £149 million (including accrued interest), other long-term market loans (LOBOs) of £175 million and short term borrowing of £80 million. The average rate of interest on the Council's external borrowing at March 2017 was 3.14% (3.87% at March 2016).

6.0 Financial Challenges in 2017 - 2018 and Medium Term Outlook

Suffolk County Council continues to face significant grant reductions as a result of the Government's deficit reduction programme. Since 2011 - 2012 the Council has successfully managed the financial challenges laid down in the government's austerity programme, together with demographic pressures and has made savings in excess of £200 million. The response to these challenges has been measured, pragmatic and innovative and designed to protect front-line services as much as possible. The Council needs to continue to deliver the best possible services within significantly reduced resources, with a focus on meeting the corporate priorities.

The Council recognised that major transformational change was necessary to ensure that the Council could continue to deliver the best possible services within its reduced resources. As a result, a portfolio of service transformation and enabling programmes were developed to fundamentally review how services are operated and how the organisation is run. The service transformation programmes are:

- **Health and Social Care Integration** The development of integrated commissioning and an integrated health and care system in Suffolk
- **Supporting Lives, Connecting Communities (Adult and Community Services)** The transformation of social work teams and customer first together with the provision of better information and connections to the voluntary and community sector/local responders to reduce demand for services
- **Making Every Intervention Count (Children and Young People Services)** A programme to re-shape services for children and young people so they remain effective into the future and provide the best possible outcomes for children and families within available resources
- **Raising the Bar** The programme to raise attainment, achievement and aspirations for all young people throughout the County, implementing recommendations from 'No School an Island'
- **Travel** Developing new models for moving people around Suffolk in partnership with other organisations
- **Highways** Learning from Suffolk Highways and identifying options for future savings
- **Waste** Savings from Energy from Waste, looking at the relationship between disposal and collection and other savings around waste
- **Public Protection Organisational Design** Leading the development of the Trading Standards, Fire & Rescue and Community Safety services in a way that reflects the risk profile & best meets the needs & expectations of local communities, whilst addressing reductions in funding
- **Support Services** Savings from corporate and service support services in response to the changing shape of the Council

Underpinning the service delivery programmes are a number of 'enabling' programmes and initiatives, which do not necessarily have savings attached to them but are designed to help drive savings in the transformation programmes and across the Council:

- **Collaboration and Integration with other organisations** – working with partner organisations to join up services where it makes sense to do so
- **Suffolk Growth Strategy** – a Suffolk-wide plan to achieve economic growth, create stability and prosperity in Suffolk
- **Our Place and Connecting Communities** – working with communities to understand their priorities and co-design and deliver services
- **Public Access and Digital Transformation** – transform the customer experience and deliver more effective and efficient services at a lower overall cost using digital channels and behaviour change
- **The People Strategy** – embedding the right behaviours, responsibilities and support for staff across the Council
- **Next Generation Computing** – the modernisation of Information and Communication Technology (ICT) by transforming technology to improve productivity and the ease of working within the County Council and other organisations that use the Council's IT services
- **Single Public Sector Estate** – the Suffolk-wide approach to transforming property and create a single estate

All of the programmes also reflect the principles of **Local Response**, which are that the Council should:

- Keep demand out of the system
- Manage demand once it is in the system in an integrated way
- Deliver services locally – allowing local variation beyond the core offer
- Provide public service leadership locally

For 2017 - 2018 the Council has identified savings of £31.333 million in order to set a balanced budget. This is because alongside the government grant reductions in 2017 - 2018 the council will need to fund the cost of inflation, increasing demand for adult and children's care services, and the new apprenticeship levy. In 2017 - 2018 the transformation programmes are expected to deliver £16.474 million of savings and the Council is aiming to deliver a further £14.859 million from other savings, including sharing Council facilities with other organisations, reducing capital financing and corporate budgets and reducing the cost of contracts.

In line with 97% of eligible councils, Suffolk County Council has accepted a four-year grant allocation which provides some certainty about the level of funding for the period to 2020. This lower grant level, alongside increased cost pressures the council will have to manage, means that the estimated potential budget gap from 2018 – 2021 is in excess of £55 million. It is therefore essential that the Council keeps focused on implementing major transformational change and integrate services where possible to drive down the costs of service delivery whilst providing effective services to the community. The Council also needs to consider how it can develop greater alternative income streams and optimise revenues from its wholly-owned companies.

A major change to the local government finance system is likely to be implemented in 2019 - 2020 or 2020 - 2021. It will be based on incentivisation and growth with local government retaining 100% of business rates though not necessarily on an individual authority basis as there will still have to be some redistribution of funding according to need. Therefore, in future business rates and council tax will be the key sources of finance for local budgets. Then it will be essential to generate housing growth to increase the council tax base and there will be an ever-increasing incentive to grow the local economy and hence the business rate tax base. There will be risks and volatility in this 'new world' of local government finance particularly around increase in the tax base not matching the growth in demand for services. There will also be the issue of appeals against business rates and the contraction of businesses to manage, especially in times of economic downturn.

A further change that will accompany the move from 50% to 100% retention of business rates will be the devolution of further services to be funded from business rates and existing specific grant-funding being met from business rates. These changes will be introduced as local government continues to face increasing pressures on its decreasing resources. The period of challenge which, up to now, Suffolk County Council has faced competently and with innovation, will continue without a known end point.

7.0 Corporate Risk Management

The Council takes a pragmatic and flexible approach to risk management by which staff are encouraged to actively manage risk on a daily basis and to tailor their risk management approach to suit their business environment and operational needs. The work of embedding the Active Risk Management (ARM) approach across the Council is ongoing. The Corporate Risk Register (CRR) is a live system that responds to the fast-changing environment and the new challenges and opportunities that the Council faces. Each risk is assessed as to its likelihood and impact, based on scoring levels of very high, high, medium and low. The CRR is reviewed annually by the Corporate Management Team (CMT) to ensure that all significant areas of risk are covered and that mitigations are recorded adequately. As part of this annual review, an analysis of the corporate risk profiles (heatmaps) is undertaken with the aim of informing decisions taken regarding the Council's risk appetite. Changes to the CRR are also covered in the corporate performance report that CMT receives on a quarterly basis as do Cabinet. The Council's risk governance arrangements are subject to scrutiny from the internal Audit team and the Audit committee. The recommendations from risk audit reviews (internal and external) are key contributory factors to the continual improvement of the Council's risk management approach.

8.0 Annual Governance Statement

The Council is required to conduct a review of the effectiveness of its system of internal control at least once a year and report the findings to the Audit Committee. The Annual Governance Statement contains a review of the Council's governance framework and the effectiveness of the Council's internal control and risk management systems, and reports on any significant governance issues during the year.

A copy of the Annual Governance Statement for 2016 – 2017 is available on the Councils website.

https://www.suffolk.gov.uk/assets/council-and-democracy/budget-and-finance/Annual-Governance-Statement-2016-7.pdf

9.0 Explanation of the Financial Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2017. It comprises core and supplementary statements, together with disclosure notes. The format of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016 - 2017, which in turn is underpinned by International Reporting Standards.

The Core Statements are:

9.1 Comprehensive Income and Expenditure Account

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.

9.2 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 'unusable 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 Account. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting.

9.3 Balance Sheet

The Balance Sheet shows the value as at the 31 March 2017 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:

- Useable reserves are 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 may only be used to fund capital expenditure or repay debt).
- Unusable reserves are those that the Council is not able to use to provide services. This 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’.

9.4 Cashflow 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 Council’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. lenders) to the Council.

The supplementary statements are:

9.5 Notes to the accounts

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.

There have been no significant changes to the Council’s accounting policies during the year.

Notes 2 to 41 set out supplementary information to assist readers of the accounts.

9.6 Group Accounts

Group Accounts are produced in the same format as the statements explained above. The Council is required to reflect Suffolk County Council’s 100% shareholding of its subsidiary, Suffolk Group Holdings Limited.

The Council has not included Suffolk Norse Ltd, Sensing Change Ltd, Leading Lives IPS Ltd, Suffolk Libraries IPS Ltd, Realise Futures CIC and Barley Homes Group Limited in the Group accounts as they are not material either qualitatively or quantitatively.

9.7 Expenditure and Funding Analysis Statement

This statement shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council’s directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Account.

9.8 Pension Fund Accounts

The objective of the Suffolk Pension Fund's financial statements on pages 94 to 125 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. Scheduled bodies are local authorities, district and borough councils and other similar bodies such as academies whose staff are automatically entitled to be members of the Fund. Admitted bodies are voluntary and charitable bodies or private contractors undertaking a local authority function.

The Pension Fund provides retirement benefits for employees who are members of the Local Government Pension Scheme (LGPS). This excludes Teachers, Firefighters and former NHS staff as these employees contribute to other government schemes (see Note 34).

9.9 Fire Pension Scheme

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 each year by receipt of a pension top-up grant from the Home Office.

Comprehensive Income and Expenditure Account

2015 – 2016 Restated Gross Expenditure £ million	Gross Income £ million	Net Expenditure £ million		Notes	2016 - 2017 Gross Expenditure £ million	Gross Income £ million	Net Expenditure £ million
278.920	-73.348	205.572	Adult and Community Services		289.269	-68.769	220.500
545.179	-369.313	175.866	Children and Young People		509.829	-334.433	175.396
57.683	-34.458	23.225	Public Health and Protection		61.525	-37.182	24.343
180.803	-31.572	149.231	Resource Management		165.720	-47.822	117.898
5.305	-0.243	5.062	Corporate Resources and Capital Financing		5.109	-0.162	4.947
-7.854	0.000	-7.854	Pension Costs IAS 19 *		-1.002	0.000	-1.002
1,060.036	**-508.934**	**551.102**	**Net cost of services**		**1,030.450**	**-488.368**	**542.082**
61.020		61.020	Other operating expenditure	9	81.246	-0.137	81.109
44.616	-1.984	42.632	Financing and investment income and expenditure	10	39.227	-2.070	37.157
	-543.409	-543.409	Taxation and non-specific grant income	11		-510.547	-510.547
1,165.672	**-1,054.327**	**111.345**	**Deficit on Provision of Services**		**1,150.923**	**-1,001.122**	**149.801**
		-46.198	Surplus on revaluation of Property Plant and Equipment assets	19			-9.931
		-206.871	Remeasurement of the net defined benefit liability	34			23.125
		-253.069	**Other Comprehensive Income and Expenditure**				**13.194**
		-141.724	**Total Comprehensive Income and Expenditure**				**162.995**

The format of the Comprehensive Income and Expenditure Account has changed in 2016 – 2017, showing the gross expenditure and gross income in the Net Cost of Services by directorate, which is a consistent format with how the Council reports to management throughout the year. 2015 – 2016 has been reclassified to show comparatives.

* The Pension Costs are in relation to accounting for Employee Benefits (IAS19) which are not allocated to service areas. The negative expenditure is due to past service costs and settlements identified by the actuary, see Note 34.

Movement in Reserve Statement

	General Fund Reserves £ million	Other Earmarked Reserves £ million	Capital Receipts Reserve £ million	Capital Grants Unapplied Account £ million	Capital Contributions Unapplied £ million	Total Usable Reserves £ million	Unusable Reserves £ million	Total Authority Reserves £ million
Balance at 31 March 2015	**39.329**	**154.892**	**18.097**	**1.314**	**0.468**	**214.100**	**147.862**	**361.962**
Movement in reserves during 2015/16								
Surplus or deficit (-) on provision of services	-111.345					**-111.345**		**-111.345**
Other Comprehensive Expenditure and Income						**0.000**	253.069	**253.069**
Total Comprehensive Expenditure and Income	**-111.345**	**0.000**	**0.000**	**0.000**	**0.000**	**-111.345**	**253.069**	**141.724**
Adjustments between accounting basis and funding basis under regulations (note 7)	123.414		-9.663	5.033	1.797	**120.581**	**-120.581**	**0.000**
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	**12.069**	**0.000**	**-9.663**	**5.033**	**1.797**	**9.236**	**132.488**	**141.724**
Transfer to (-)/from Earmarked Reserves (note 8)	-1.942	1.927	0.000	0.000	0.015	**0.000**		**0.000**
Increase/Decrease (-) in Year	**10.127**	**1.927**	**-9.663**	**5.033**	**1.812**	**9.236**	**132.488**	**141.724**
Balance at 31 March 2016 carried forward	**49.455**	**156.819**	**8.434**	**6.347**	**2.280**	**223.335**	**280.351**	**503.686**
Movement in reserves during 2016/17								
Surplus or deficit (-) on provision of services	-149.801	0.000	0.000	0.000	0.000	**-149.801**		**-149.801**
Other Comprehensive Expenditure and Income							**-13.194**	**-13.194**
Total Comprehensive Expenditure and Income	**-149.801**	**0.000**	**0.000**	**0.000**	**0.000**	**-149.801**	**-13.194**	**-162.995**
Adjustments between accounting basis and funding basis under regulations **(note 7)**	121.297	0.000	-1.648	-0.091	0.846	**120.404**	**-120.404**	**0.000**
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	**-28.504**	**0.000**	**-1.648**	**-0.091**	**0.846**	**-29.397**	**-133.598**	**-162.995**
Transfer to (-)/from Earmarked Reserves	29.637	-29.637	0.000	0.000	0.000	**0.000**	0.000	**0.000**
Increase/Decrease (-) in Year	**1.133**	**-29.637**	**-1.648**	**-0.091**	**0.846**	**-29.397**	**-133.598**	**-162.995**
Balance at 31 March 2017 carried forward	**50.588**	**127.182**	**6.786**	**6.256**	**3.126**	**193.938**	**146.753**	**340.691**

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the core statements, however, it is positioned here as it provides a link from the figures reported in the Narrative Report to the Comprehensive Income and Expenditure Account. It shows the movement in net expenditure at Outturn, as reported to the Council's Cabinet, to the net expenditure in the Comprehensive Income and Expenditure Account. It also shows the movement in the total revenue reserves from the deficit on the provision of services.

2016 – 2017

				Adjustments between the Funding and Accounting basis				
	Outturn as reported to Cabinet	Adjustments (EFA Note 1)	Net Expenditure Chargeable to the General Fund Balance	Adjustments for Capital Purposes (EFA Note 2)	Net Charge for the Pensions Adjustments (EFA Note 3)	Other Differences (EFA Note 4)	Total Adjustments	Net Expenditure in the Comprehensive Income & Expenditure Account
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Adult and Community Services	215.696	2.673	**218.369**	1.759	0.342	0.030	**2.131**	**220.500**
Children and Young People	105.465	13.061	**118.526**	52.566	1.162	3.142	**56.870**	**175.396**
Public Health and Protection	56.240	0.161	**56.401**	0.369	-0.831	-31.596	**-32.058**	**24.343**
Resource Managament	88.064	2.682	**90.746**	26.697	0.367	0.088	**27.152**	**117.898**
Corporate Resources and Capital Financing	39.895	-32.543	**7.352**	-2.666	0.005	0.256	**-2.405**	**4.947**
Pension Costs IAS 19	0.000	0.000	**0.000**	0.000	-1.002	0.000	**-1.002**	**-1.002**
Net Cost of Services	**505.360**	**-13.966**	**491.394**	**78.725**	**0.043**	**-28.080**	**50.688**	**542.082**
Other Income and Expenditure (Note 9,10,11)			-462.890	17.318	20.655	32.636	**70.609**	**-392.281**
Surplus (-) or Deficit on provision of services			**28.504**				**121.297**	**149.801**
Opening Revenue Reserve Balance 31 March 2016 (Note 8)			**206.274**					
Less Surplus/Deficit (-) on Revenue Reserve Balances in Year			-28.504					
Closing Revenue Reserve Balance at 31 March 2017 (Note 8)			**177.770**					

EFA Note 1 – Adjustments – the reallocation of transactions to/from service areas below the net cost of services to/from Other Income and Expenditure, for example interest receivable and interest payable moved from Corporate Resources and Capital Financing. The removal of transfers to/from reserves included in Outturn, as these are not shown on the face of the Comprehensive Income and Expenditure Account.
Other Income and Expenditure includes those items shown in Notes 9,10,11 to the core statements. The Net Expenditure Chargeable to the General Fund balance includes Council Tax, Non Domestic rates and Government Grant income which is utilised to fund the net expenditure in the net cost of services.

EFA Note 2 – Adjustments for Capital Purposes – the column adjusts for the minimum revenue provision, depreciation, impairments, revaluation gains and losses, capital gains or losses on disposal, along with capital grants recognised in the Comprehensive Income and Expenditure Account but not reflected in management reporting. Other

Income and Expenditure includes adjustments for capital grants which were receivable in the year, where conditions were satisfied in the year, along with the transfer to reserves for capital receipts not used to finance capital in year. The split of the capital transactions is shown in Note 7.

EFA Note 3 – Net change for the Pensions Adjustments – the removal of employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs in relation to IAS 19 Employee Benefits. Within Other Income and Expenditure, the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Account.

EFA Note 4 – Other Differences – Removal of capital reserve movements reported at outturn excluded from the Comprehensive Income and Expenditure Account under statute, removal or inclusion of revenue grants to or from services to 'Taxation and non-specific grant income and expenditure' depending on whether the grants are ring fenced for specific services or not. Inclusion of Accumulated Absences charged to services for absences earned but not taken in the year, i.e. annual leave entitlement carried forward at 31 March.
Within the Other Income and Expenditure line, the difference between what is chargeable under statutory regulations for council tax and non-domestic rates compared to what was projected to be received which is a timing difference. Any difference will be brought forward in future surplus or deficits on the collection fund of the billing authorities in Suffolk.

EFA Note 5 – The Employee benefits included within the net cost of services are £381.864 million for 2016 – 2017 (£395.395 million 2015 – 2016).

Expenditure and Funding Analysis

2015 - 2016

	Outturn as reported to Cabinet	Adjustments (EFA Note 1)	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting basis: Adjustments for Capital Purposes (EFA Note 2)	Net Charge for the Pensions Adjustments (EFA Note 3)	Other Differences (EFA Note 4)	Total Adjustments	Net Expenditure in the Comprehensive Income & Expenditure Account
			£ million	£ million	£ million	£ million	£ million	£ million
Adult and Community Services	202.890	-0.742	**202.148**	1.630	1.772	0.020	**3.424**	**205.572**
Children and Young People	98.749	-4.645	**94.104**	72.433	6.686	2.643	**81.762**	**175.866**
Public Health and Protection	51.844	-3.231	**48.613**	2.786	-0.074	-28.099	**-25.388**	**23.225**
Resource Managament	94.129	-0.144	**93.985**	56.847	2.419	-4.019	**55.246**	**149.231**
Corporate Resources and Capital Financing	48.686	-39.154	**9.532**	-4.586	0.000	0.116	**-4.470**	**5.062**
Pension Costs IAS 19	0.000	0.000	**0.000**	0.000	-7.854	0.000	**-7.854**	**-7.854**
Net Cost of Services	**496.298**	**-47.916**	**448.382**	**129.110**	**2.949**	**-29.339**	**102.720**	**551.102**
Other Income and Expenditure (Note 9,10,11)			-460.435	-31.387	24.696	27.369	**20.678**	**-439.757**
Surplus (-) or Deficit on provision of services			**-12.053**				**123.398**	**111.345**
Opening Revenue Reserve Balance 31 March 2015 (Note 8)			**194.221**					
Less Surplus/Deficit (-) on Revenue Reserve Balances in Year			12.053					
Closing Revenue Reserve Balance at 31 March 2016 (Note 8)			**206.274**					

31 March 2016 £ million		Notes	31 March 2017 £ million
1,616.789	Property, Plant and Equipment	**12**	1,566.906
2.377	Intangible Assets	**13**	2.319
0.839	Heritage Assets		0.839
0.001	Long-term Investments		0.001
7.812	Long-term Debtors	**37**	11.899
1,627.818	**Total Non Current Assets**		**1,581.964**
65.467	Short Term Investments	**37**	28.774
0.373	Carbon Reduction Allowances		0.394
12.150	Assets Held for Sale	**14**	6.465
0.061	Inventories		0.050
60.049	Short Term Debtors	**15**	59.683
0.385	Cash and Cash Equivalents	**16**	1.156
138.485	**Current Assets**		**96.522**
-29.733	Short Term Borrowing	**37**	-115.619
-103.336	Short Term Creditors	**17**	-96.434
-2.918	PFI Liability	**30**	-2.798
-4.840	Donated Asset Account	**30**	-4.755
-8.327	Provisions	**18**	-10.088
-149.154	**Current Liabilities**		**-229.694**
-7.831	Provisions	**18**	-6.213
-296.039	Long Term Borrowing	**37**	-288.662
-9.385	Other Long Term Liabilities	**37**	-13.040
-98.706	PFI Liability	**30**	-60.378
-111.315	Donated Asset Account	**30**	-104.617
-587.370	Liability related to Defined Benefit Pension Scheme	**34**	-631.193
-2.817	Capital Grants Receipts in Advance	**26**	-3.998
-1,113.463	**Long Term Liabilities**		**-1,108.101**
503.686	**Net Assets**		**340.691**
223.335	Usable Reserves	**8**	193.938
280.351	Unusable Reserves	**19**	146.753
503.686	**Total Reserves**		**340.691**

These financial statements replace the unaudited financial statements certified by the Director of Resource Management on the 25th May 2017.

Louise Aynsley

Interim Head of Finance (Section 151 Officer) following retirement of Director of Resource Management on 31 May 2017
Date 26 July 2017

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.

2015 - 2016 £ million		Notes	2016 - 2017 £ million
111.345	**Net deficit on the provision of services**		**149.801**
-214.154	Adjust net deficit on the provision of services for non cash movements	**CF1**	-156.953
70.757	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	**CF1**	52.273
-32.052	Net cash flows from Operating Activities		**45.121**
27.025	Investing Activities	**CF2**	-2.516
4.618	Financing Activities	**CF3**	-43.376
-0.409	**Net increase (-) or decrease in cash and cash equivalents**		**-0.771**
0.024	Cash and cash equivalents at the beginning of the reporting period		-0.385
-0.385	**Cash and cash equivalents at the end of the reporting period**		**-1.156**

Notes

CF1. Operating Activities

The cashflows for operating activities include the following items:

2015 - 2016 £ million		2016 - 2017 £ million
-1.246	Interest received	-1.049
20.084	Interest paid	18.563

The deficit on the provision of services has been adjusted for the following non cash movements:

-53.072	Depreciation and impairment	-53.506
-63.356	Downward revaluations	-8.544
-0.194	Increase/decrease (-) in impairment for bad debts	0.135
11.779	Increase (-)/decrease in creditors	6.692
-23.236	Increase/decrease (-) in debtors	4.501
0.005	Increase/decrease(-) in inventories	-0.011
-27.646	Movement in pension liabilities	-20.698
-64.553	Carrying amount of non current assets and non current assets held for sale, sold or de-recognised	-90.204
6.119	Other non cash items charged to the net deficit on the provision of services	4.682
-214.154	**Total**	**-156.953**

The deficit on provision of services has been adjusted for the following investing and financing activities:

6.173	Proceeds from the sale of property, plant and equipment and intangible assets	10.185
64.584	Any other items for which the cash effects are investing or financing cashflows	42.088
70.757	**Total**	**52.273**

CF2. Investing Activities

2015 - 2016 £ million		2016 - 2017 £ million
82.428	Purchase of Property, Plant and Equipment	86.486
997.512	Purchase of short-term and long-term investments	865.641
-6.173	Proceeds from the sale of Property, Plant and Equipment	-10.185
-986.933	Proceeds from short-term and long-term activities *	-898.827
-59.809	Other receipts from investing activities	-45.631
27.025	**Net cash flows from investing activities**	**-2.516**

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

CF3. Financing Activities

2015 - 2016 £ million		2016 - 2017 £ million
0.000	Cash receipts of short and long term borrowings	-303.500
0.611	Other cash receipts from financing activities	-3.632
3.021	Cash payments for the reduction of the outstanding liabilities relating to PFI contracts	2.909
1.009	Repayments of short-term and long-term borrowing	262.795
-0.023	Other payments for financing activities	-1.948
4.618	**Net cash flows from financing activities**	**-43.376**

Index of Explanatory Notes to the Core Financial Statements

Note values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016 -2017 (The Code) and the accounting policies set out in Note 1. The Notes that follow (2 to 41) set out supplementary information to assist readers of the accounts.

1. Accounting Policies

i General principles

The Statement of Accounts summarises the Council's transactions for the 2016 - 2017 financial year and its position at the year end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016 – 2017 (The Code) supported by International Financial Reporting Standards and statutory guidance issued under section 12 of the Local Government Act 2003.

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 when 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 going through the 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, i.e. in the current and future years affected by the change and do not give rise to a prior year 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 adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in the 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 are 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 18 to the accounts on page 47. 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 notes 35 and 36 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 appropriated back into the General Fund Balance 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 and retirement benefits that do not represent usable resources for the Council. Details of the reserves held are shown in note 8 to the accounts on page 39.

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 Account 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 or Taxation and Non-specific Grant Income line in the Comprehensive Income and Expenditure Account.

Where capital grants are credited to the Comprehensive Income and Expenditure Account 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 four 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 Children and Young Peoples Directorate 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, Suffolk County Council pays the extra pension.
- **Firefighters** – The Firefighters’ Pension Scheme is administered by Suffolk County Council and accounted for as an unfunded, defined benefit scheme. This means that there are no assets to meet the pension liabilities and cash has to be generated to meet actual pension payments. The cost of pensions and other benefits are provided from employer contributions paid to the scheme by Suffolk County Council and contributions from firefighters. Any deficit on these payments is covered by a Top-Up Grant from Central Government. The liabilities of the Firefighters Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method.
- **Local Government Pension Scheme** - The Local Government Pension Scheme (LGPS) is administered by Suffolk County Council and accounted for as a defined benefits scheme. This scheme provides pensions and other benefits for staff other than teachers and firefighters. The cost of pensions and other benefits are met by the Suffolk Pension Fund, except for the extra costs the Council has to pay when an employee retires early.
- **National Health Service –** The National Health Service (NHS) Scheme is administered by the NHS Business Service Authority and is a defined benefits scheme. However, the arrangement for the NHS scheme means 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. This means that no liability for future payments of benefits is recognised in the Balance Sheet and the Suffolk County Council Income and Expenditure Account is charged with the employer’s contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme

The liabilities of the Suffolk Pension Scheme (LGPS) attributable to the Council are included in the Balance Sheet using the projected unit credit 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 discount rate employed for the 2016 - 2017 accounts is 2.6%. The discount rate used is determined with reference to market returns of high quality corporate bonds at the balance sheet date.

The change in the net pension liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities is as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Account to the revenue accounts of the 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account.
- net interest on the net defined benefit liability – the changes during the period, in the net defined benefit liability, that arise through the passage of time are charged to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Account. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period. It takes into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses - changes in the net pension 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 Pension Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Suffolk Pension Fund:

- cash paid as employer's contributions to the pension fund in settlement of liabilities.

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 International Accounting Standard (IAS19) please refer to Note 34 on page 68 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, paid sick leave and non-monetary benefits (e.g. cars) for current employees. These are recognised as an expense for services in the year in which employees render service to the Council. An estimate 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 provision is charged to the 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. These costs 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. Ill health retirements or resignations are not considered termination benefits and voluntary early retirement is not a termination benefit.

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 Recognition of property, plant and equipment (PPE)

All expenditure on buying, creating, or enhancing PPE assets is classed as capital expenditure 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 awaiting development and surplus assets held for disposal).

Expenditure on PPE is recognised in the Statement of Accounts when the work has been carried out or when the asset has been delivered, rather than when the Council actually pays for it. In this year's accounts the Council has only included in the 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.

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, Community and Voluntary Controlled schools are recognised on the Balance Sheet, but Voluntary Aided, Foundation and Academy schools are not.

xi 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 depreciated replacement cost.	Variable - based on the valuer's assessment. Land is not depreciated.
Vehicles, plant & equipment	Depreciated historical cost.	Variable – based on the estimated useful life for the type of asset.
Infrastructure	Depreciated historical cost – 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	Historical 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	Historical cost	No depreciation charge
Surplus assets	Fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS13)	Variable - based on the valuer's assessment. Land is not depreciated.
Intangible assets	Depreciated historical cost	Variable – all current intangible assets have a finite useful life which varies depending on type of asset.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, 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 Comprehensive Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service. 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 Account.

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

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. The Council componentises all assets with a total building value over £1m.

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.

Depreciation is calculated on a straight line basis over the useful life of assets. Where new capital expenditure is incurred the enhancement or new asset is recognised from the 1 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.

xii 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.

xiii Charges to revenue for the use of non current assets

Service revenue 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 or revaluation 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). The Council makes an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance. The council changed its policy for calculating MRP in 2016 - 2017 which has led to a lower MRP charge than in the prior year. Depreciation, revaluation and impairment losses charged to the Comprehensive Income and Expenditure Account are therefore replaced by MRP in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

xiv Disposals and Non current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale rather than through its continuing use, and the asset is being actively marketed, 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 Account. 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 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.
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.

The written-off value of disposals is not a charge against council tax, as the cost of non-current 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.

xv Revenue Expenditure Funded from Capital Under Statute (REFCUS) and de minimis expenditure

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 and expenditure on schools not owned by the Council. De minimis spending is where capital assets are bought below the recognition value described in paragraph x above and are not recognised in the asset register. The Council transfers REFCUS and de minimis expenditure to the Comprehensive Income and Expenditure 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 council tax.

xvi Leases

Leases are classified as finance leases where the terms of the lease substantially transfers 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.

<u>The Council as Lessee</u>
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 to the services benefiting from the use of the leased Property, Plant or Equipment.

<u>The Council as Lessor</u>
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 Account 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. Rental income is credited to the Comprehensive Income and Expenditure Account.

xvii 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.

xviii 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.

xix Interests in companies and other entities

The Council has a 100% shareholding in both Suffolk Group Holdings Ltd and Schools Choice Group Ltd. During 2015 - 2016 the Council held 100% of the shares in Vertas Group Ltd (Vertas), Concertus Design and Property Consultants Ltd (Concertus) and Opus People Solutions Ltd (Opus) but these have been transferred to Suffolk Group Holdings Ltd in 2016 - 2017. The council also wholly owns Sensing Change. Suffolk Norse Ltd and Suffolk Norse (Transport) Ltd are associates of the Council with the other shareholder being Norse Commercial Services Ltd. The Council has a 50% interest in Barley Homes Group Ltd, a joint venture with Forest Heath District Council and St Edmundsbury Borough Council. The Council previously had an interest in Suffolk Careline Community Interest Company, a joint venture with Community Voice Ltd but this was disposed of in 2015 - 2016. 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.

xx Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment 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 as part of Property, Plant and Equipment.

The original recognition of these assets at fair value is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Where the scheme operator has been granted the right to use the scheme assets to generate their own income, in return for a reduction in payments due for the asset, then the proportion funded by this income is recognised as a donated asset and is expensed over the life of the scheme.

PFI 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** – proportion of the amount payable is posted to the Balance Sheet as a prepayment where works are not yet complete or recognised as additions to Property, Plant and Equipment when the relevant works are carried out.

For details of 2016 - 2017 transactions please refer to Note 30 on page 63.

xxi Accounting for council tax and business rates

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. From April 2013 business rates are also accounted for using the same method.

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, Police and Crime Commissioner for Suffolk and Suffolk County Council. Therefore, the Council shows in the Balance Sheet their proportion of council tax debtors and corresponding creditors showing the amount then owed to the Billing Authorities.

The cash collected by the billing authorities from business rates debtors belongs proportionately to the Billing Authority (40%), Suffolk County Council (10%) and Central Government (50%).

The Council also shows in the Balance Sheet their proportion of the business rate levy due to the Council from the billing authorities based upon the actual rates collected above the rates baseline as set by Central Government. The levy is proportionately due to Central Government. Therefore, the Council shows a creditor on the balance sheet for the amount due to be paid.

xxii Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Current account balances and cash held by the Council at the 31 March are therefore clearly cash equivalent sums. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

The council has an arrangement in place to hold funds on behalf of third parties. These amounts are included within the cash figure and a corresponding amount is held as a creditor as the Council considers that it exerts sufficient control over these funds.

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 in a variety of forms such as money markets and deposit accounts for the purpose of obtaining a gain or return, or to increase the security of these assets. SCC policy is that deposits of any length should be classed as an investment and not a cash equivalent on the Balance Sheet.

xxiii Basis of consolidation for the group accounts

The Group Accounts have been prepared using the group accounts requirements of The Code of Practice on Local Authority Accounting. 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, Suffolk Group Holdings Ltd and its subsidiaries have 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 Council has not included Schools Choice Group Ltd, Suffolk Norse Ltd, Sensing Change Ltd, Leading Lives IPS Ltd, Suffolk Libraries IPS Ltd, Realise Futures CIC and Barley Homes (Group) Ltd in the Group accounts as they are not material either qualitatively or quantitatively.

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 2016 - 2017 requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been introduced but not yet adopted. This applies to the adoption of the following or amended standards within the 2017 - 2018 Code:

- Amendment to the reporting of pension fund transaction scheme costs
- Amendment to the reporting of investment concentration.

The Code requires implementation of the above standards from the 1 April 2017. For 2016 - 2017 the above changes are not considered to have a material effect on the Council's statement of accounts.

In the 2015 - 2016 financial statements, note 2 disclosed the impact of the adoption of the Highways Network Asset Code of Practice in the 2016 – 2017 financial statements. At the CIPFA/LASAAC meeting on March 8th 2017, the Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities. Highway Network Assets continue to be held at historic cost in the 2016 – 2017 financial statements.

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:

- The Council anticipates that the pressures on public expenditure will continue and there is still a high degree of uncertainty about future levels of funding for local government. These pressures will be mitigated by further service and corporate savings, and use of reserves. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Planning process which has assessed the period to 31 March 2020. Consequently, the Council is of the view that the level of uncertainty is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to reduced levels of service provision.
- Note 38 details the Council's Investment Strategy and approach to managing risk. The council's judgement is that none of the Council's investments are impaired.
- The Council has two Private Finance Initiative contracts. One for the provision/refurbishment of Fire Stations and one for the provision of the Energy from Waste Facility. The Council recognises these assets in the balance sheet at their fair value and recognise as liabilities the amounts due under the contract. In addition, for the Energy from Waste Facility a donated asset is recognised for the value of income that the operator receives from third parties. Note 30 provides further detail.
- The Council recognises school assets for Community and Voluntary Controlled schools on its Balance Sheet. The Council has not recognised assets relating to Academies, Voluntary Aided, Free or Foundation schools, as it is of the opinion that these assets are not controlled by the Council. School assets are recognised as a disposal from the Council's Balance Sheet on the date on which a school converts to Academy status, not on the date of any related announcement, nor is any impairment recognised by the Council prior to conversion. The Education Act 2011 and The Free School Presumption advice document (February 2016) state that for all new schools the local authority must seek proposals for the establishment of an Academy. Therefore, in line with the recognition criteria stated above, the Council will not include newly constructed schools in the Balance Sheet on the basis that they will all be academies or free schools, and not controlled by the Council. Going forward, capital expenditure on new school construction will be treated as revenue expenditure funded from capital under statute (REFCUS) as it is for the construction of an asset that is not for the Council.
- The Council has a number of interests in other entities which fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. However, the Council's consolidated statements only include Suffolk Group Holdings Limited as the others in aggregate are not sufficiently material to include. See Note 39 and the Group accounts for further information.

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

The preparation of the Statement of Accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing adjustment to the carrying amount of assets and liabilities within the next financial year are detailed below:

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. It is estimated that the annual depreciation for assets would increase by £6.877m for every year that useful lives had to be reduced.
Fair Value Measurement	When the fair values of Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (Level 1 inputs), or other inputs that are observable for the asset, either directly or indirectly (Level 2 inputs), their fair value is measured using unobservable (Level 3) inputs. Where it is not possible to base the valuation technique on observable data, judgement is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of assets and liabilities.	Concertus Design and Property Consultants Ltd carried out all the valuations on the Council's Surplus Assets and advised that all the valuation inputs used were Level 3 and therefore unobservable inputs. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of these assets.
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 Council with expert advice about the assumptions to be applied.	During 2016 - 2017, the Council's actuary advised that the net pensions liability had increased by £43.823 million. Further sensitivity analysis on pension liabilities are in Note 34.

5. Material Items of Income and Expenditure

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

In 2016 - 2017 £79.270 million of non-current assets have been transferred to 28 Academies which opened during the year.

Included within the Children and Young People expenditure is a total of £17.155 million (revenue expenditure funded by capital under statute), relating to the construction of Sybil Andrews Academy.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Resource Management on 25 May 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2017 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 2017, there have been 12 schools that have become Academies, and a further 16 are currently planning to convert during 2017 – 2018, 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 form part of the Council's financial statements.

Retirement of Director of Resource Management (S151 Officer)
Geoff Dobson, the Director of Resource Management retired on the 31st May 2017. Louise Aynsley has been appointed to the interim Head of Finance (Section 151 officer) and Aidan Dunn the interim Director of Resource Management. These appointments commence on the 1 June 2017.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2016 - 2017	Usable Reserves			
	General Fund Balance £ million	Capital Receipts Reserve £ million	Capital Grant/ Contributions Unapplied Account £ million	Movement in Unusable Reserves £ million
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension Costs (transferred to (or from) the Pensions Reserve	-20.698			**20.698**
Council Tax and Non Domestic Rates (transfers to or from Collection Fund Adjustment Account)	-1.947			**1.947**
Holiday Pay (transferred to the Accumulated Absences Reserve)	-2.610			**2.610**
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account)				
Charges for depreciation, impairment of non current assets and amortisation of intangible assets	-53.506			**53.506**
Revaluation losses on Property, Plant and Equipment	-8.544			**8.544**
Capital grants and contributions that have been applied to capital financing	47.320			**-47.320**
Income in relation to Donated Assets	4.840			**-4.840**
Revenue expenditure funded from capital under statute	-39.660			**39.660**
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 Statement	-90.204			**90.204**
Total Adjustments to Revenue Resources	**-165.009**	**0.000**	**0.000**	**165.009**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1.084	-1.084		**0.000**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	5.271			**-5.271**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	25.801			**-25.801**
Total Adjustments between Revenue and Capital Resources	**32.156**	**-1.084**	**0.000**	**-31.072**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	9.101	2.732		**-11.833**
Application of capital grants to finance capital expenditure				
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	2.455		-2.455	**0.000**
Application of grants and contributions to capital financing transferred to the Capital Adjustment Account			1.700	**-1.700**
Total Adjustments to Capital Resources	**11.556**	**2.732**	**-0.755**	**-13.533**
Total Adjustments	**-121.297**	**1.648**	**-0.755**	**120.404**

2015 - 2016	Usable Reserves			
	General Fund Balance £ million	**Capital Receipts Reserve £ million**	**Capital Grant/ Contributions Unapplied Account £ million**	**Movement in Unusable Reserves £ million**
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension Costs (transferred to (or from) the Pensions Reserve	-27.646			**27.646**
Council Tax and Non Domestic Rates (transfers to or from Collection Fund Adjustment Account)	-0.023			**0.023**
Holiday Pay (transferred to the Accumulated Absences Reserve)	1.941			**-1.941**
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account)				
Charges for depreciation, impairment of non current assets and amortisation of intangible assets	-53.072			**53.072**
Revaluation losses on Property, Plant and Equipment	-63.356			**63.356**
Capital grants and contributions that have been applied to capital financing	65.899			**-65.899**
Income in relation to Donated Assets	5.791			**-5.791**
Revenue expenditure funded from capital under statute	-28.940			**28.940**
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 Statement	-64.553			**64.553**
Total Adjustments to Revenue Resources	**-163.959**	**0.000**	**0.000**	**163.959**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2.974	-2.974		**0.000**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	7.509			**-7.509**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	19.429			**-19.429**
Total Adjustments between Revenue and Capital Resources	**29.912**	**-2.974**	**0.000**	**-26.938**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	3.200	12.637		**-15.837**
Application of capital grants to finance capital expenditure				
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	7.433		-7.433	**0.000**
Application of grants and contributions to capital financing transferred to the Capital Adjustment Account			0.603	**-0.603**
Total Adjustments to Capital Resources	**10.633**	**12.637**	**-6.830**	**-16.440**
Total Adjustments	**-123.414**	**9.663**	**-6.830**	**120.581**

8. Transfers to/ from Earmarked Reserves

	Balance at 1 April 2015 £ million	Transfers between Reserves £ million	Transfers Out 2015-2016 £ million	Transfers in 2015-2016 £ million	Balance at 31 March 2016 £ million	Transfers between Reserves £ million	Transfers Out 2016-2017 £ million	Transfers in 2016-2017 £ million	Balance at 31 March 2017 £ million
County Fund	**10.922**	0.000	0.000	0.068	**10.990**	0.000	-0.103	0.039	**10.926**
Contingency Reserve	**28.407**	0.000	-0.556	10.614	**38.465**	0.000	-2.629	3.826	**39.662**
Total General Fund Reserves	**39.329**	**0.000**	**-0.556**	**10.682**	**49.455**	**0.000**	**-2.732**	**3.865**	**50.588**
Service Reserves									
Adult & Community Services	**5.472**	1.410	0.000	1.103	**7.985**	1.923	-0.640	0.066	**9.334**
Children & Young People	**9.081**	5.015	-4.110	0.705	**10.691**	0.000	-9.557	1.804	**2.938**
Economy, Skills & Environment	**4.518**	-4.518	0.000	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Public Health & Protection	**1.408**	0.116	-0.034	0.249	**1.739**	-0.150	-0.009	0.293	**1.873**
Public Health & Protection (Emergency Planning)	**0.116**	-0.116	0.000	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Resource Management	**2.415**	4.170	-1.305	0.155	**5.435**	0.009	-1.026	0.511	**4.929**
Corporate	**0.698**	0.000	-0.040	0.000	**0.658**	0.000	-0.385	0.005	**0.278**
Total Service Reserves	**23.708**	**6.077**	**-5.489**	**2.212**	**26.508**	**1.782**	**-11.617**	**2.679**	**19.352**
Specific Activity Reserves									
Adult & Community Services	**3.965**	-0.666	-0.868	1.598	**4.029**	-1.923	-1.540	0.090	**0.656**
Children & Young People	**10.497**	-4.669	-1.118	4.433	**9.143**	0.000	-3.688	0.364	**5.819**
Economy, Skills & Environment	**16.135**	-16.135	0.000	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Public Health & Protection	**3.581**	0.808	-0.292	0.884	**4.981**	0.150	-0.926	0.704	**4.909**
Public Health (transferred into PH&P)	**0.808**	-0.808	0.000	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Resource Management	**3.095**	16.135	-2.743	1.792	**18.279**	0.022	-5.107	5.220	**18.414**
Corporate	**31.424**	-0.744	-4.854	0.547	**26.373**	0.000	-7.871	2.350	**20.852**
Total Specific Activity Reserves	**69.505**	**-6.077**	**-9.875**	**9.254**	**62.807**	**-1.751**	**-19.132**	**8.728**	**50.650**
Other Earmarked Reserves									
Traders Reserves	**0.787**	0.000	0.000	0.359	**1.146**	0.000	-0.156	0.087	**1.077**
Capital Financing Reserve	**16.979**	0.000	-19.103	27.414	**25.290**	0.000	-23.898	22.057	**23.449**
Renewals Reserves	**3.355**	0.000	-0.709	1.198	**3.844**	-0.009	-1.880	1.359	**3.314**
Central Schools Reserves	**7.052**	-1.183	-3.785	2.162	**4.246**	0.000	-3.169	0.001	**1.078**
Short Term Revenue Grants Reserve	**6.027**	0.000	-6.027	2.148	**2.148**	0.000	-0.423	2.679	**4.404**
Public Health (Grant)	**3.633**	0.000	0.000	1.442	**5.075**	0.000	-1.011	0.000	**4.064**
Schools Balances	**23.846**	1.183	-0.011	0.737	**25.755**	0.000	-5.963	0.000	**19.794**
Total Other Earmarked Reserves	**61.679**	**0.000**	**-29.635**	**35.460**	**67.504**	**-0.009**	**-36.500**	**26.183**	**57.180**
Total Revenue Reserves	**194.221**	**0.000**	**-45.555**	**57.608**	**206.274**	**0.022**	**-69.981**	**41.455**	**177.770**
Capital Reserves									
Capital Grants Unapplied (Reserve)	**1.314**	0.000	-0.135	5.168	**6.347**	0.000	-2.540	2.449	**6.256**
Capital Contributions Unapplied (Reserve)	**0.468**	0.000	-0.541	2.353	**2.280**	-0.022	-0.697	1.565	**3.126**
Capital Receipts Reserve	**18.097**	0.000	-12.637	2.974	**8.434**	0.000	-2.732	1.084	**6.786**
Total Capital Reserves	**19.879**	**0.000**	**-13.313**	**10.495**	**17.061**	**-0.022**	**-5.969**	**5.098**	**16.168**
Total Useable Reserves	**214.100**	**0.000**	**-58.868**	**68.103**	**223.335**	**0.000**	**-75.950**	**46.553**	**193.938**

Purpose of the Reserves

Service reserves exist in each directorate to manage in year cost pressures and to finance non-recurring expenditure. The contingency reserve exists to enable the Council to manage the uncertainty of future funding. The county fund is a ‘back-stop’ to the corporate contingency and service reserves to be deployed by either Cabinet or the County Council for any purpose within the legal power of the Council.

The specific activity and other earmarked revenue reserves are held for the unspent monies, where its use has been identified for a specific purpose or the uses of the funds are ring fenced.

They include:

- Specific activity reserves held for a clearly identified purpose, for example one-off projects or specific services.
- The capital financing revenue reserve is held to finance future capital spend.
- Unspent dedicated schools grant held in the central schools reserve.
- 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.
- Any unspent Public Health ring fenced grant is held in a reserve to support future Public Health expenditure.
- Any unspent school funds are held in schools balances.
- 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.

Capital reserves are held to finance spend on non current assets.

- Capital receipts reserve holds income from the sale of non current assets.
- Capital grants and contributions that have been received and have not yet been used to finance capital spend are held in the capital contributions unapplied reserve and the capital grants unapplied reserve.

9. Other Operating Expenditure

2015 - 2016 £ million		2016 - 2017 £ million
0.666	Payments to the Environment Agency	0.695
0.403	Payments to the Eastern Inshore Fisheries and Conservation Authority	0.403
1.472	Gains(-)/losses on trading operations (note 20)	-0.137
58.479	Losses on the disposal of non current assets	80.148
61.020	**Total**	**81.109**

10. Financing and Investment Income and Expenditure

2015 - 2016 £ million		2016 - 2017 £ million
20.115	Interest payable and similar charges	18.606
24.501	Net Interest on the net defined benefit liability (note 34)	20.621
-1.249	Interest receivable and similar income	-1.055
-0.735	Other investment income - dividend receivable	-1.015
42.632	**Total**	**37.157**

11. Taxation and Non-Specific Grant Income

2015 - 2016 £ million		2016 - 2017 £ million
-272.016	Council tax income	-280.491
-96.923	Non domestic rates	-100.639
-103.997	Non-ringfenced government grants (note 26)	-82.361
-5.791	Donated Assets	-4.840
-64.682	Capital grant and contributions (note 26)	-42.216
-543.409	**Total**	**-510.547**

12. Property, Plant and Equipment

Movements in 2016 - 2017:

	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 2016	1,052.900	75.278	655.788	0.421	75.329	3.818	**1,863.534**
Additions	20.920	8.802	55.595		0.383	0.373	**86.073**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-0.394				-0.718		**-1.112**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-11.246				-0.819		**-12.065**
Impairments to Surplus/Deficit on the Provision of Services	-0.045						**-0.045**
Derecognition - Disposals	-84.963	-8.455			-2.186		**-95.604**
Assets reclassified (to) / from Held for Sale	-1.581				-1.262		**-2.843**
Other movements in Cost or Valuation	0.157	0.022			3.639	-3.818	**0.000**
At 31 March 2017	**975.748**	**75.647**	**711.383**	**0.421**	**74.366**	**0.373**	**1,837.938**
Accumulated Depreciation and Impairment							
At 1 April 2016	48.525	47.197	150.448	0.000	0.027	0.547	**246.744**
Restatements	-0.019						**-0.019**
Depreciation charge	26.026	8.712	17.209		0.858		**52.805**
Depreciation written out to the Revaluation Reserve	-10.525				-0.499		**-11.024**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-3.974				-0.070		**-4.044**
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	-0.027						**-0.027**
Derecognition - Disposals	-5.297	-7.979			-0.127		**-13.403**
Other movements in Depreciation and Impairment	0.275				0.272	-0.547	**0.000**
At 31 March 2017	**54.984**	**47.930**	**167.657**	**0.000**	**0.461**	**0.000**	**271.032**
Net Book Value							
At 31 March 2017	**920.764**	**27.717**	**543.726**	**0.421**	**73.905**	**0.373**	**1,566.906**
At 31 March 2016	**1,004.375**	**28.081**	**505.339**	**0.421**	**75.302**	**3.271**	**1,616.789**

Movements in 2015 - 2016:

	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 2015	1,170.808	76.904	615.650	0.421	41.900	5.165	**1,910.849**
Additions	32.772	7.378	40.116	0.000	1.276	0.460	**82.001**
Donations					0.951		**0.951**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-9.623				39.856		**30.234**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-60.085				-13.975		**-74.060**
Impairments to Surplus/Deficit on the Provision of Services	-0.037						**-0.037**
Derecognition - Disposals	-56.078	-9.004			-9.741		**-74.822**
Assets reclassified (to) / from Held for Sale	-1.219				-10.364		**-11.583**
Other movements in Cost or Valuation	-23.639		0.022		25.425	-1.808	**0.000**
At 31 March 2016	**1,052.900**	**75.278**	**655.788**	**0.421**	**75.329**	**3.818**	**1,863.532**
Accumulated Depreciation and Impairment							
At 1 April 2015	52.016	47.353	134.435	0.000	1.171	0.000	**234.975**
Depreciation charge	27.252	8.559	16.013		0.788		**52.611**
Depreciation written out to the Revaluation Reserve	-13.645				-2.407		**-16.051**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-9.933				-0.803		**-10.736**
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	-0.005						**-0.005**
Derecognition - Disposals	-4.686	-8.715			-0.650		**-14.051**
Other movements in Depreciation and Impairment	-2.475				1.928	0.547	**0.000**
At 31 March 2016	**48.525**	**47.197**	**150.448**	**0.000**	**0.027**	**0.547**	**246.743**
Net Book Value							
At 31 March 2016	**1,004.375**	**28.081**	**505.339**	**0.421**	**75.302**	**3.271**	**1,616.789**
At 31 March 2015	**1,118.792**	**29.551**	**481.215**	**0.421**	**40.729**	**5.165**	**1,675.873**

Capital commitments

At 31 March 2017, the Council has committed to a programme for the construction or enhancement of Property, Plant and Equipment in 2017 - 2018 and future years, budgeted to cost £169.518 million. Similar commitments at 31 March 2016 were £162.145 million. The commitments with a value greater than £5 million are:

Broadband Superfast Extension Programme	£23.741 million
Schools Basic Need Schemes	£21.577 million
Suffolk Heritage Centre (The Hold)	£20.238 million
Waste Transfer Stations	£15.335 million
New River Crossings in Ipswich and Lowestoft	£8.047 million
Suffolk Transformation and Collaboration	£5.671 million
Adult & Community Services Management Information System	£5.468 million

Valuations

The Council carries out a rolling programme that revalues all Property and Surplus assets on a five-year basis. However, in 2015 - 2016, due to a change in valuation requirement of surplus assets, all assets in this category were revalued so that as at 31 March 2016 they were all held at fair value in accordance with IFRS 13. Going forward any assets newly classified in the surplus category must be valued to fair value in year, all others have been added to the five-year cycle. Where valuations have taken place as part of the main valuation schedule, properties have been valued as at 31 March 2017. Valuations were carried out by Concertus Design and Property Consultants Ltd 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 that are operational have been valued on the basis of Current 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 Current 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.

All surplus assets have been valued at Fair Value in accordance with IFRS13. The fair value hierarchy categorises three levels of inputs to valuation techniques to measure fair value as detailed below:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability.
- Level 3 – fair value is determined using unobservable inputs.

All surplus assets were valued using Level 3 valuation inputs. The valuations were arrived at by using the Comparison method or Residual method. The comparison method involves the use of existing market data as a guide to the value of a similar asset and adjustments made to reflect the actual characteristics of the property. The Residual method of valuation is used to support the valuation on development sites, which means identifying the potential use of the site, and then deducting the cost of development to identify the best bid that a market participant could make for the site.

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	0.672	75.647	711.383	0.421	0.000	788.123
Value at fair value in:						
2016 - 2017	124.620	0.000	0.000	0.000	3.029	127.649
2015 - 2016	303.115	0.000	0.000	0.000	71.337	374.452
2014 - 2015	134.702	0.000	0.000	0.000	0.000	134.702
2013 - 2014	279.007	0.000	0.000	0.000	0.000	279.007
2012 - 2013	133.603	0.000	0.000	0.000	0.000	133.603
Prior to 2012	0.029	0.000	0.000	0.000	0.000	0.029
Total Cost or Valuation	**975.748**	**75.647**	**711.383**	**0.421**	**74.366**	**1,837.565**

Assets under construction are not part of the valuation rolling programme until the asset becomes operational.

13. Intangible Assets

2015 - 2016 £ million		2016 - 2017 £ million
	Balance at start of year:	
1.844	• Gross carrying amount	2.979
-0.109	• Accumulated amortisation	-0.602
1.735	Net carrying amount at start of year	**2.377**
	Additions:	
1.135	• Purchases	0.625
-0.493	Amortisation for the period	-0.683
0.642	Net carrying amount at end of year	**-0.058**
	Comprising	
2.979	• Gross carrying amount	3.604
-0.602	• Accumulated amortisation	-1.285
2.377		**2.319**

14. Assets Held for Sale

31 March 2016 £ million		31 March 2017 £ million
4.405	**Balance outstanding at start of year**	**12.150**
	Assets newly classified as held for sale:	
11.583	Property, Plant and Equipment	2.991
-0.087	Revaluation losses recognised in the Revaluation Reserve	
0.032	Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	-0.525
	Assets declassified as held for sale:	
0.000	Property, Plant and Equipment	-0.148
-3.783	Assets sold	-8.003
12.150	**Balance outstanding at year-end**	**6.465**

15. Debtors

31 March 2016 £ million		31 March 2017 £ million
15.818	Central government bodies	13.304
10.907	Other local authorities	17.226
5.656	NHS bodies	2.521
19.312	Other entities and individuals	19.254
7.829	Council Tax receivable from taxpayers	6.959
0.527	Business Rates receivable from ratepayers	0.419
60.049	**Total**	**59.683**

16. Cash and Cash Equivalents

31 March 2016 £ million		31 March 2017 £ million
0.385	Bank current accounts	1.156
0.385	**Total**	**1.156**

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 below:

31 March 2016 £ million		31 March 2017 £ million
0.051	Suffolk Strategic Partnership	0.051
5.864	Monies held on behalf of vulnerable adults	6.195
14.720	New Anglia Local Enterprise Partnership	13.240
0.058	Nuclear Legacy Advisory Forum	0.079
0.111	Eastern Safeguarding Project	0.084
0.603	Area of Outstanding Natural Beauty	0.666
0.063	Natural Environment Partnerships	0.249
3.020	Transforming Suffolk	2.581
0.000	Association of Directors of Adult Social Services	0.263
0.000	Suffolk Waste Partnership	0.506
0.533	Other (Balances less than £0.150 million)	1.099
25.023		**25.013**

17. Creditors

31 March 2016 £ million		31 March 2017 £ million
-8.403	Central government bodies	-12.596
-5.007	Other local authorities	-6.335
-1.096	NHS bodies	-0.838
-83.694	Other entities and individuals	-71.279
-4.691	Council Tax receivable from taxpayers	-5.052
-0.445	Business Rates payable to ratepayers	-0.334
-103.336	**Total**	**-96.434**

18. Provisions

Current

	Other Provisions £ million
Balance at 1 April 2016	**-8.327**
Additional provisions made in 2016 - 2017	-9.944
Amounts used in 2016 - 2017	2.441
Unused amounts reversed in 2016 - 2017	5.742
Balance at 31 March 2017	**-10.088**

Other Provisions
There are two significant provisions included within the current balance, Benefits Payable during Employment (£8.351 million) and Redundancy (£1.593 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 the Deficit on the Provision of Services within the Comprehensive Income and Expenditure Account, 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 £8.351 million is made up of amounts of £5.412 million which relates to teachers working in schools and is governed by where the end of term falls in relation to 31 March 2017 and £2.939 million which relates to all other Council employees.

The redundancy provision reflects the potential costs of redundancy settlements where individuals will be made redundant or an offer of redundancy has been accepted prior to the end of the financial year, but will not leave the Council until the following financial year.

Non-current

	Injury and Damage Compensation Claims £ million
Balance at 1 April 2016	**-7.831**
Additional provisions made in 2016 - 2017	-1.579
Amounts used in 2016 - 2017	3.197
Balance at 31 March 2017	**-6.213**

Injury and Damage Compensation Claims

The provision is an estimate of claims relating to motor, public liability and employer’s liability insurance. The decrease in provision in 2016 - 2017 relates to the claims paid, and legal fees, to some of the claimants regarding the alleged abuse by staff at the former Oakwood School from 1974 until the school closure in 2000. There are a number of claims that still need to be concluded, which are included in the provision. With the exception of the Oakwood claim, most of the claims on an individual basis are financially insignificant, however significant claims are subject to a deductible excess which will be reimbursed by the insurer if it is breached. In February 2017, the Lord Chancellor announced a change in the discount rate applied to personal injury compensation payments from 2.5% to -0.75%. This affects lump sum settlements for claimants who suffered life changing injuries. Insurers are assessing the impact of reserves on claims. It is estimated claim reserves could be increased by up to 50%, however any current claim is likely to be already above the current deductible.

19. Unusable Reserves

31 March 2016 £ million	Unusable Reserves	31 March 2017 £ million
289.143	Revaluation Reserve	271.617
576.725	Capital Adjustment Account	509.033
-587.370	Pensions Reserve	-631.193
7.594	Collection Fund Adjustment Account	5.647
-5.741	Accumulated Absences Account	-8.351
280.351	**Total Unusable Reserves**	**146.753**

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 2016 £ million	Revaluation Reserve	31 March 2017 £ million
272.743	**Balance at 1 April**	289.143
-0.754	Restatements	-0.993
46.198	Revaluation of assets	9.912
318.187	Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	298.062
-7.789	Difference between fair value depreciation and historical cost depreciation	-6.732
-21.255	Accumulated gains on assets sold or scrapped	-19.713
-29.044	Amount written off to the Capital Adjustment Account	-26.445
289.143	**Balance at 31 March**	**271.617**

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.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31 March 2016 £ million	Capital Adjustment Account	31 March 2017 £ million
641.779	**Balance at 1 April**	**576.725**
0.754	Restatements	1.012
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account:	
-116.428	Charges for depreciation, revaluations and impairment of non-current assets	-62.050
-28.940	Revenue expenditure funded from capital under statute	-39.660
-64.553	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	-90.204
-209.921		-191.914
29.044	Adjusting amounts written out of the Revaluation Reserve	26.445
-180.877	Net written out amount of the cost of non-current assets consumed in the year	-165.469
	Capital financing applied in the year:	
15.837	Use of the Capital Receipts Reserve to finance new capital expenditure	11.833
66.503	Capital grants and contributions credited to the Comprehensive Income and Expenditure Account that have been applied to capital financing	49.020
7.509	Statutory provision for the financing of capital investment charged against the General Fund	5.271
19.429	Capital expenditure charged against the General Fund	25.801
109.278		91.925
5.791	Income related to Donated Assets Account credited to the Comprehensive Income and Expenditure Account	4.840
576.725	**Balance at 31 March**	**509.033**

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 the Pension Fund 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 are to be paid.

31 March 2016 £ million	Pensions Reserve	31 March 2017 £ million
-766.595	**Balance at 1 April**	-587.370
206.871	Remeasurement of the net defined benefit liability	-23.125
-75.235	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 Account	-71.793
47.589	Employer's pensions contributions and direct payments to pensioners payable in the year	51.095
-587.370	**Balance at 31 March**	**-631.193**

Collection Fund Adjustment Account

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

31 March 2016 £ million	Collection Fund Adjustment Account	31 March 2017 £ million
7.617	**Balance at 1 April**	7.594
-0.023	Amount by which council tax income and business rates are credited to the Comprehensive Income and Expenditure Account is different from council tax income and business rates calculated for the year in accordance with statutory requirements	-1.947
7.594	**Balance at 31 March**	**5.647**

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.

31 March 2016 £ million	Accumulated Absences Account	31 March 2017 £ million
-7.682	**Balance at 1 April**	-5.741
7.682	Settlement or cancellation of accrual made at the end of the preceding year	5.741
-5.741	Amounts accrued at the end of the current year	-8.351
1.941	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	-2.610
-5.741	**Balance at 31 March**	**-8.351**

20. Trading Operations

The insurance trading account provides insurance cover for most of the Council's third party and employer's liability risks. The trading objective of the unit is to break even and to maintain a reserve and/or contingency within agreed parameters which are reviewed annually.

Schools' Choice is the traded provider offering services to schools, academies and other learning establishments nationally. Schools' Choice objectives are to work in partnership with schools to provide high quality services which achieve no less than a break even year-end financial position. Schools' Choice was divested from the Council on 1 January 2017 and now trades as an entirely separate financial entity. Staff re-structure and additional costs incurred prior to divestment have had a negative impact on Schools' Choice outturn for the period ended 31 December 2016.

2015 - 2016 Gross Spending £ million	2015 - 2016 Income £ million	2015 - 2016 Surplus (-) or deficit £ million		2016 - 2017 Gross Spending £ million	2016 - 2017 Income £ million	2016 - 2017 Surplus (-) or deficit £ million
5.397	-3.793	1.604	Insurance	3.677	-3.977	-0.300
12.582	-12.714	-0.132	Schools Choice	11.977	-11.814	0.163
17.979	**-16.507**	**1.472**	**Net surplus (-) / deficit taken to the revenue account**	**15.654**	**-15.791**	**-0.137**

21. Pooled Budgets

The pooled fund for services to people with mental health problems

From 1 April 2002, Suffolk County Council and the Clinical Commissioning Groups (CCGs), formerly Primary Care Trusts (PCTs), operating in Suffolk (Suffolk and Great 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 community support, 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.
- 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. Each partner accounts for their share of the pooled fund within their own statement of accounts. The mental health pooled fund underspent by £0.091 million compared to the original allocations of funding for 2016 - 2017.

The table below details income and expenditure for the year.

2015 - 2016				2016 - 2017	
£ million	£ million			£ million	£ million
		Income			
-2.306		Funding:	Suffolk County Council	-2.358	
-1.433			Clinical Commissioning Groups	-1.400	
	-3.739				**-3.758**
		Expenditure			
0.010			Staffing	0.031	
0.078			Day Care	0.077	
0.703			Support Work	0.736	
2.491			Supported Housing	2.437	
0.247			Advocacy	0.275	
0.100			Direct Payments	0.100	
0.005			Other Projects	0.011	
	3.634				**3.667**
	-0.105	**Net under (-) or over spend**			**-0.091**

The Better Care Fund

The Better Care Fund was introduced by the Government to encourage more collaborative working in the run up to having integrated social care and health services by 2020. It brings together funding and spending from Clinical Commissioning Groups, the County Council and District & Borough Councils. At this stage in its evolution, it is primarily an instrument for information sharing and planning, with funding and spending maintained by the respective partners except in cases of agreed funding transfers. Entries in the County Councils financial system relate only to the share of the pool that is controlled by the Council. The County Council does not contribute to the revenue funding of the pool but does spend against the pool. The Council does make a capital contribution to the pool. The table below reflects all funding and spend across the partners. 2016 - 2017 is the second year of the fund. Each partner accounts for their share of the pooled fund within their own statement of accounts. All Better Care Fund schemes are signed off by the Health and Wellbeing Board.

2015 - 2016		Overall	Summary	2016 - 2017	
£ million	**£ million**			**£ million**	**£ million**
		Income	**Contribution to BCF**		
43.694		Funding:	Revenue	46.614	
4.539			Capital	4.825	
	48.233				**51.439**
		Expenditure			
43.694			Revenue	46.614	
4.232			Capital	3.248	
	47.926				**49.862**
	-0.307	**Net under (-) or over spend**			**-1.577**

2015 - 2016		Revenue	Summary	2016 - 2017	
£ million	**£ million**			**£ million**	**£ million**
		Income	**Contribution to BCF Revenue**		
0.000		Funding:	Suffolk County Council	0.000	
22.160			Ipswich & East CCG	23.743	
13.759			West Suffolk CCG	14.592	
7.775			Great Yarmouth & Waveney CCG	8.279	
	43.694				**46.614**
		Expenditure			
			Ipswich& East and West Suffolk		
12.491			Providing proactive care in the community	11.125	
0.000			Reactive Care	22.899	
0.000			Support for Carers	1.579	
1.454			Care Act Commitments	1.542	
0.000			Risk Pool	1.190	
21.973			15/16 schemes		
			Waveney		
0.000			Supporting Independence by community based interventions	0.956	
1.380			Integrated community and Out of Hospital teams	1.237	
4.169			Care at home	4.770	
0.780			Dementia and Mental Health	0.361	
0.329			Care Act Commitments	0.333	
0.000			Risk Pool	0.622	
1.118			15/16 schemes	0.000	
	43.694				**46.614**
	0.000	**Net under (-) or over spend**			**0.000**

22. Councillors' Allowances

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

2015 - 2016 £ million		2016 - 2017 £ million
0.758	Basic allowance	0.760
0.331	Special responsibility allowance	0.309
0.092	Expenses	0.089
1.181	**Total**	**1.158**

23. Officers' Remuneration

Regulation 7 of the Accounts and Audit Regulations 2015 and paragraph 3.4.5.1 of the Code require the disclosure of the remuneration of higher paid officers. The regulations require a note showing the number of employees whose total remuneration is £50,000 or more, 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 2016 - 2017. 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 (Gross Pay) £	Expense Allowances Chargeable to Tax £	End of Employment Payment £	Pension Contribution (Employer) £	Total £
Chief Executive - **Deborah Cadman**	**2016/17**	**170,706**	**0**	**0**	**45,562**	**216,268**
	2015/16	155,000	0	0	40,300	195,300
Corporate Director - Children & Adults - **Sue Cook**	**2016/17**	**146,071**	**1,781**	**0**	**39,150**	**187,002**
	2015/16	120,000	894	0	31,200	152,094
Service Director (Children and Young People Services) - **Allan Cadzow**	**2016/17**	**117,414**	**0**	**0**	**31,565**	**148,979**
	2015/16	101,690	0	0	26,520	128,210
Chief Fire Officer - **Mark Hardingham**	**2016/17**	**121,148**	**135**	**0**	**17,286**	**138,569**
	2015/16	119,336	269	0	17,178	136,783
Director of Public Health - **Tessa Lindfield**	**2016/17**	**18,197**	**0**	**1,603**	**2,602**	**22,402**
	2015/16	109,475	49	0	15,735	125,259
Director of Public Health & Protection - **Abdul Razaq**	**2016/17**	**71,727**	**0**	**0**	**9,434**	**81,161**
	2015/16	0	0	0	0	0
Director of Resource Management (S151 Officer) - **Geoff Dobson**	**2016/17**	**116,387**	**0**	**0**	**31,419**	**147,806**
	2015/16	100,361	0	0	26,094	126,455
Assistant Director of Scrutiny & Monitoring (Monitoring Officer) - **Tim Ryder**	**2016/17**	**88,386**	**125**	**0**	**23,864**	**112,375**
	2015/16	87,111	0	0	22,753	109,864

- Deborah Cadman's annual salary increased to £170,000 on 01 May 2016.
- Sue Cook was appointed as Corporate Director - Children & Adults, on an interim basis, on 01 April 2016 and receives an acting up payment of £25,000 per annum to reflect these additional duties. Allan Cadzow was appointed Service Director (Children and Young Peoples Services), on an interim basis, on 01 April 2016 and received a £15,000 per annum honorarium. Michael Hennessey has been appointed Director of Adult Services from 03 July 2017.
- Tessa Lindfield left the Council on 31 May 2016. The end of employment payment is for accrued leave.
- Abdul Razaq was appointed Director of Public Health & Protection on 01 August 2016.

- Geoff Dobson received a £20,000 per annum honorarium from 01 July 2016 to reflect the additional duties he is undertaking as a result of the merger of Economy, Skills and Environment and Resource Management directorates.

The Local Government Pension Scheme (LGPS) is a statutory scheme and employer's contributions are assessed by the Actuary at each triennial valuation. The employer's contribution rate was 27% in 2016 - 2017. In 2015 - 2016 the rate was 26%.

The Firefighters Pension Scheme is a statutory scheme and employer contributions are assessed by the Government Actuary Department. The 2016 -2017 contribution rate was 21.7% for the 1992 scheme, 11.9% for the 2006 scheme and 14.3% for the 2015 scheme. The scheme is unfunded, meaning that there are no investments built up to meet the pension liabilities, and cash needs to be generated to meet actual pensions payments as they fall due. Income is from employee's and employer's contributions as well as funding from central government.

The Council's other employees receiving more than £50,000 remuneration (excluding employer's pension contributions) in 2016 - 2017 are detailed in the table below.

Remuneration Band	**2015 - 2016** No of employees Non Schools	**2016 - 2017** No of employees Non Schools	**2015 - 2016** No of employees Schools	**2016 - 2017** No of employees Schools
£50,000 - £54,999	64	62	97	87
£55,000 - £59,999	61	55	75	64
£60,000 - £64,999	24	29	33	33
£65,000 - £69,999	5	12	20	22
£70,000 - £74,999	7	7	9	5
£75,000 - £79,999	5	4	4	2
£80,000 - £84,999	9	6	3	2
£85,000 - £89,999	5	6	1	1
£90,000 - £94,999	2	2	1	0
£95,000 - £99,999	4	2	2	0
£100,000 - £104,999	5	1	1	2
£105,000 - £109,999	0	1	1	1
£110,000 - £114,999	0	2	0	0
£125,000 - £129,999	0	1	0	0
£145,000 - £149,999	1	0	0	0
£165,000 - £169,999	1	0	0	0

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 2016 - 2017 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 of £50,000 or resulted in them being included in a higher band than their basic pay.
The reduction in employees within the schools' figures relates to maintained schools transferring to academy status.

24. External Audit Costs

In 2016 - 2017 the Council incurred the following fees relating to external audit.

2015 - 2016 £ million		2016 - 2017 £ million
0.102	Fees payable to external audit services carried out by the appointed auditor for the year	0.098
0.050	Fees payable to the appointed external auditor to carry out non-audit work that falls outside the external auditors certification arrangements	0.015
0.152	**Total**	**0.113**

25. 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 underspends on the two elements are required to be accounted for separately. An element of DSG is recouped when schools convert to Academy status during the financial year.

Details of the deployment of DSG receivable for 2016 – 2017 are as follows:

	Central Expenditure £ million	ISB £ million	Total £ million
Final DSG for 2016 - 2017 before academy recoupment			476.973
Less: Academy Figure recouped for 2016 -2017			207.408
Total DSG after academy recoupment for 2016 -2017			269.565
Plus: Brought forward from 2015 -2016			4.246
Less: Carry forward to 2017 -2018 agreed in advance			2.722
Agreed initial budgeted distribution in 2016 - 2017	88.815	182.274	271.089
In year adjustments: additional DSG for Early Years	0.335	0.000	0.335
Final budget distribution in 2016 - 2017	89.150	182.274	271.424
Less: Actual central expenditure	90.790	0.000	90.790
Less: Actual ISB deployed to schools	0.000	181.764	181.764
Under/overspend (-) in 2017 - 2018	-1.640	0.510	-1.130
Carry forward to 2017 - 2018			**1.592**

The carry forward to 2017 - 2018 consists of £2.722 million agreed in advance less net over spend on central expenditure and ISB of £1.130 million.

26. Grant Income

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

	2015 - 2016 £ million	2016 - 2017 £ million
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	-90.273	-68.230
Council Tax Freeze Grant	-2.982	0.000
New Homes Bonus	-3.375	-3.949
Transition Grant	0.000	-1.944
Education Services Grant	-6.586	-5.441
Local Support Services Grant	0.000	-0.625
Rural Services Delivery Grant	-0.781	-2.159
Transparency Code	0.000	-0.013
Total	**-103.997**	**-82.361**
Credited to Services		
Local Reform and Community Voices	-0.439	-0.446
Delayed Transfers of Care (DTOC)	-0.170	0.000
Social Care in Prisons Grant	-0.215	-0.195
Care Act Funding	-4.587	0.000
Deprivation of Liberty Safeguards (DoLS) Grant	-0.348	0.000
Independent Living Fund Grant (ILF)	-2.021	-2.559
Skills Funding Agency Grant	-2.658	-2.736
Music	-0.952	-0.946
Troubled Families	-1.122	-1.503
Special Educational Needs and Disablilty Implementation (New Burdens)	-0.422	-0.472
Childrens Social Care Innovation Programme	-0.416	0.000
6th Form Funding	-10.820	-6.697
Dedicated Schools Grant	-295.095	-269.900
Dedicated Schools Grant Pupil Premium	-15.841	-13.815
Universal Infant Free School Meals	-6.118	-5.846
Unaccompanied Asylum Seeking Children (including Care Leavers)	-0.940	-1.763
Youth Justice (Youth Offending Team) Grant	-0.731	-0.663
Physical Education Sport and Strategy	-1.990	-1.773
Adoption Inter-Agency Fee Grant	0.000	-0.264
High Needs Strategic Planning Fund	0.000	-0.298
Social Work Programmed Grant	0.000	-0.128
Energy from Waste Contract (Private Finance Initiative)	-7.864	-7.864
Bus Service Operators	-0.615	-0.615
Total Transport Pilot Fund	-0.190	0.000
Suffolk Energy Gateway Grant	0.000	-1.000
Firelink	-0.224	-0.222
Fire - Private Finance Initiative	-2.193	-2.193
Specialist Accomodation Domestic Abuse Grant	0.000	-0.272
Public Health	-28.095	-31.571
Other Revenue Grants	-0.654	-0.797
Broadband	-2.362	0.000
Green Deal Communities	-1.519	-2.170
Clean Bus Technology	-0.144	0.000
Central Heating Fund	0.000	-1.263
Social Care Capital Grant	-1.591	0.000
Disabled Facilities Grant	-2.723	-4.825
Early Years Capital Grant	0.000	-0.323
	-393.059	**-363.119**

	31 March 2016 £ million	31 March 2017 £ million
Revenue Grants Receipts in Advance		
Firelink	0.000	-0.189
Green Deal Communities	-3.719	-0.005
Clean Vehicle Technology Funding	-0.439	-0.438
Dementia Friendly Environments	-0.066	-0.066
Central Heating Fund	-1.598	-0.003
Early Years Capital Grant	0.000	-1.482
Total	**-5.822**	**-2.183**

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

	2015 - 2016 £ million	2016 - 2017 £ million
Capital Grants and Contributions		
Academies Enterprise Trust	-0.223	0.000
AquiGen (Nacton) Ltd	-0.480	-0.047
Basic Need	-1.035	-1.087
Beachshow Ltd	-0.536	0.000
Bellway Homes Ltd	-0.161	-0.012
Bury St Edmunds Cycle Safety Fund - Cycle Bridge	-0.369	0.000
Crest Nicholson	-0.174	-0.004
Devolved Formula Capital	-1.993	-1.456
Demographic Growth Capital Fund - Riverwalk Special School	-0.094	-0.002
Fire Capital Grant	-0.079	0.000
Fire Transformation Fund	-4.943	0.000
Forest Heath bridle way (West Row)	-0.130	0.000
Highways England	-0.197	0.000
Highway Maintenance Block	-21.814	-21.221
Hopkins Homes Ltd	-0.670	-0.018
Integrated Transport	-3.246	-3.246
Local Authorities Contributions	-0.369	-0.517
Local Pinch Point Fund - Lowestoft Northern Spine Road	0.182	0.000
Lowestoft Flood Management Grant	-0.060	0.000
Matthew Homes Ltd	-0.185	0.000
New Anglia Local Enterprise Partnership	-16.340	-3.098
Persimmon Homes	-0.306	-0.066
Pothole Action Fund	0.000	-1.384
Schools Condition Allocation	-9.709	-8.454
Suffolk Constabulary	-0.436	-0.004
Taylor Wimpey UK Ltd	-0.261	-0.164
Trinity College	0.000	-0.190
Westbury Homes Holdings Ltd	-0.128	0.000
Other	-0.926	-1.246
Total	**-64.682**	**-42.216**

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

Capital Grants Receipts in Advance	31 March 2016 £ million	31 March 2017 £ million
Department for Education - Devolved Formula Capital	-2.584	-2.301
Department for Education -Basic Need Grant	0.000	-0.585
Department for Education - Demographic Growth Fund	-0.203	-0.201
Department for Transport - Pot Hole Action Fund	0.000	-0.882
Communities and Local Government - Fire Rota Software	-0.030	-0.029
Total	**-2.817**	**-3.998**

27. Related Parties

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

Wholly Owned Companies, Joint Ventures, and Divested Organisations:

Vertas Group Ltd (Vertas)

Vertas is a wholly-owned subsidiary of Suffolk County Council. Their principal activities are the provision of Grounds, Catering, Caretaking, Facilities Management, Property Management Print and Design services. Vertas became a wholly owned subsidiary on 1 November 2011. The companies IEM Caterquip Ltd, Snackpax Distribution Ltd, and Easilife Cleaning Services Ltd are subsidiaries of Vertas Group Ltd and the company has a Joint Venture with Forest Heath District and St Edmundsbury Borough Councils.

The Council made a loan of £2.430 million to Vertas upon inception, the outstanding balance of the loan is £1.930 million.

During 2016 - 2017 the Council incurred expenditure with the Vertas Group of companies of £24.374 million (2015 - 2016 £22.426 million). The Council also received income from the Vertas Group of £1.979 million (2015 - 2016 £1.468 million). The Council has a creditor balance of £2.205 million and a debtor balance of £1.738 million at 31 March 2017. Of the debtor balance £0.047 million is outstanding for over 30 days.

Included in the above Vertas declared a dividend of £0.580 million due to the Council for the year 2016 – 2017, which was unpaid at 31 March 2017.

Concertus Design and Property Consultants Ltd (Concertus)

Concertus is a wholly-owned subsidiary of Suffolk County Council. Their principal activities are the provision of design, estate management, and project management services within the property sector. The companies Concertus Coastal Ltd, The Energy Practice, and Carbon Chain Ltd are subsidiaries of Concertus. Concertus became a wholly owned subsidiary on 1 April 2013.

The Council made a loan of £1.000 million to Concertus upon inception, the outstanding balance of the loan is £1.000 million. The Council made a further loan in 2016 - 2017, with interest charged at a commercial rate, secured against property of £2.500 million, the outstanding balance of the loan is £2.500 million.

During 2016 - 2017 the Council incurred expenditure with Concertus of £6.383 million (2015 - 2016 £5.606 million). The Council also received income from Concertus of £0.438 million (2015 - 2016 £0.254 million). The Council has a creditor balance of £0.855 million and a debtor balance of £0.320 million at 31 March 2017. Of the debtor balance, none is outstanding for more than 30 days.

Included in the above Concertus declared a dividend of £0.175 million due to the Council for the year 2016 – 2017, which was unpaid at 31 March 2017.

Opus People Solutions Ltd (Opus)

Opus is a wholly-owned subsidiary of Suffolk County Council. Their principal activity is the provision of temporary staff. Opus became a wholly owned subsidiary on 1 June 2014. The company formed a joint venture with Cambridgeshire County Council, Opus LGSS People Solutions Ltd in October 2016.

During 2016 - 2017 the Council incurred expenditure with Opus of £10.328 million (2015 - 2016 £5.630 million). The Council also received income from Opus of £0.330 million (2015 - 2016 £0.419 million). The Council has a creditor balance of £0.261 million and a debtor balance of £0.260 million at 31 March 2017. Of the debtor balance, none is outstanding for more than 30 days.

Included in the above Opus declared a dividend of £0.260 million due to the Council for the year 2016 – 2017, which was unpaid at 31 March 2017.

Schools Choice Group Ltd (Schools Choice)

Schools Choice is a wholly owned subsidiary of Suffolk County Council. Their principal activities are the provision of Financial Services and Human Resources to Suffolk County Council Schools, other Local Authority's Schools, and Free Schools and Academies both within Suffolk and nationally. Schools Choice Group has two subsidiary undertakings through which this trading is undertaken; Schools Choice Ltd, and Schools Choice Suffolk Ltd. The Group company became a wholly owned subsidiary of the Council and commenced trading in January 2017.

The Council made a loan of £1.000 million to Schools Choice upon inception at a commercial rate of interest, the outstanding balance of the loan is £1.000 million.

During 2016 – 2017 the Council incurred expenditure of £2.453 million (2015 – 2016 nil). The Council also received income of £1.085 million (2015 – 2016 nil). The Council has a creditor balance of £0.262 million and a debtor balance of £1.171 million at 31 March 2017. Of the debtor balance, none is outstanding for more than 30 days.

Realise Futures CIC (Realise Futures)

Realise Futures is a Community Interest Company providing employment support and adult learning, including therapeutic care and funded placements to people with learning disabilities. Realise Futures and the Council entered into a contract commencing 1 November 2012 for Realise Futures to provide the services previously provided by the Council.

During 2016 - 2017 the Council incurred expenditure with Realise Futures of £4.429 million (2015 - 2016 £4.579 million). The Council also received income from Realise Futures of £0.262 million (2015 - 2016 £0.211 million). The Council has a debtor balance of £0.207 million at 31 March 2017. The debtor balance includes £0.088 million of payments made by the Council in advance for services. Of the debtor balance, none is outstanding for more than 30 days.

Leading Lives IPS Ltd (Leading Lives)

Leading Lives is an Industrial and Provident Society providing day and residential services for people with learning disabilities. Leading Lives and the Council entered a contract covering the period 1 July 2012 to 30 June 2015 initially, for Leading Lives to provide the services previously provided by the Council. This contract has subsequently been extended.

During 2016 - 2017 the Council incurred expenditure with Leading Lives of £9.569 million (2015 - 2016 £9.825 million). The Council also received income from Leading Lives of £0.165 million (2015 - 2016 £0.344 million). The Council has a creditor balance of £0.174 million and a debtor balance of £0.529 million at 31 March 2017. The debtor balance includes £0.392 million of payments made by the Council in advance for services. Of the debtor balance, £0.001 million is outstanding for more than 30 days.

Suffolk Norse Group (Norse)

Suffolk Norse Limited and Suffolk Norse Transport Limited are both Limited companies which have a service agreement with the Council to provide transportation for school pupils and swimming services, delivering such services primarily, although not exclusively, to the Council and schools within the administrative boundaries of SCC. The services were transferred to the two companies on 1 February 2013.

The shareholders of Suffolk Norse Limited are Norse Commercial Services Ltd (80%) and Suffolk County Council (20%). There are no shares for Suffolk Norse Transport Limited as it is a not for profit company limited by guarantee and is wholly owned by Suffolk Norse Limited.

The board of directors of Suffolk Norse Limited have responsibility for the supervision and management of Suffolk Norse Limited and its business, subject to the provisions of the Shareholders Agreement. Each board consists of five Directors and Suffolk County Council has the right to appoint two of the Directors.

During 2016 - 2017 the Council incurred expenditure with Suffolk Norse of £3.561 million (2015 - 2016 £3.597 million). The Council also received income from Suffolk Norse of £0.184 million (2015 - 2016 £0.215 million). The Council has a creditor balance of £0.538 million and a debtor balance of £0.166 million at 31 March 2017. Of the debtor balance, none is outstanding for more than 30 days.

Sensing Change Ltd (Sensing Change)

Sensing Change is a Social Enterprise (wholly owned by Suffolk County Council) and run by a Board of Directors, the majority of whom are drawn from the Sensing Change Strategic Managers. The Enterprise has been formed under a pilot scheme to provide services to people with sight and/or hearing loss in Suffolk. The pilot scheme was initially for two years but was extended to 31 March 2017 with the project evaluated throughout to determine the benefits for both customers and staff.

During 2016 - 2017 the Council incurred expenditure with Sensing Change of £1.516 million (2015 - 2016 £1.709 million). The Council also received income from Sensing Change of £1.008 million (2015 - 2016 £1.030 million). The Council has a debtor balance of £0.102 million at 31 March 2017. Of the debtor balance, none is outstanding for more than 30 days.

Suffolk Libraries IPS Ltd (Libraries)

Suffolk Libraries is an Industrial and Provident Society (IPS) and was registered as a charitable organisation on 27 June 2012. The IPS was formed to provide comprehensive and efficient library services principally, but not exclusively for, the people of Suffolk. The provision of library services transferred from the Council to Libraries on 1 August 2012.

During 2016 - 2017 the Council incurred expenditure with Libraries of £6.810 million (2015 - 2016 £7.157 million). The Council also received income from Libraries of £0.282 million (2015 - 2016 £0.575 million). The Council has a creditor balance of £0.043 million and a debtor balance of £1.497 million at 31 March 2017. The debtor balance includes £1.493 million of payments made by the Council in advance for services. Of the debtor balance, £0.001 million is outstanding for more than 30 days.

Barley Homes Group Ltd (Barley Homes)

Barley Homes is a joint venture between Suffolk County Council (50%), St Edmundsbury Borough Council (25%), and Forest Heath District Council (25%). The principal activity of the company will be the development of residential properties within Suffolk.

The Council made a loan of £0.065 million to Barley Homes upon inception, the outstanding balance of the loan is £0.065 million.

During 2016 – 2017 the Council incurred no expenditure from Barley Homes (2015 – 2016 nil). The Council received income of £0.014 million (2015 – 2016 nil). The Council has a debtor balance of £0.013 million at 31 March 2017. Of the debtor balance, none is outstanding for more than 30 days.

Other Organisations

Eastern Inshore Fisheries and Conservation Authority

There are two councillors that represent the Council on the Eastern Inshore Fisheries and Conservation Authority (EIFCA). At 31 March 2017, the total amount invested by the Council on behalf of the EIFCA, including accumulated interest, was £0.575 million (31 March 2016 £0.572 million).

Ipswich Buses Ltd

Two of the non-executive directors of Ipswich Buses Ltd are also County Councillors. In 2016 - 2017 the Council made payments to Ipswich Buses Ltd totalling £3.672 million (2015 - 2016 £3.699 million).

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

2015 - 2016 £ million		2016 - 2017 £ million
2.829	Other Related Transactions (Members)	0.215
1.153	Other Related Transactions (Officers)	0.991
3.982		**1.206**

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.

Other Public Bodies subject to common control by central government

The Council has entered into a pooled budget arrangement for the provision of mental health services and a Better Care Fund pooling agreement with Clinical Commissioning Groups (CCGs) operating in Suffolk. Several Councillors sit on the boards of these CCGs. Transactions related to these are detailed in Note 21. In addition, the CCGs part fund some elements of care related spend when there is a health requirement.

Pension Fund

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

2015 - 2016 Income £ million		2016 - 2017 Income £ million
-0.948	Administration expenses charged to Pension Fund	-0.933
-0.948		**-0.933**

28. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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.

	2015 - 2016 £ million	2016 - 2017 £ million
Opening Capital Financing Requirement	647.308	650.106
Capital investment		
Property, Plant and Equipment - Operational Assets	80.265	85.317
Property, Plant and Equipment - Non Operational Assets	1.736	0.756
Intangible Assets	1.135	0.625
Revenue Expenditure Funded from Capital under Statute	28.940	39.660
Loans and advances treated as capital expenditure	0.000	2.500
Sources of finance		
Capital receipts	-15.837	-11.833
Government grants and other contributions	-66.503	-49.020
Waste PFI Adjustment for relevant change in Law (note 30)	0.000	1.943
Sums set aside from revenue:		
Direct revenue contributions	-19.429	-25.801
Minimum revenue provision	-7.509	-5.271
Closing Capital Financing Requirement	**650.106**	**688.982**
Explanation of movements in year		
Increase/decrease (-) in underlying need to borrow	2.798	38.876
Increase/ Decrease (-) in Capital Financing Requirement	**2.798**	**38.876**

29. Leases

Authority as Lessee

Finance Leases

The Council has 13 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 2016 £ million	31 March 2017 £ million
Other Land and Buildings	4.266	5.063
	4.266	**5.063**

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 2016 Total £ million	31 March 2017 Land and Buildings £ million	31 March 2017 Vehicles, Plant and Equipment £ million	31 March 2017 Total £ million
Not later than one year	1.609	1.053	0.398	1.451
Later than one year and not later than five years	3.087	2.394	0.364	2.758
Later than five years	5.769	5.299	0.000	5.299
	10.465	**8.746**	**0.762**	**9.508**

Authority as Lessor

Finance Leases

The Council has leased out 114 school properties. These are schools that have converted to academies and had the lease agreement finalised. There is also the lease of Fen Alder Car Park and Local Nature Reserve, a resource centre, a youth centre and the power centre at Pakefield 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 2016 £ million	31 March 2017 £ million
Not later than one year	1.545	1.802
Later than one year and not later than five years	3.194	3.158
Later than five years	7.019	10.715
	11.758	**15.675**

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. On an annual basis County Farms have a rent review and in 2016 - 2017 £1.462 million was receivable by the Council in relation to County Farms (£1.450 million in 2015 - 2016).

30. PFI and Similar Contracts, including Donated Assets

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 & Rescue Service and the other relating to waste disposal, details of which are set out below.

Fire & Rescue 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 the construction phase which completed during 2011 – 2012, there was one change to the original construction arrangement where a new Ipswich East Fire Station was constructed as opposed to the refurbishment of the existing asset.
All PFI stations are now operational and the facilities management aspects of the contract are now operational.

The following tables show the movement in value of the fire stations included in the PFI contract during 2016 - 2017 with comparators and the movement in the value of the liability.

Movement in the value of Fire Stations

	2015 - 2016 £ million	2016 - 2017 £ million
Value at start of year	**12.736**	**12.372**
Revaluations	0.000	4.329
Depreciation	-0.364	-0.369
Value at end of year	**12.372**	**16.332**

Liability outstanding on the Fire PFI Contract

	2015 - 2016 £ million	2016 - 2017 £ million
Balance outstanding at start of year	**13.612**	**13.385**
Payments during the year	-0.227	-0.254
Balance outstanding at end of year	**13.385**	**13.131**

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

	Repayment of liability £ million	Interest £ million	Service charges £ million	PFI Grant £ million	Net Cost £ million
Payments due - received;					
During 2017 - 2018	0.281	1.480	1.174	-1.097	1.838
Payable within two to five years	1.481	5.565	4.698	-4.386	7.358
Payable within six to ten years	3.005	5.802	5.871	-5.483	9.195
Payable within eleven to fifteen years	5.126	3.681	5.871	-5.483	9.195
Payable within sixteen to twenty years	3.238	0.578	2.544	-2.147	4.213
Total	**13.131**	**17.106**	**20.158**	**-18.596**	**31.799**

Waste Service

The Council has a PFI contract, with Suez Environnement (formerly SITA Suffolk Ltd), in relation to the construction and management of an Energy-from-Waste facility on Council land in Great Blakenham. The project reached financial close in October 2010 and was awarded £102 million in Waste Infrastructure Credits (formerly known as PFI credits) which provide an income stream of £199 million over the 25 year operational span of the contract.

Following the construction and testing phase of the project full operation began, on schedule, in December 2014. In broad terms the contract is for the treatment of between 170,000 and 240,000 tonnes of residual waste (i.e. waste remaining after recycling or composting). The treatment of this waste represents an environmentally better solution than the previous disposal method, which was landfill.

Actual payments by the Council will depend on the number of tonnes of waste processed under this contract at the plant which has an annual capacity of around 269,000 tonnes. At the end of the 25 year operational phase of the contract, the plant will either be handed over to the Council, with a minimum of 5 years useful life remaining, or a new operating contract may be agreed either with Suez or another operator. At the lowest level

(170,000 tonnes) the estimated savings, when compared to projected landfill costs, were £350 million over the contract period.

The plant receives income directly from third parties, both for the treatment of waste and for electricity exported to the National Grid. As part of the contract Suez Environnement retains this income and the price otherwise payable by the Council under the agreement has been reduced to reflect this. As the contract payments to be made by the Council do not meet the full cost of the asset the council receives the proportion of the asset not funded by contractual payments as a donated asset. A liability is recognised within the accounts, as a donated asset, for this proportion of the asset and is reduced over the life of the contract.

Within 2016 - 2017 there were two events which have adjusted the liabilities due under the contract. Firstly, the Government ended the relief allowable via Levy Exemption Certificates (LECs) against Climate Change Levy liabilities for producers of renewably sourced power. This reduced income from electricity generation and was a relevant change in law under the PFI contract. The Unitary Charge payable by the Council was adjusted to allow for this change, reducing the future value of the donated asset and increasing the liability under the PFI contract.

Secondly, the Council and Suez negotiated a contract variation whereby the Council made a Capital Contribution of £37.785 million, reducing the outstanding liability on the PFI contract, in return for a reduction in the price of waste processing over the future life of the contract.

The following tables show the movement in value of the Energy-from-Waste facility included in the PFI contract during 2016 - 2017 with comparators and the movements in the value of the liability and the donated asset.

Movement in the value of the Energy from Waste Facility

	2015 - 2016 £ million	2016 - 2017 £ million
Value at start of year	**190.200**	**162.000**
Additions	0.306	0.303
Revaluations	-23.707	0.000
Depreciation	-4.799	-5.436
Value at end of year	**162.000**	**156.867**

Liability outstanding on the Waste PFI contract

	2015 - 2016 £ million	2016 - 2017 £ million
Balance outstanding at start of year	**90.727**	**88.239**
Payments during the year	-2.794	-2.655
Capital expenditure incurred in the year	0.306	0.303
Adjustment for Relevant Change in Law (LEC)	0.000	1.943
Capital Contribution	0.000	-37.785
Balance outstanding at end of year	**88.239**	**50.045**

Donated Asset Account within the Waste PFI Contract

	2015-2016 £ million	2016-2017 £ million
Balance outstanding at start of year	**120.995**	**116.155**
Expensed during the year	-4.840	-4.840
Adjustment for Relevant Change in Law (LEC)	0.000	-1.943
Balance outstanding at end of year	**116.155**	**109.372**
Short Term Donated Asset Account	4.840	4.755
Long Term Donated Asset Account	111.315	104.617
	116.155	**109.372**

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

	Repayment of liability £ million	Interest £ million	Service charges £ million	Lifecycle Works £ million	Waste Infrastructure Grant £ million	Net Cost £ million
Payments due - received;						
During 2017 - 2018	2.517	2.837	4.078	0.310	-7.864	1.878
Payable within two to five years	9.830	9.895	16.725	2.517	-31.455	7.512
Payable within six to ten years	9.761	9.426	20.889	8.632	-39.319	9.389
Payable within eleven to fifteen years	8.147	7.084	21.026	12.451	-39.319	9.389
Payable within sixteen to twenty years	12.116	4.196	21.236	11.161	-39.319	9.390
Payable within twenty one to twenty five years	7.674	0.732	11.314	6.285	-20.643	5.362
Total	**50.045**	**34.170**	**95.268**	**41.356**	**-177.919**	**42.920**

The repayment of the liability due for both schemes during 2017 – 2018 amounting to £63.176 million reconciles to the short and long-term PFI liability figures on the Balance Sheet.

31. Impairment Losses

During 2016 - 2017 the Council has recognised a total impairment loss of £0.018 million against its non-current assets. This relates entirely to the structural impairment of Woodbridge Youth Centre due to demolition in 2016 - 2017. The land value at the site has not been subject to impairment.

As a result of the five yearly revaluation exercise, there was a total downward revaluation charged to the Comprehensive Income and Expenditure Account of £8.544 million on the Council's non-current assets. A significant part of this relates to revaluations within the Children and Young People service area portfolio.

32. Termination Benefits and Exit Packages

The 2016 - 2017 Code of practice (paragraph 6.1.2.1) on local authority accounting requires local authorities 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 cost relating to ill health, normal retirements or resignations are excluded in accordance with the Code.

Exit costs should include all relevant compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs e.g. accrued holiday and settlements. It should be noted that the number of exit packages includes individuals for whom there was no exit cost.

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

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)	
	2015 - 2016	2016 - 2017	2015 - 2016	2016 - 2017	2015 - 2016	2016 - 2017	2015 - 2016	2016 - 2017
£0 - £20,000	136	126	98	118	234	244	1.479	1.170
£20,001 - £40,000	23	30	19	13	42	43	1.133	1.071
£40,001 - £60,000	1	5	8	0	9	5	0.456	0.223
£60,001 - £80,000	2	0	0	0	2	0	0.141	0.000
£80,000 - £100,000	2	2	0	0	2	2	0.178	0.190
£100,001 - £150,000	0	0	3	0	3	0	0.373	0.000
£150,001 - £200,000	0	0	1	0	1	0	0.157	0.000
Total - excluding provision	164	163	129	131	293	294	3.917	2.654

The total cost of £2.654 million in the table above includes exit packages that have been paid in 2016 - 2017 using £1.641 million of the provision which was set up as at 31 March 2016. In addition, the Comprehensive Income and Expenditure Statement includes a provision for £1.593 million as at 31st March 2017 which is set aside to pay officers in 2017 - 2018. These costs are not included in the bands but will be in 2017 - 2018 when the exit packages can be allocated into bands.

33. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme
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 2016 - 2017, the County Council paid £16.263 million of employer contributions to the Teachers' Pension Scheme in respect of teachers' retirement benefits (2015 – 2016 £17.552 million), representing 16.48% of pensionable pay (2015 – 2016 14.1%).

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 34.

NHS Staff Pension Scheme
A number of NHS Staff transferred to the Council in April 2013. These staff maintained their membership in the NHS Pension Scheme, administered by the NHS Business Service Authority. The Scheme provides these staff 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 an unfunded defined benefit scheme. However, 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 2016 - 2017, the Council paid £0.450 million of employer contributions (2015 – 2016 £0.514 million) in respect of retirement benefits to NHS Pensions in respect of staff who transferred into the Council from the NHS, representing 14.3% of pensionable pay (2015 – 2016 14.0%).

34. 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 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 (excluding teachers and National Health Service):

- 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 Firefighters - this is an unfunded scheme, meaning that there are no investments built up to meet the pension liabilities, and cash needs 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 are less than the 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:

	Local Government Pension Scheme		Unfunded Liabilities Uniformed Fire Fighters	
	2015 - 2016 £ million	2016 - 2017 £ million	2015 - 2016 £ million	2016 - 2017 £ million
Comprehensive Income and Expenditure Account				
Cost of Services:				
Current service cost	53.288	45.719	5.300	4.900
Past Service cost/(-)gain	-0.094	0.498	-0.400	5.100
Settlements and Curtailments cost/(-)gain	-7.360	-5.045	0.000	0.000
Financing and Investment Income and Expenditure				
Net interest	16.801	13.421	7.700	7.200
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**62.635**	**54.593**	**12.600**	**17.200**
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding net interest)	18.607	-170.748	0.000	0.000
Actuarial gains (-) and losses arising on changes in demographic assumptions	0.000	-14.529	-0.600	1.300
Actuarial gains (-) and losses arising on changes in financial assumptions	-156.376	254.347	-22.500	41.700
Other experience	-21.471	-80.525	-24.531	-8.420
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Account	**-159.240**	**-11.455**	**-47.631**	**34.580**
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	-62.635	-54.593	-12.600	-17.200
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	**41.720**	**44.815**	**5.869**	**6.280**

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined plans is as follows:

Reconciliation of present value of the scheme liabilities (defined benefit obligation):	Local Government Pension Scheme 2015 - 2016 £ million	Local Government Pension Scheme 2016 - 2017 £ million	Unfunded Liabilities Uniformed Fire Fighters 2015 - 2016 £ million	Unfunded Liabilities Uniformed Fire Fighters 2016 - 2017 £ million
Present value of the defined benefit obligation	-1,549.240	-1,763.190	0.000	0.000
Fair value of plan assets	1,177.633	1,394.004	0.000	0.000
	-371.607	-369.186	0.000	0.000
Present value of unfunded liabilities	-14.763	-15.507	-184.900	-227.300
Present value of injury liabilities	0.000	0.000	-16.100	-19.200
Net liability arising from defined benefit obligation	**-386.370**	**-384.693**	**-201.000**	**-246.500**

The increase of £43.823 million in the pension fund liabilities is because of a decrease in the net discount rate, which is then used by the actuary to calculate the liability. The Local Government liability has only decreased slightly; this is due to the higher than expected asset returns slightly outweighing the negative impact of the decrease in net discount rate.

Reconciliation of the movements in the fair value of Scheme Assets

	Local Government Pension Scheme 2015 - 2016 £ million	Local Government Pension Scheme 2016 - 2017 £ million	Unfunded Liabilities Uniformed Fire Fighters 2015 - 2016 £ million	Unfunded Liabilities Uniformed Fire Fighters 2016 - 2017 £ million
Opening fair value of scheme assets	**1,151.959**	**1,177.633**	**0.000**	**0.000**
Interest income	36.957	41.247	0.000	0.000
Remeasurement gain/(loss)				
Effect of settlements	-4.453	-4.983	0.000	0.000
Remeasurement gain/loss				
Return on plan assets (excluding net interest expense)	-18.607	170.748	0.000	0.000
Effect of business combinations and disposals	0.000	0.000	0.000	0.000
Other	0.808	0.298	-0.169	-0.580
Contributions from employer	41.720	43.825	5.869	5.780
Contributions in respect of unfunded benefits	0.745	0.990	0.400	0.500
Contributions from employees	10.360	10.327	1.200	1.200
Benefits paid	-41.111	-45.091	-6.100	-6.400
Unfunded benefits paid	-0.745	-0.990	-1.200	-0.500
Closing fair value of scheme assets	**1,177.633**	**1,394.004**	**0.000**	**0.000**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Unfunded Liabilities Uniformed Fire Fighters	
	2015 - 2016	2016 - 2017	2015 - 2016	2016 - 2017
	£ million	£ million	£ million	£ million
Opening balance 1 April	**-1,676.654**	**-1,564.003**	**-241.900**	**-201.000**
Current service cost	-53.288	-45.719	-5.300	-4.900
Interest cost	-53.758	-54.668	-7.700	-7.200
Contributions by scheme participants	-10.360	-10.327	-1.200	-1.200
Remeasurement gains and losses:				
Actuarial gains and losses arising from changes in demographic assumptions	0.000	14.529	0.600	-1.300
Actuarial gains and losses arising from changes in financial assumptions	156.376	-254.347	22.500	-41.700
Effect of business combinations and disposals	0.000	0.000	24.700	9.000
Other	20.663	80.227	0.000	0.000
Past service costs	-0.651	-0.498	0.000	-5.100
Benefits paid	41.111	45.091	6.100	6.400
Unfunded benefits paid	0.745	0.990	1.200	0.500
Liabilities extinguished on settlements	11.813	10.028	0.000	0.000
Closing balance at 31 March	**-1,564.003**	**-1,778.697**	**-201.000**	**-246.500**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets			
	Quoted prices in active markets 2015 - 2016 £ million	Quoted prices not in active markets 2015 - 2016 £ million	Quoted prices in active markets 2016 - 2017 £ million	Quoted prices not in active markets 2016 - 2017 £ million
Cash and Cash Equivalents				
Cash	9.844	0.000	28.724	0.000
Total Cash and Cash Equivalents	**9.844**	**0.000**	**28.724**	**0.000**
Equity Instruments (by industry)				
Consumer	91.645	0.000	121.837	0.000
Manufacturing	35.283	0.000	37.847	0.000
Energy and utilities	12.939	0.000	25.401	0.000
Financial institutions	48.908	0.000	47.480	0.000
Health and care	39.781	0.000	39.717	0.000
Information Technology	31.617	0.000	49.772	0.000
Other	13.158	0.000	17.345	0.000
Total Equity	**273.331**	**0.000**	**339.398**	**0.000**
Bonds (by sector)				
Corporate	187.397	0.000	203.625	0.000
Government	0.000	0.000	58.878	0.000
Other	43.684	0.000	0.000	0.000
Total Bonds	**231.081**	**0.000**	**262.503**	**0.000**
Private Equity				
All	0.000	36.512	0.000	44.962
Total Private Equity	**0.000**	**36.512**	**0.000**	**44.962**
Property				
UK Property	128.991	0.000	129.844	0.000
Total Property	**128.991**	**0.000**	**129.844**	**0.000**
Other Investment Funds				
Equities	44.369	0.000	417.402	0.000
Bonds	0.000	29.768	0.000	0.000
Hedge Funds	0.000	0.000	42.528	0.000
Commodities	316.610	0.000	0.000	0.000
Infrastructure	77.596	28.476	0.000	31.787
Other	0.000	0.000	75.560	20.886
Total Other Investment Funds	**438.575**	**58.244**	**535.490**	**52.673**
Derivatives				
Foreign Exchange	1.056	0.000	0.410	0.000
Total Derivatives	**1.056**	**0.000**	**0.410**	**0.000**
Total Assets	**1,082.878**	**94.756**	**1,296.369**	**97.635**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate 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 Council Fund are based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

The principal assumptions used by the actuary have been:	Local Government Pension Scheme 2015 - 2016	Local Government Pension Scheme 2016 - 2017	Unfunded Liabilities Uniformed Fire Fighters 2015 - 2016	Unfunded Liabilities Uniformed Fire Fighters 2016 - 2017
Mortality assumptions:				
Longevity at retirement for current pensioners:				
Men	22.4	21.9	29.7	30.2
Women	24.4	24.4	31.6	31.7
Longevity at retirement for future pensioners:				
Men	24.3	23.9	31.2	31.6
Women	26.9	26.4	33.2	33.2
Rate of inflation	2.2%	2.4%	3.2%	3.4%
Rate of increase in pensions	2.2%	2.4%	2.2%	2.4%
Rate of increase in salaries	4.2%	2.7%	3.2%	3.4%
Rate for discounting scheme liabilities	3.5%	2.6%	3.5%	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes, while all the other assumptions remain constant. The assumptions in longevity, for example, assume the life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Local Government Pension Scheme

Change in assumptions at year ended 31 March 2017:	Approximate % increase to Employer Liability	Increase in Assumption	Decrease in Assumption
		£ million	£ million
0.5% increase in Salary Increase Rate	1%	22.050	-22.050
0.5% increase in Pension Increase Rate	8%	145.420	-145.420
0.5% decrease in Real Discount Rate	10%	169.458	-169.458

This estimates that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%.

Uniformed Fire Fighters Scheme

Change in assumptions at year ended 31 March 2017:	Approximate % increase to Employer Liability	Increase in Assumption	Decrease in Assumption
		£ million	£ million
1 year increase in member life expectancy	3%	7.200	-7.200
0.5% increase in Salary Increase Rate	1%	2.700	-2.700
0.5% increase in Pension Increase Rate	8%	18.500	-18.500
0.5% decrease in Real Discount Rate	9%	21.500	-21.500

Impact on the Council’s Cash Flows

The objectives of the scheme are to keep employers’ contribution rates stable. The Council has agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The Council anticipates to pay £42.153 million in contributions to the scheme in 2017 - 2018.

The weighted average duration of the defined benefit obligation for scheme members is 17.9 years, 2016 - 2017 (2015 – 2016 18.5 years).

35. Contingent Liabilities

At 31 March 2017, the Council had 1 contingent liability:

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, organised a scheme of arrangement which provided for the company to be wound up in an orderly manner in the event that there was a shortfall in the amount of assets held by MMI. Under the scheme of arrangement MMI could claim back from its major policy holders part of any claims which it had paid them from 1 October 1993 onwards by way of a levy.

Following a meeting of the Board of Directors of MMI on 13 November 2012, MMI wrote to its policy holders to advise that the Board had decided to trigger the scheme of arrangement and control of the company then passed to the administrators, Ernst and Young LLP. Ernst and Young LLP have advised that an initial levy of 15% of claims paid since October 1993. In addition, any future claims that it settles on behalf of MMI will also be subject to a 15% reduction, with the shortfall being met by the respective policyholders. The Council settled the initial Ernst and Young LLP levy in 2013 - 2014 in respect of the past MMI claims which have been paid and for the shortfall in the future settlement of the claims which had been received up to March 2014, based on the initial levy percentage of 15%. Each month MMI issue a statement and invoice for 15% of any claims paid.

In November 2015 Ernst and Young LLP indicated that a second levy will be implemented in the 2016 - 2017 financial year and the amount of the levy will be subject to further upward revision which will be determined once the actual position at 31 March 2016 is known. On 1 April 2016 Ernst and Young confirmed the levy will be increased by 10% to a total 25%. An invoice for the backdated 10% was paid in May 2016 and the monthly invoices will be increased from 15% to 25%.

There is sufficient cover in the Council's reserves to fund reasonable increases in the amount of any further levy that may be imposed by Ernst and Young LLP, however not sufficient funds if a maximum 100% levy was applied although the numbers of claims, in theory, should be reducing as they relate to incidents prior to 1992 mainly for disease or abuse. Total MMI claims paid at 31 March 2017 is £4.4m.

36. 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.

Contractor Dispute
The Council has been in a long running dispute between the Council and its provider (provision of residential and nursing homes), regarding the delays in a development programme to build new homes and duplicate charges. The total sum in dispute amounts to £0.840 million. It is possible that court action will be pursued but it is hoped that further negotiation with the provider will avoid this.

37. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities
A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.
The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- Overdraft with Lloyds Bank plc
- Long-term loans from the Public Works Loan Board (PWLB) and commercial lenders
- Private Finance Initiative contracts detailed in Note 30
- Trade payables for goods and services received

Financial Assets
A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following classifications.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- Cash in hand
- Current and deposit accounts with Lloyds Bank plc
- Fixed term deposits with banks and building societies
- Loans to other local authorities
- Trade receivables for goods and services delivered

Available for sale financial assets (those that are quoted in an active market) comprising:

- Money market funds

The financial assets and liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Long Term Assets and Liabilities		Current Assets & Liabilities	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£ million	£ million	£ million	£ million
Investments				
Loans and Receivables		-	26.253	14.244
Available for Sale			39.214	14.530
Total Investments	**-**	**-**	**65.467**	**28.774**
Debtors				
Loans and Receivables	7.812	11.899	24.137	22.431
Total included in Debtors *	**7.812**	**11.899**	**24.137**	**22.431**
Cash and Cash Equivalents			**0.385**	**1.156**
Total Financial Assets	**7.812**	**11.899**	**89.989**	**52.361**
Borrowings				
Financial liabilities at amortised cost	296.039	288.662	29.733	115.619
Total Borrowings	**296.039**	**288.662**	**29.733**	**115.619**
Bank Overdraft at amortised cost				
Long Term Liabilities				
PFI Liabilities	98.706	60.378	2.918	2.798
Other Long Term Liabilities	9.385	13.040		
Total Long Term Liabilities	**108.091**	**73.418**	**2.918**	**2.798**
Creditors				
Financial liabilities at amortised cost			82.411	79.037
Total included in Creditors *	**-**	**-**	**82.411**	**79.037**
Total Financial Liabilities	**404.130**	**362.080**	**115.062**	**197.454**

*The Council has adjusted for council tax, business rates, HM Revenue and Customs balances and the non-statutory bad debt provision. The debtor figure on the Balance Sheet has been reduced by £37.252 million (£35.912 million 2015 - 2016) and the creditors figure on the Balance Sheet has been reduced by £17.397 million in 2016 - 2017 (£20.925 million 2015 - 2016).

Offsetting Financial Assets and Liabilities
Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Council operates its bank accounts with Lloyds Bank plc on a pooled basis and offsets overdrawn and in hand bank accounts. The table below shows the effect of this offsetting arrangement on the balance sheet.

31 March 2016				31 March 2017		
Gross assets (liabilities) £ million	(Liabilities) assets set off £ million	Net position on balance sheet £ million		Gross assets (liabilities) £ million	(Liabilities) assets set off £ million	Net position on balance sheet £ million
35.171	-34.786	0.385	Bank accounts in credit	25.770	-24.614	1.156
-34.786	34.786	0.000	Bank overdrafts	-24.614	24.614	0.000
0.385	**0.000**	**0.385**	**Total shown in assets**	**1.156**	**0.000**	**1.156**

Financial Instrument Gains and Losses
The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

	2015 - 2016			2016 - 2017		
	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £ million	Loans and receivables £ million	Total £ million	Liabilities measured at amortised cost £ million	Loans and receivables £ million	Total £ million
Interest expense	-20.115		**-20.115**	-18.606		**-18.606**
Losses on derecognition	-0.010	-0.411	**-0.421**		-0.346	**-0.346**
Impairment losses (-) /gain		-0.149	**-0.149**		0.135	**0.135**
Total expense in Surplus or (Deficit) on the Provision of Services	**-20.125**	**-0.560**	**-20.685**	**-18.606**	**-0.211**	**-18.817**
Interest and dividend income		1.984	**1.984**		2.070	**2.070**
Gains on derecognition	0.022	0.028	**0.050**	0.002	0.012	**0.014**
Total income in Surplus or (Deficit) on the Provision of Services	**0.022**	**2.012**	**2.034**	**0.002**	**2.082**	**2.084**
Net gain/loss for the year	**-20.103**	**1.452**	**-18.651**	**-18.604**	**1.871**	**-16.733**

Fair value of assets & liabilities

Financial assets classified as available for sale are carried in the Balance Sheet at fair value.

- For shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2017, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans. The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been calculated to allow for the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model provided by the Council’s Treasury Advisors. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.
- The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Balance Sheet 31 March 2016 £ million	Fair Value 31 March 2016 £ million		Fair Value Level	Balance Sheet 31 March 2017 £ million	Fair Value 31 March 2017 £ million
		Financial liabilities held at amortised cost:			
121.039	140.215	Long-term loans from PWLB	**2**	113.662	139.414
175.000	267.626	Long-term LOBO loans	**2**	175.000	302.253
98.706	141.725	Long-term PFI liabilities	**3**	60.378	89.674
		Financial liabilities for which fair value is not disclosed:*			
124.447		Trade Payables and Other Long Term Liabilities		210.494	
519.192		**TOTAL FINANCIAL LIABILITIES**		**559.534**	
		Held as:			
404.129		Long Term Financial Liabilities		362.080	
115.063		Current Financial Liabilities		197.455	
519.192		**TOTAL FINANCIAL LIABILITIES**		**559.535**	
		Financial assets held at fair value:			
39.214	39.214	Investments - Available for Sale	**1**	14.530	14.530
		Financial liabilities for which fair value is not disclosed:*			
26.253		Investments - Loans and Receivables		14.243	
31.949		Debtors		34.330	
0.385		Bank Balances		1.156	
97.801		**TOTAL FINANCIAL ASSETS**		**64.260**	
		Held as:			
7.812		Long-term Financial Assets		11.899	
89.989		Current Financial Assets		52.361	
97.801		**TOTAL FINANCIAL ASSETS**		**64.260**	

* The fair value of short-term financial liabilities and assets, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

38. Nature and Extent of Risks arising from Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices are based on seeking the highest rate of return consistent with the appropriate levels of security and liquidity.

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that a financial loss may arise as a result of changes in market variables such as interest rates or equity prices.

Credit Risk

The Council manages credit risk by ensuring that investments are only placed with organisations with high quality credit as set out in the Treasury Management Strategy. The Strategy also sets limits on the total amount that can be invested with a single counterparty and the maximum duration of the investment.

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits, but there was no evidence at the 31 March 2017 that this was likely to happen.

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

	Amount at 31 March 2017 £ million	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2017 %	Estimated Maximum exposure to default and uncollectability at 31 March 2017 £ million	Estimated maximum exposure at 31 March 2016 £ million
Deposits with Banks and Financial institutions	29.930	0.000%	0.000%	0.000	0.000
Secured debt	2.915	0.001%	0.001%	0.000	0.000
Customers					
External debts (non aged)	19.684				0.000
General debts less than 90 days	9.781	0.000%	0.000%	0.000	0.000
General debts >90days but <365 days	1.663	30.000%	30.000%	0.499	0.511
General debts >365 days	1.572	50.000%	50.000%	0.786	0.909
Total	**65.545**			**1.285**	**1.420**

The Council generally has terms that give customers 30 days to pay their debts which are classed as 'current'. Of the £32.700 million classified as receivable trade / general debtors (£29.637 million, 2015 - 2016), there is £4.102 million (£4.388 million, 2015 - 2016) outstanding greater than 30 days.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 40% of the Council's borrowing matures in any one financial year.

The maturity analysis of the principal sums borrowed is as follows:

	31 March 2016 £ million	31 March 2017 £ million
Less than one year	29.733	115.619
Between one and two years	30.988	2.377
Between two and five years	2.963	97.130
More than five years	262.088	189.155
	325.772	**404.281**

The Council has £175 million of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market Risk: Interest Rate Risk

The Council is exposed to 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 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 Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. 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.

Market Risk: Price and Foreign Exchange Risk

The Council does not currently invest in any fund which is subject to Price risk or Foreign Exchange risk.

39. Interest in Companies

The Council holds interests in the following companies:

Company	Company Registration Number	Date Incorporated
Suffolk Group Holdings Limited	09570600	1 May 2015
Schools Choice Group Limited	10318019	8 August 2016
Barley Homes Group Limited	10062735	15 March 2016

Suffolk Group Holdings Limited
Suffolk Group Holdings Ltd was incorporated to become the parent company of Vertas Group Ltd, Opus People Solutions Ltd and Concertus Design and Property Consultants Ltd, companies in which the Council held controlling interests. The Holding company issued 100 £1 ordinary shares to the Council. The Council's shareholdings in Vertas Group, Concertus and Opus were transferred to the Holding company on 1 April 2016.

Schools Choice Group Limited
Schools Choice Group Ltd principal activities are the provision of Financial Services and Human Resources to Suffolk County Council Schools, other Local Authority's Schools, and Free Schools and Academies both within Suffolk and country wide. Schools Choice Group issued 100 £10 ordinary shares to the Council.

Schools Choice Group has two subsidiary undertakings through which trading is undertaken; Schools Choice Ltd, and Schools Choice Suffolk Ltd, both of whom commenced trading in January 2017. The companies' results for 2016 – 2017 are not considered to be material to the Group Accounts, however it is expected that they will be consolidated from 2017 – 2018 onwards.

Barley Homes Group Limited

Barley Homes Group Ltd was formed as a joint venture between Suffolk County Council, St Edmundsbury Borough Council and Forest Heath District Council. The principal activity of the company is to develop residential housing, within Suffolk, for sale and rental. The company issued 50 £1 shares to the council.

The company made no supplies within 2016 – 2017 and is not considered material for the preparation of the Group Accounts.

Please also refer to the prepared Group Accounts that begin on page 81. The statements are intended to present financial information about the parent (the Council) and then additionally reflect the Council's share of Suffolk Group Holdings net assets.

40. Publicity

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

The table below details the Council's spending on publicity.

2015 - 2016 £ million		2016 - 2017 £ million
1.054	Staff recruitment	0.976
0.501	Other advertising such as public notices	0.609
0.122	Other public information activities	0.043
1.677		**1.628**

41. 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.

Introduction to the Group Accounts

The 2016 - 2017 Code of Practice on Local Authority Accounting in the United Kingdom sets out comprehensive requirements for group accounts requiring Local Authorities to consider all their interests in subsidiaries, associates or joint ventures.

The Council has a relationship with other companies and organisations whose assets and liabilities are not included in the Council's single entity accounts. Where the Council's interest does not extend to a relationship that could be classed as a subsidiary, associate or joint venture, those entities have not been included in the Group Accounts.

The Council does have interests in, or control over, several companies that are classified as a subsidiary, associate or joint venture. Details of the organisations falling within the Council's group boundary are as follows:

Suffolk Group Holdings Ltd, the parent of the three companies (1-3) noted below;

1 Vertas Group Ltd, who own:
- Vertas (Ipswich) Ltd
- Easilife Cleaning Services Ltd
- IEM Caterquip Ltd
- Verse Facilities Management Ltd
- Snackpax Distribution Ltd

2 Opus People Solutions Ltd, who own;
- Opus LGSS People Solutions Ltd

3 Concertus Design and Property Consultants Ltd, who own;
- Concertus Coastal Ltd
- The Energy Practice Ltd
- Carbon Chain Ltd

Schools Choice Group Ltd, the parent of the following two companies;
- Schools Choice Ltd
- Schools Choice (Suffolk) Ltd

Barley Homes Group Ltd
Leading Lives Industrial and Provident Society Ltd
Realise Futures Community Interest Company
Sensing Change Ltd
Suffolk Libraries Industrial and Provident Society Ltd
Suffolk Norse Ltd
Suffolk Norse (Transport) Ltd

Suffolk Group Holdings Ltd

Suffolk Group Holdings Ltd was created in 2015 to allow Suffolk County Council to consolidate its shareholdings in subsidiary organisations within a single entity. The board of Suffolk Group Holdings Ltd includes senior members and officers of the Council. The board receive regular reports of the activities and results of the groups subsidiary organisations to provide a single point of oversight and management for these divested organisations.

The Council's shareholdings in Vertas Group Ltd, Opus People Solutions, and Concertus Design and Property Consultants Ltd were transferred to Suffolk Group Holdings in April 2016.

The Council owns 100% of the shareholding of Suffolk Group Holdings Ltd.

Vertas Group Ltd

Vertas Group Ltd was created in 2011 as a wholly owned subsidiary of the Council and began trading on 1 November 2011. The company has a Joint Venture, Verse Facilities Management Ltd, with Forest Heath District Council and St Edmundsbury Borough Council. It also has 4 wholly owned subsidiary companies; Easilife Cleaning Services Ltd, IEM Caterquip Ltd, Snackpax Distribution, and Vertas (Ipswich) Ltd.

Suffolk Group Holdings owns 100% of the shareholding of Vertas Group Ltd. The Council also made a loan to Vertas Group Ltd of £2.430 million at the point of inception, the balance of which currently stands at £1.930 million.

The principal activities of Vertas Group Ltd are to provide Catering, Grounds, Caretaking, Cleaning, Facilities Management and Design and Print services to the Council and its subsidiaries, Schools and other public sector organisations.

Opus People Solutions Ltd

Opus People Solutions (Opus) was created in 2014 as a wholly owned subsidiary of the Council. The company has a joint venture, Opus LGSS People Solutions Ltd with Cambridgeshire County Council.

Suffolk Group Holdings owns 100% of the shareholding of Opus People Solutions Ltd.

The principal activity of Opus People Solutions Ltd is the provision of temporary staff to the Council and its subsidiaries, and other public sector organisations.

Concertus Design and Property Consultants Ltd

Concertus Design and Property Consultants Ltd (Concertus) was created in 2013 as a wholly owned subsidiary of the Council. The company has 3 wholly owned subsidiary companies; Concertus Coastal Ltd, The Energy Practice, and Carbon Chain Ltd.

Suffolk Group Holdings owns 100% of the shareholding of Concertus Design and Property Consultants Ltd. The Council also made a loan to Concertus of £1.000 million at inception, with a further £2.500 million secured loan made in 2016 - 2017.

The principal activity of Concertus Property Consultants Ltd is the provision of design and property consultancy services to the Council, schools, and other public sector organisations.

Of the organisations falling within the Council's group boundary, only Suffolk Group Holdings Ltd and its subsidiaries are considered to be material to the financial statements and this organisation has been consolidated in the Group Accounts. The other entities above are not considered material either qualitatively or quantitatively. For further details on transactions with these entities please see note 27 related parties.

Basis of Consolidation

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group Accounts to the extent that they are material to users of the financial statements in relation to their 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.

Subsidiaries have been consolidated on a line-by-line basis, subject to the elimination of intra-group transactions from the statements in accordance with the code.

Organisational Changes for 2016 - 2017

As detailed above the Council's holdings in both Concertus and Opus were transferred to Suffolk Group Holdings Ltd within 2016 - 2017. Previously the results and balances of neither company were considered material to the results of the Group, however both are now included within the results for 2016 - 2017 owing to these organisational changes.

As neither organisation was material the comparative results for 2015 - 2016 within the Group statements have not been restated to include the performance of the two companies. However, where appropriate adjustments are included in relation to the opening balances of these previously non-consolidated entities. The following information is presented to help understand the impact these companies have upon the performance of the group.

Concertus Design and Property Consultants Ltd

In 2016 - 2017 Concertus had operating income of £7.026 million (2015 - 2016: £5.867 million) with expenses of £ 6.268 million (2015-2016: £5.282 million), giving profit from operations of £0.758 million (2015 - 2016: £0.585 million). Of this: £6.383 million (2015 - 2016: £5.606 million) of income and £0.438 million (2015 - 2016: £0.254 million) resulted from trading with the Council.

The company has assets of £6.762 million (2015 - 2016: £3.863 million) and liabilities of £5.863 million (2015 - 2016: £3.226 million) giving net assets of £0.899 million (2015 - 2016: £0.637 million). Of this the Council represents a creditor for £0.320 million (2015 - 2016: £0.239 million) and a debtor for £0.855 million (2015 - 2016: £0.411 million).

Opus People Solutions Ltd

In 2016 - 2017 Opus had Operating Income of £13.776 million (2015 - 2016: £8.263 million) with expenditure of £ 13.361 million (2015 - 2016: £7.820 million), giving profit from operations of £0.415 million (2015 - 2016: £0.443 million). Of this: £10.328 million (2015 - 2016: £5.630 million) of income and £0.330 million (2015 - 2016: £0.419 million) resulted from trading with the Council.

The company has assets of £3.135 million (2015 - 2016: £1.797 million) and liabilities of £2.836 million (2015 - 2016: £1.598 million) giving net assets of £0.299 million (2015 - 2016: £0.199 million). Of this the Council represents a creditor for £0.260 million (2015 - 2016: £0.252 million) and a debtor for £0.261 million (2015 - 2016: £0.232 million).

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 24 - 33.

Group Accounts – Comprehensive Income and Expenditure Account

2015 - 2016 Gross Expenditure £ million	2015 - 2016 Gross Income £ million	2015 - 2016 Net Expenditure £ million		Notes	2016 - 2017 Gross Expenditure £ million	2016 - 2017 Gross Income £ million	2016 - 2017 Net Expenditure £ million
278.724	-73.348	205.376	Adult & Community Services		286.848	-68.769	218.079
528.494	-369.312	159.182	Children & Young People		489.993	-334.431	155.562
57.428	-34.459	22.969	Public Health and Protection		61.158	-37.182	23.976
176.195	-31.000	145.195	Resource Management		153.385	-46.627	106.758
5.103	-0.082	5.021	Corporate Resources and Capital Financing		4.900	-0.161	4.739
-7.854	0.000	-7.854	Pension Adjustments IAS19		-1.002	0.000	-1.002
33.617	-13.846	19.771	Other Services		60.789	-28.413	32.376
1,071.707	**-522.047**	**549.660**	**Net cost of services/Total Continuing Operations**		**1,056.071**	**-515.583**	**540.488**
61.073	0.000	61.073	Other Operating Expenditure	G1	79.785	0.000	79.785
44.624	-1.408	43.216	Financing and Investment Income and Expenditure	G2	39.238	-0.704	38.534
0.000	-543.409	-543.409	Taxation and Non-Specific Grant Income	G3	0.000	-510.547	-510.547
1,177.404	**-1,066.864**	**110.540**	**Deficit on Provision of Services**		**1,175.094**	**-1,026.834**	**148.260**
		0.248	Tax expenses of Subsidiaries				0.523
		110.788	**Group Surplus (-) / Deficit**				**148.783**
		-46.198	Surplus on revaluation & restatements of Property Plant and Equipment assets				-9.931
		-206.871	Remeasurement of the net defined benefit liability				23.125
		-253.069	**Other Comprehensive Income and Expenditure**				**13.194**
		-142.281	**Total Comprehensive Income and Expenditure**				**161.977**

Group Accounts – Movement in Reserves Statement

	Council's Usable Reserves	Suffolk Group Holdings Usable Reserves	Total Group Usable Reserves	Council's Unusable Reserves	Suffolk Group Holdings Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Balance at 31 March 2015	**214.100**	**0.352**	**214.452**	**147.862**	**0.001**	**147.863**	**362.315**
Movement in Reserves during 2015 - 2016							
Group Surplus or Deficit (-)	-90.790	-19.998	-110.788	0.000	0.000	0.000	-110.788
Other comprehensive income and expenditure	0.000	0.000	0.000	253.069	0.000	253.069	253.069
Total comprehensive income and expenditure	-90.790	-19.998	-110.788	253.069	0.000	253.069	142.281
Adjustments between Group Accounts and Council Accounts*	-20.555	20.555	0.000	0.000	0.000	0.000	0.000
Adjustments between accounting basis and funding basis under regulations	120.580	0.000	120.580	-120.580	0.000	-120.580	0.000
Increase / Decrease (-) in year	9.235	0.557	9.792	132.489	0.000	132.489	142.281
Transfers to/from (-) Earmarked Reserves			0.000			0.000	0.000
Balance at 31 March 2016	**223.335**	**0.909**	**224.244**	**280.351**	**0.001**	**280.352**	**504.596**
Adjustment for previously Non-Consolidated entities		0.815	0.815		-0.001	-0.001	0.814
Suffolk Group Balance at 31 March 2016	223.335	1.724	225.059	280.351	0.000	280.351	505.410
Movement in Reserves during 2016 -2017							
Group Surplus or Deficit (-)	-115.930	-32.853	-148.783	0.000	0.000	0.000	-148.783
Other comprehensive income and expenditure	0.000	0.000	0.000	-13.194	0.000	-13.194	-13.194
Total comprehensive income and expenditure	-115.930	-32.853	-148.783	-13.194	0.000	-13.194	-161.977
Adjustments between Group Accounts and Council Accounts*	-33.871	33.871	0.000	0.000	0.000	0.000	0.000
Net increase / decrease (-) before transfers	-149.801	1.018	-148.783	-13.194	0.000	-13.194	-161.977
Adjustments between accounting basis and funding basis under regulations	120.404	0.000	120.404	-120.404	0.000	-120.404	0.000
Increase / Decrease (-) in year	-29.397	1.018	-28.379	-133.598	0.000	-133.598	-161.977
Transfers to/from (-) Earmarked Reserves	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Reserves in the Movements in Reserves statement	**193.938**	**2.742**	**196.680**	**146.753**	**0.000**	**146.753**	**343.433**
Minority Interest's share of reserves of subsidiaries			-0.050			0.000	-0.050
Total Reserves in the Balance Sheet			**196.630**			**146.753**	**343.383**

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

Group Accounts – Balance Sheet

2015 - 2016			2016 - 2017
£ million		Notes	£ million
1,617.263	Property, Plant and Equipment	G4	1,570.111
2.377	Intangible Assets		2.844
0.839	Heritage Assets		0.839
0.343	Long-term Investments	G5	0.001
5.437	Long-term Debtors	G6	6.490
1,626.259	**Total Non Current Assets**		**1,580.285**
65.467	Short Term Investments		28.773
0.373	Carbon Reduction Allowances		0.394
12.150	Assets held for sale		6.465
0.447	Inventories		0.502
2.859	Cash and Cash Equivalents	G7	10.958
62.218	Short Term Debtors	G8	64.568
143.514	**Current Assets**		**111.660**
-29.733	Short Term Borrowing		-115.619
-105.797	Short Term Creditors	G9	-107.122
-2.918	PFI Liability		-2.798
-4.840	Donated Asset Account		-4.755
-8.384	Provisions	G10	-10.088
-151.672	**Current Liabilities**		**-240.382**
-7.831	Provisions	G10	-6.213
-296.039	Long Term Borrowing		-288.662
-9.428	Other Long Term Liabilities	G11	-13.119
-98.706	PFI Liability		-60.378
-111.315	Donated Asset Account		-104.617
-587.370	Liability related to defined benefit pension scheme		-631.193
-2.817	Capital Grants Receipts in Advance		-3.998
-1,113.506	**Long Term Liabilities**		**-1,108.180**
504.595	**Net Assets**		**343.383**
224.244	Usable Reserves		196.630
280.351	Unusable Reserves		146.753
504.595	**Total Reserves**		**343.383**

Group Accounts – Cash-flow statement

2015 - 2016 £ million		Notes	2016 - 2017 £ million
110.788	**Net surplus (-) or deficit on the provision of services**		**148.783**
-213.977	Adjust net surplus or deficit on the provision of services for non cash movements	**G12**	-162.080
70.679	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**G12**	51.908
-32.510	Net cash flows from Operating Activities		**38.611**
27.185	Investing Activities	**G13**	0.396
5.543	Financing Activities	**G14**	-44.350
0.218	**Net increase (-) or decrease in cash and cash equivalents**		**-5.343**
-3.077	Cash and cash equivalents at the beginning of the reporting period		-2.859
	Cash and cash equivalents at the beginning of the reporting period - Previously non-consolidated entities		-2.756
-2.859	**Cash and cash equivalents at the end of the reporting period**		**-10.958**

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 84 to 87.

Where there are no changes to values from the accounts of Suffolk County Council then no additional notes have been prepared as these are referred to in the notes in the single entity accounts.

G1. Other Operating Expenditure

2015 - 2016 £ million		2016 - 2017 £ million
0.666	Payments to the Environment Agency	0.695
0.403	Payments to the Eastern Inshore Fisheries and Conservation Authority	0.403
1.527	Gains/losses on trading operations	-1.426
58.477	Gains/losses on the disposal of non current assets	80.113
61.073	**Total**	**79.785**

G2. Financing and Investment Income and Expenditure

2015 - 2016 £ million		2016 - 2017 £ million
20.123	Interest payable and similar charges	18.617
24.501	Net Interest on the net defined benefit liability	20.621
-1.033	Interest receivable and similar income	-0.704
-0.375	Other investment income - dividends receivable	0.000
43.216	**Total**	**38.534**

G3. Taxation and Non-Specific Grant Income

2015 - 2016 £ million		2016 - 2017 £ million
-272.016	Council Tax Income	-280.491
-96.923	Non domestic rates	-100.639
-103.997	Non-ringfenced government grants	-82.361
-5.791	Donated Assets	-4.840
-64.682	Capital grant and contributions	-42.216
-543.409	**Total**	**-510.547**

G4. Property, Plant and Equipment

	Other Land and Buildings £ million	Vehicles Plant and Equipment £ million	Infrastructure Assets £ million	Community Assets £ million	Surplus Assets £ million	Assets Under Construction £ million	Total Property, Plant & Equipment £ million
2015 - 2016							
Suffolk County Council							
Cost or Valuation at 31 March 2016	1,052.899	75.278	655.788	0.421	75.329	3.818	1,863.533
Accumulated Depreciation at 31 March 2016	48.525	47.197	150.448	0.000	0.027	0.547	246.744
Net Book Value at 31 March 2016	1,004.374	28.081	505.340	0.421	75.302	3.271	1,616.789
Vertas Group							
Cost or Valuation at 31 March 2016	0.114	1.358					1.472
Accumulated Depreciation at 31 March 2016	0.114	0.884					0.998
Net Book Value at 31 March 2016	0.000	0.474					0.474
Group							
Cost or Valuation at 31 March 2016	1,053.013	76.636	655.788	0.421	75.329	3.818	1,865.005
Accumulated Depreciation at 31 March 2016	48.639	48.081	150.448	0.000	0.027	0.547	247.742
Net Book Value at 31 March 2016	**1,004.374**	**28.555**	**505.340**	**0.421**	**75.302**	**3.271**	**1,617.263**
2016 - 2017							
Suffolk County Council							
Cost or Valuation at 31 March 2017	975.748	75.647	711.383	0.421	74.366	0.373	1,837.938
Accumulated Depreciation at 31 March 2017	54.984	47.930	167.657	0.000	0.461	0.000	271.032
Net Book Value at 31 March 2017	920.764	27.717	543.726	0.421	73.905	0.373	1,566.906
Suffolk Group Holdings							
Cost or Valuation at 31 March 2017	2.399	2.393					4.792
Accumulated Depreciation at 31 March 2017	0.114	1.473					1.587
Net Book Value at 31 March 2017	2.285	0.920					3.205
Group							
Cost or Valuation at 31 March 2017	978.147	78.040	711.383	0.421	74.366	0.373	1,842.730
Accumulated Depreciation at 31 March 2017	55.098	49.403	167.657	0.000	0.461	0.000	272.619
Net Book Value at 31 March 2017	**923.049**	**28.637**	**543.726**	**0.421**	**73.905**	**0.373**	**1,570.111**

G5. Long-term Investments

31 March 2016 £ million		31 March 2017 £ million
0.001	Long Term Investments per Suffolk County Council	0.001
-0.001	Less Investment in Group Companies	0.000
0.343	Group Investments in subsidiary companies	0.000
0.343	**Total**	**0.001**

G6. Long-term Debtors

31 March 2016 £ million		31 March 2017 £ million
7.812	Long-term Debtors per Suffolk County Council	11.899
-2.430	Less Loan between Suffolk County Council and subsidiaries	-5.430
0.055	Add Group Long-term Debtors	0.021
5.437	**Total**	**6.490**

G7. Cash and Cash Equivalents

31 March 2016 £ million		31 March 2017 £ million
0.385	Bank current accounts	1.156
0.385	**Total**	**1.156**
2.474	Group Cash and Bank Balances	9.802
2.859	**Total Group Cash Total**	**10.958**

G8. Short Term Debtors

31 March 2016 £ million		31 March 2017 £ million
15.818	Central government bodies	13.304
10.907	Other local authorities	17.226
5.656	NHS bodies	2.521
19.312	Other entities and individuals	19.254
7.829	Council Tax receivable from ratepayers	6.959
0.527	Business Rates receivable from ratepayers	0.419
60.049	**Total**	**59.683**
4.425	Group companies	10.525
-2.256	Less intra Group debtors	-5.640
62.218	**Group Total**	**64.568**

G9. Short Term Creditors

31 March 2016 £ million		31 March 2017 £ million
-8.403	Central government bodies	-12.596
-5.007	Other local authorities	-6.335
-1.096	NHS bodies	-0.838
-83.694	Other entities and individuals	-71.279
-4.691	Council Tax payable to ratepayers	-5.052
-0.445	Business Rates payable to ratepayers	-0.334
-103.336	**Total**	**-96.434**
-4.717	Group companies	-16.307
2.256	Less intra Group creditors	5.619
-105.797	**Group Total**	**-107.122**

G10. Provisions

In addition to the information in note 18 of the single entity accounts, the Group Undertaking provisions shown in the table below relate to the provision for termination benefits and accrued holiday pay.

31 March 2016 £ million		31 March 2017 £ million
	Current:	
	Suffolk County Council:	
-5.742	Benefits payable during Employment	-8.351
-1.641	Redundancy	-1.593
-0.944	Other Provisions	-0.144
	Group Undertakings	
-0.057	Benefits payable during Employment	0.000
-8.384	**Total**	**-10.088**
	Long Term:	
	Suffolk County Council:	
-7.831	Injury and damage compensations claims	-6.213
-7.831	**Total**	**-6.213**

G11. Other Long Term Liabilities

31 March 2016 £ million		31 March 2017 £ million
-9.385	Suffolk County Council Long Term Liabilities	-13.040
-0.043	Suffolk Group Long Term Liabilities	-0.079
-9.428	**Total**	**-13.119**

G12. Operating Activities

The cashflows for operating activities include the following items:

2015 - 2016 £ million		2016 - 2017 £ million
-53.223	Depreciation	-53.823
-63.356	Impairment and downward revaluations	-8.546
-0.247	Increase/decrease (-) in long term investments	0.000
-0.194	Increase/decrease (-) in impairment for bad debts	0.135
15.109	Increase (-) / decrease in creditors	6.314
-26.075	Increase/decrease (-) in debtors	2.901
0.062	Increase/decrease (-) in inventories	0.041
-27.646	Movement in pension liabilities	-20.698
-64.553	Carrying amount of non current assets and non current assets held for sale, sold or de-recognised	-90.204
6.146	Other non cash items charged to the net surplus or deficit on the provision of services	1.800
-213.977	**Total**	**-162.080**

6.173	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10.187
64.506	Any other items for which the cash effects are investing or financing cashflows	41.721
70.679	**Total**	**51.908**

G13. Investing Activities

2015 - 2016 £ million		2016 - 2017 £ million
82.603	Purchase of property, plant and equipment and intangible assets	89.351
997.512	Purchase of short-term and long-term investments	865.720
-6.173	Proceeds from the sale of property, plant and equipment	-10.193
-986.933	Proceeds from short-term and long-term activities	-898.827
-59.824	Other receipts from investing activities	-45.655
27.185	**Net cash flows from investing activities**	**0.396**

G14. Financing Activities

2015 - 2016 £ million		2016 - 2017 £ million
0.611	Cash receipts of short and long term borrowings	-306.000
	Other cash receipts from financing activities	-3.632
3.055	Cash payments for the reduction of the outstanding liabilities relating to PFI contracts	2.909
1.009	Repayments of short-term and long-term borrowing	263.381
0.868	Other payments for financing activities	-1.008
5.543	**Net cash flows from financing activities**	**-44.350**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUFFOLK PENSION FUND

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28. 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 2016/17.

This report is made solely to the members of Suffolk Pension Fund in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resource Management (Section 151 Officer) and auditor

As explained more fully in the Statement of Responsibilities of the Director of Resource Management (Section 151 Officer) set out on page iv, the Director of Resource Management (Section 151 Officer) is responsible for the preparation of the Authority's Statement of Accounts, which includes 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 2016/17, and for being satisfied that they give a true and fair view. Our 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 us 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 Director of Resource Management (Section 151 Officer); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

T Gilbert

Tessa Gilbert
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading

Date: 26 July 2017

The maintenance and integrity of the Suffolk County Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fund Account

2015 - 2016 £ million	Fund Account		2016 - 2017 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
72.144	Normal	9	75.637
9.409	Deficit funding	9	10.490
1.788	Other	9	2.497
	From members		
19.814	Normal	9	20.074
	Transfers In		
3.477	Individual transfers in from other schemes		2.474
0.001	Other Income		0.000
	Benefits payable:		
-70.339	Pensions	9	-72.365
-14.368	Commutations of pensions and lump sum retirement benefits	9	-13.052
-1.663	Lump sum death benefits	9	-1.366
	Payments to and on account of leavers:		
-0.131	Refunds of Contributions		-0.162
-4.332	Individual transfers out to other schemes		-3.878
0.000	Group Transfers out to other Schemes		-0.274
15.800	**Net additions/(withdrawals) from dealings with members**		**20.075**
-12.174	Management Expenses	10	-15.654
3.626	**Net additions/(withdrawals) including management expenses**		**4.421**
	Returns on investments		
	Investment income		
13.844	Dividends from equities		14.777
6.865	Income from pooled investment vehicles - Property		8.097
0.883	Income from pooled investment vehicles - Private Equity		0.636
3.051	Income from Other Managed Funds		8.212
0.117	Interest on Cash Deposits		0.045
0.151	Other		0.924
-0.136	Taxes on Income		-0.141
-13.670	Change in market value of investments		398.484
0.023	Impairment of Investments (1)		0.015
11.128	**Net returns on investments**		**431.049**
14.754	Net increase, or (decrease), in the fund during the year		435.470
2,198.441	Opening net assets of the scheme		2,213.195
2,213.195	**Closing net assets of the scheme**		**2,648.665**

Notes:
(1) Receipt of MF Global impairment of investment written off in 2011 - 2012.

Net Asset Statement

2015 - 2016 £ million			2016 - 2017 £ million
	Net Asset Statement		
	Investment assets		
224.142	UK companies	12, 13, 14, 16, 19	268.998
283.686	Overseas companies	12, 13, 14, 16, 19	353.603
	Pooled Investment Vehicles		
17.782	Unit trusts	12, 13, 14, 16, 19	16.244
727.955	Unit linked insurance policies	12, 13, 14, 16, 19	903.687
241.309	Property unit trust	12, 13, 14, 16, 19	258.117
702.461	Other Managed Funds	12, 13, 14, 16, 19	837.661
1.926	Cash [held by the investment managers]	12	2.919
2.188	Forward Foreign Exchange Contracts	12	1.341
2,201.449	**Total investments**		**2,642.570**
	Current assets		
13.020	Debtors	21	14.784
6.082	Cash Desposits	18d	8.550
0.066	Cash at Bank	18d	0.103
19.168	**Total current assets**		**23.437**
	Current liabilities		
-7.422	Creditors	22	-17.342
-7.422	**Total current liabilities**		**-17.342**
11.746	**Net current assets**		**6.095**
2,213.195	**Net assets**		**2,648.665**

1. Description of the Fund

The Suffolk Pension Fund is administered by Suffolk County Council. It is a contributory defined benefit scheme established by the Superannuation Act 1972 and governed by the Public Service Pensions Act 2013.

The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pensions Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).

The Fund provides retirement benefits for employees who are members of the Local Government Pension Scheme (LGPS).

Organisations participating in the Suffolk Pension Fund include:

- Scheduled bodies - local authorities, district and borough councils and other similar bodies such as academies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies - voluntary and charitable bodies or private contractors undertaking a local authority function.
- Resolution bodies - town and parish councils who formally pass a resolution designating staff to be eligible to join the LGPS.

There are 210 employer organisations with active members within the Scheme an increase of 36 from the previous year (174). Teachers, Firefighters and NHS staff have their own pension schemes and are not included in this Fund.

The Fund has the following number of members and pensioners:

31 March 2016		31 March 2017
	Number of Employees in the Scheme	
9,759	County Council	8,928
10,370	Other Employers	11,026
20,129	**Total**	**19,954**
	Number of Pensioners	
8,175	County Council	8,430
6,472	Other Employers	6,644
14,647	**Total**	**15,074**
	Number of Deferred Pensioners	
12,856	County Council	13,936
8,016	Other Employers	9,502
20,872	**Total**	**23,438**

Funding

Benefits are funded by contributions and investment earnings. Employers contributions are set based on the triennial actuarial funding valuation which was last carried out as at 31 March 2016. Employees contributions are paid in line with the LGPS Regulations 2013.

Benefits

Benefits earned prior to 1 April 2014 are based on final pensionable pay and length of service. From 1 April 2014, the scheme became a career average scheme with members accruing benefits based on their current annual pensionable pay at an accrual rate of 1/49th per annum.

2. Events after the Balance Sheet Date

There has been no event between 31 March 2017 and the date when these accounts were authorised that requires any adjustments to these accounts.

3. Significant Changes to the Fund

On 6 June 2016 the Pension Fund Committee made a decision to disinvest the Legal & General Emerging Market Bond holding and transfer the value to the Blackrock Fixed Income Global Opportunities Fund. This was completed during June 2016.

On 28 November 2016 the committee made a decision to increase the holding in alternative investments with M&G. A commitment of £25 million was made to the Illiquid Credit Opportunities Fund which was funded in full in January 2017. The commitment of £60 million to the Infracapital Greenfield infrastructure fund and £25 million to the Debt Solutions Fund will be funded as capital calls are raised over a period of time.

4. Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund's transactions for the 2016 - 2017 financial year and its position as at 31 March 2017.

These accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in United Kingdom 2016 - 2017', which is based upon International Financial Reporting Standards (IFRS). The Code also incorporates the 2015 Statement of Recommended Practice (SORP) 'Financial Reports of Pension Schemes'.

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 20 of these accounts.

5. Summary of Significant Accounting Policies

5.1 Fund Account - Revenue Recognition

Contribution Income
Normal contributions from members and employers are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employers' deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary.

Employers augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Transfers to and from Other Schemes
Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Individual transfers in/out of the scheme are accounted for when they have been received/paid, which is when the member's liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included within transfers in.

Group transfers are accounted for in accordance with the terms of the transfer agreement.

Investment Income
Investment income may include withholding tax which is disclosed as a separate item (taxes on income) on the face of the Fund Account. Investment income arising from the underlying investments of Pooled Investment Vehicles is reinvested in the vehicle and reflected in the unit price.

Dividend Income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current financial asset.

Distributions from Pooled Funds
Distributions from pooled funds are recognised at the date of issue and any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current financial asset.

Income from Cash and Other Investments
This income is accounted for on an accruals basis.

Movement in the Market Value of Investments
Movement in the net market value of investments is recognised as a realised or unrealised, gain or loss, during the year.

5.2 Fund Account - Expenditure

Benefits Payable
Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Asset Statement as a current liability.

Taxation
The Fund is a registered public service pension scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and is exempt from UK income tax on interest received and capital gains tax on proceeds of investments sold.

Income from overseas investments is subject to withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense.

Management Expenses

i) Administration Expenses
Administration expenses are accounted for on an accruals basis. Suffolk County Council staff costs are charged to the Pension Fund based on time spent.

ii) Oversight and Governance Expenses
All oversight and governance expenses are accounted for on an accruals basis. Suffolk County Council staff costs are charged to the Pension Fund based on time spent.

iii) Investment Management Expenses
All investment expenses are accounted for on an accrual basis. Investment management fees and performance fees are agreed in the respective mandates governing their appointment. These fees are based on the market value of the investments under management and therefore increase or decrease as the value of the investments change.

Transaction costs and custody fees are included in investment management expenses.

5.3 Net Asset Statement

Financial Assets
Financial assets are included in the Net Asset Statement on a fair value basis as at the reporting date. A financial asset is recognised on the date the Fund becomes party to the contractual acquisition of the asset. Any gains or losses arising from changes in the fair value from this date are recognised by the Fund.

The value of investments has been determined as follows:

Market Quoted Investments
Managed Funds are valued by the bid market price on 31 March 2017.

Property
Property is valued using the latest available Net Asset Value (NAV) or where a NAV is not available, assumptions based on the probable realisation value.

Unquoted Investment
Unquoted Securities include pooled investments in Infrastructure, Distressed Debt, Private Equity and Timberlands. Market quotations are not readily available. The value is based on the Fund's share of the net asset using the latest financial statements published by the respective fund manager in accordance with guidelines set out by the British Venture Capital Association, and adjusted for capital calls and distributions received from that date to 31 March 2017.

Quoted Pooled Investment Vehicles
Pooled Investment Vehicles are valued at the closing bid price or at the closing single price, as available. The change in market value of accumulation funds includes income which is reinvested in the Fund net of applicable withholding tax.

Foreign Currency Transactions
Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate as at 31 March 2017.

Derivatives
Derivative financial instruments are used to manage exposure to specific risks arising from investment activities and are not held for speculative purposes. Derivative contract assets are valued at bid price and liabilities are valued at offer price. Changes in the fair value are included in the change in market value.

Forward Foreign Exchange Contracts outstanding at the 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.

Cash and Cash Equivalents
Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. Bank balances and cash held by the Pension Fund at 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 in Money Market Funds for the purpose of obtaining a gain or return. Fixed term deposits should be classified as an investment and not a cash equivalent on the Net Asset Statement.

Events after the Balance Sheet date
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 Pension Fund Accounts are 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 Pension Fund Accounts are adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Pension Fund Accounts are 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 Pension Fund Accounts.

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.

Financial Liabilities
The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Contingent Liabilities and Contractual Commitments
A contingent liability arises where an event has taken place that gives the Pension Fund 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 Pension Fund.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that a payment will be required or the amount of the obligation cannot be measured with reliability.

Contingent liabilities are not recognised in the financial statements, but are disclosed as a note to the accounts. See Note 28.

Contingent Assets
A contingent asset arises where an event has taken place that gives the Pension Fund 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 Pension Fund.

Contingent assets are not recognised in the financial statements, but are disclosed as a note to the accounts.

Additional Voluntary Contributions
The Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVC's are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVC's are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2009/3093) but are disclosed as a note only (Note 23).

Actuarial Present Value of Promised Retirement Benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial codes.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement (Note 20).

6. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2016 – 2017 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted and applies to the adoption of the following disclosures as amended in the 2017 - 2018 code.

- Amendment to the reporting of investment concentration.
- Amendment to the reporting of Pension Fund scheme transaction costs.

The code requires implementation of the above disclosures from 1 April 2017. These changes are not considered to have a material effect on the Pension Fund accounts of 2016 - 2017.

7. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 5, the Pension Fund has to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgement that the Pension Fund must consider is the Pension Fund actuarial liability.

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19 Funding Position. This estimate is subject to significant variances based on changes to the underlying assumptions.

8. Assumptions made about the Future and other Sources of Estimation Uncertainty

The Pension Fund Accounts contain 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, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next 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, Hymans Robertson LLP, 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 IFRS and British Venture Capital Association guidelines. Both Pantheon and Wilshire have established procedures to report fair value on a consistent, transparent and prudent basis. These investments are illiquid and are not publicly listed and as such there is a high degree of estimation involved in the valuation.

The Private Equity investments at 31 March 2017 are £60.666 million with Pantheon and £27.532 million with Wilshire. There is a risk that these investments may be under or overstated in the accounts.

Infrastructure
Infrastructure investments are valued through a fair market value process designed in accordance with IFRS. These investments are not publicly listed and as such there is a high degree of estimation involved in the valuation.

The Infrastructure investments held with Partners and KKR at 31 March 2017 are £28.618 million and £29.506 million respectively. There is a risk that these investments may be under or overstated in the accounts.

Distressed Debt
Distressed Debt is valued by using probable realisation valuation by either a Director of the investment or a third party consultant. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Distressed Debt is held with M&G and includes the Debt Opportunity investments and the Illiquid Credit Opportunity Fund totalling £49.263 million as at 31 March 2017. There is a risk that this investment may be under or overstated in the accounts.

Timberlands
Timberlands is a limited liability partnership investment in large scale high quality timber assets. The fair value is determined on at least an annual basis with a valuation review performed on a quarterly basis to assess whether there is evidence of a significant change in the investment fundamentals that warrant a change in the

fair value. The manager may utilise independent valuations to confirm the reasonableness of internally prepared valuations.

Fair values for Timberlands will be based on comparable purchase and sale transactions, or other accepted valuation techniques that include the discounted cash flow and multiple of earnings approach. Separate appraisals for timber are obtained from independent qualified appraisers at least once every three years or more frequently as required.

The Timberlands investment with Brookfield at 31 March 2017 is £8.306 million. There is a risk that this investment may be under or overstated in the accounts.

9. Contributions Received and Benefits Paid during the Year

2015 - 2016 Employers' Contributions £ million	2015 - 2016 Employees' Contributions £ million	2015 - 2016 Benefits Paid £ million		2016 - 2017 Employers' Contributions £ million	2016 - 2017 Employees' Contributions £ million	2016 - 2017 Benefits Paid £ million
37.451	9.172	-41.406	Suffolk County Council	39.233	9.079	-42.886
40.751	9.433	-41.180	Other Scheduled and Resolution Bodies	44.001	9.678	-40.475
5.139	1.209	-3.784	Admitted Bodies	5.390	1.317	-3.422
83.341	**19.814**	**-86.370**	**Total**	**88.624**	**20.074**	**-86.783**

Included within employer normal contributions of £88.624 million shown in the Fund account, is an amount for deficit funding of £13.595 million paid within the employers percentage (£11.479 million in 2015 - 2016). The deficit funding identified separately on the Fund account of £10.490 million (2015 - 2016 £9.409 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 'primary rate'; plus
b) an adjustment for the funding position of accrued benefits relative to the Fund’s solvency target, the 'secondary rate'.

If there is a surplus there may be a contribution reduction or if there is a deficit there may be a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the next three year period. 2016 - 2017 was the third year in the three year period following the 31 March 2013 valuation for the contribution rates set by the actuary to reflect a and b above.

A list of employers and their contribution rates is in the Funding Strategy Statement available on the Suffolk Pension Fund website at www.suffolkpensionfund.org.

10. Management Expenses

2015 - 2016 £ million		2016 - 2017 £ million
10.680	Investment Management Expenses	13.968
0.980	Administration Expenses	1.068
0.514	Oversight and Governance Costs	0.618
12.174		15.654

Management expenses are categorised into investment management expenses, administration expenses and oversight and governance costs, in accordance with the CIPFA guidance on Accounting for Local Government Pension Scheme Management Costs.

Administration expenses includes costs associated with members, pensioners and scheme employers. This would include all activities associated with pension administration - staff costs, IT, membership fees and subscriptions.

Oversight and governance costs includes costs incurred in the monitoring of investments, investment advisory services, independent advisors, support to the Pension Fund Committee and Pension Board, voting services, costs associated with the production of statutory and non statutory reporting, legal services, actuarial services, audit services and accountancy services.

External audit fees charged by Ernst & Young for 2016 - 2017 were £0.025 million (£0.025 million 2015 - 2016). Ernst & Young are intending to charge an additional £0.006 million to respond to IAS19 assurance requests in 2016 – 2017. This will be charged to the employers that have requested the assurance.

Investment management expenses includes costs that are incurred in association with the management of the Pension Fund assets and financial instruments whether directly invoiced to the fund or deducted from the fund assets. This includes management fees, performance fees and broker commission transaction costs as below:

2015 - 2016 £ million		2016 - 2017 £ million
8.532	Investment Management Fees and Expenses	9.150
1.377	Performance Fees	4.052
0.739	Transaction Costs	0.734
0.032	Custodian Fees	0.032
10.680		13.968

11. Analysis of the Market Value of Investments by Investment Manager

31 March 2016 Market Value £ million	31 March 2016 Percentage of Assets %		31 March 2017 Market Value £ million	31 March 2017 Percentage of Assets %
331.034	15.03%	BlackRock Investment Management	435.930	16.52%
7.417	0.34%	Bluecrest Capital Management	0.754	0.03%
6.948	0.32%	Brookfield Asset Management	8.306	0.31%
0.111	0.01%	Cambridge Research & Innovation Limited	0.137	0.01%
33.785	1.53%	Kohlberg Kravis Roberts	29.579	1.12%
727.956	33.06%	Legal and General Investment Management	903.687	34.24%
219.368	9.96%	M&G Investments	242.686	9.20%
335.863	15.25%	Newton Investment Management	418.346	15.86%
36.773	1.68%	Pantheon Ventures	61.110	2.32%
19.503	0.89%	Partners Group	28.618	1.08%
128.837	5.85%	Pyrford International	140.494	5.33%
246.249	11.18%	Schroder Property Investment Management	262.645	9.96%
29.564	1.54%	Wilshire Associates	28.421	1.08%
73.927	3.36%	Winton Global Investment Management	77.597	2.94%
2,197.335	**100.00%**		**2,638.310**	**100.00%**

Blackrock Investment Management received an additional £45 million investment into the active bond mandate which was funded through disinvesting from the passive emerging bond mandate held by Legal & General Investment Management.

The mandate with M&G Investments has been increased with a £25 million investment into the Illiquid Credit Opportunity Fund.

The Infrastructure mandates with Partners Group, the Private Equity mandate with Pantheon Ventures Investments and the Debt Solutions fund with M&G Investments have been funded as investment opportunities are identified by the investment managers.

The mandate with Bluecrest Capital Management was terminated in November 2015.

12. Reconciliation of Movements in Investments and Derivatives

	Opening Market Value 01 April 2015 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2016 £ million
Quoted					
UK Companies	211.371	101.383	-82.170	-6.442	224.142
Overseas Companies	291.288	57.812	-66.333	0.919	283.686
Derivatives - Forward Foreign Exchange contracts	2.245	105.395	-105.224	-0.228	2.188
Pooled Investment Vehicles:					
Other Managed Funds	222.480	510.301	-197.530	-6.083	529.168
Unit trusts	24.056	7.631	-15.006	1.101	17.782
Unit linked insurance policies	1,062.207	9.947	-316.403	-27.796	727.955
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	162.507	29.851	-22.770	3.705	173.293
Property	212.702	20.311	-6.958	15.254	241.309
Total of Investments	**2,188.856**	**842.631**	**-812.394**	**-19.570**	**2,199.523**

	Closing Market Value 31 March 2016 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2015 £ million
Other Investment Balances:					
Cash held by investment managers	3.716	-1.557	0.023	-0.256	1.926
Net Investments	**3.716**	**-1.557**	**0.023**	**-0.256**	**1.926**

The change in market value of £19.826 million (£19.570 million and £0.256 million) is £6.156 million higher than the change in market value on the Fund Account of £13.670 million. The difference is caused by indirect management fees of £5.930 million and the foreign exchange fluctuations of the market value of the holdings held in currencies other than sterling.

The Pooled Investment Vehicles are managed by fund managers registered in the UK.

Transaction costs, such as commissions, stamp duty and other transaction fees are included in the cost of purchases and sales proceeds. Transaction costs incurred during the year total £0.739 million.

	Opening Market Value 01 April 2016 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2017 £ million
UK Companies	224.142	91.121	-86.086	39.821	268.998
Overseas Companies	283.686	82.885	-81.734	68.766	353.603
Derivatives - Forward Foreign Exchange contracts	2.188	14.319	-14.699	-0.467	1.341
Pooled Investment Vehicles:					
Other Managed Funds	529.168	315.185	-230.911	29.720	650.566
Unit trusts	25.186	-	-4.432	2.894	16.244
Unit linked insurance policies	727.955	47.184	-70.398	198.946	903.687
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	165.889	47.108	-66.564	40.662	187.095
Property	241.309	21.362	-12.913	8.359	258.117
Total of Investments	**2,199.523**	**619.164**	**-567.737**	**388.701**	**2,639.651**

	Opening Market Value 01 April 2016 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2017 £ million
Other Investment Balances:					
Cash held by investment managers	1.926	0.298	0.015	0.680	2.919
Net Investments	**1.926**	**0.298**	**0.015**	**0.680**	**2.919**

The change in market value of £389.381 million (£388.701 million and £0.680 million) is £9.103 million lower than the change in market value on the Fund Account of £398.484 million. The difference is caused by indirect management fees and expenses of £8.636 million and the foreign exchange fluctuations of the market value of the holdings held in currencies other than sterling of £0.466 million.

The Pooled Investment Vehicles are managed by fund managers registered in the UK.

Transaction costs, such as commissions, stamp duty and other transaction fees are included in the cost of purchases and sale proceeds and are included in management fees and expenses. Transaction costs incurred during the year total £0.734 million (£0.739 million in 2015 - 2016).

13. Analysis of Investments (excluding Derivatives)

Market Value 31 March 2016 £ million	Market Value 31 March 2016 £ million		Market Value 31 March 2017 £ million	Market Value 31 March 2017 £ million
		Equities		
	224.142	UK Companies		268.998
	283.686	Overseas Companies		353.603
		Pooled Investment Vehicles - Quoted		
	17.782	Unit Trusts		16.244
	727.955	Unit Linked Insurance Policies		903.687
		Other Managed Funds		
304.827		Fixed Income	376.740	
210.166		Absolute Returns	218.846	
14.175		Money Market Funds	38.048	
-		Private Equity	16.932	
529.168		Total Quoted Other managed Funds	650.566	
		Pooled Investment Vehicles - Unquoted		
		Other Managed Funds		
47.371		Distressed Debt	49.263	
52.978		Infrastructure	58.123	
65.996		Private Equity	71.403	
6.948		Timberlands	8.306	
173.293		Total Unquoted Other Managed Funds	187.095	
	702.461	Total Other Managed Funds		837.661
	241.309	Property		258.117
	2,197.335	**Total**		**2,638.310**

The table above breaks down the Pooled Investment Vehicles and further analyses the Other Managed Funds. These investments are either quoted (they are traded on an exchange and have a visible market valuation) or unquoted (stocks that are not traded on an exchange and are difficult to value).

14. Holdings Above 5% of the Fund

This is a summary of the individual holdings within the Fund which exceed 5% of the total net assets available to pay benefits as at the balance sheet date.

Market Value 31 March 2016 £ million	Percentage of the Fund 31 March 2016	Asset Type	Manager	Market Value 31 March 2017 £ million	Percentage of the Fund 31 March 2017
214.302	9.73%	FTSE RAFI AW 3000 Eq Ind	Legal and General	275.619	10.43%
151.190	6.87%	UK Equity Index	Legal and General	202.925	7.68%
171.996	7.81%	Alpha Opportunities Fund	M&G	189.827	7.18%
132.831	6.03%	Fixed Income Global Opportunity Fund	Blackrock	186.912	7.07%
128.837	5.85%	Pyrford Global Total Return Mutual Fund	Pyrford	140.494	5.32%

The table below summarises the individual holdings within the Fund which exceed 5% of any class or type of security at the balance sheet date based on the holdings analysis for 2016 – 2017.

Market Value of Asset Class 31 March 2016 £ million	Market Value of Securities 31 March 2016 £ million	Percentage of the Asset Class 31 March 2016 %	Holdings by Asset Type	Market Value of Asset Class 31 March 2017 £ million	Market Value of Securities 31 March 2017 £ million	Percentage of the Asset Class 31 March 2017 %
224.142			**UK Equities**	268.998		
	11.371	5.07%	British American Tobacco		24.501	9.11%
	15.294	6.82%	Royal Dutch Shell PLC		17.842	6.63%
	N/A	N/A	Wolseley		16.623	6.18%
224.142	**26.665**	**11.90%**		**268.998**	**58.966**	**21.92%**
17.782			**Pooled Investment - Unit trusts**	16.244		
	13.360	75.14%	BlackRock Fd Mgrs Bief UK Smaller Co Fund		16.244	100.00%
	4.421	24.86%	Schroder Offshore Cash Fund		N/A	N/A
17.782	**17.782**	**100.00%**		**16.244**	**16.244**	**100.00%**
727.955			**Pooled Investment - Unit linked insurance policies**	903.687		
	214.302	29.44%	FTSE RAFI AW 3000 Eq Ind		275.620	30.50%
	151.190	20.77%	UK Equity Index		202.925	22.46%
	89.893	12.35%	L&G Over 5 Year Linked Gilts Index		109.688	12.14%
	83.062	11.41%	North America Equity Index GBP hedged		102.421	11.33%
	70.438	9.68%	L&G European Equity Index Hedged		108.429	12.00%
	45.082	6.19%	L&G Emerging Markets Passive Govt Bond		N/A	N/A
727.955	**653.967**	**89.84%**		**903.687**	**799.083**	**88.42%**
241.309			**Property unit trust**	258.117		
	25.550	10.59%	BlackRock Asset Management Ltd		26.480	10.26%
	25.469	10.55%	Legal And General Managed Property		27.092	10.50%
	25.274	10.47%	Schroder UK Property Fund		26.752	10.36%
	23.917	9.91%	Standard Life Assurance		20.102	7.79%
	22.278	9.23%	Mayfair Capital Property Units		25.364	9.83%
	20.896	8.66%	Threadneedle Property Unit Trust		21.451	8.31%
	18.233	7.56%	Real Income Fund A Units		19.665	7.62%
	18.207	7.54%	Lothbury Prop Property Fund		19.290	7.47%
	16.712	6.93%	IPIF Feeder Unit Trust		17.834	6.91%
	15.627	6.48%	Hermes Property Unit Trust		17.063	6.61%
241.309	**212.163**	**87.92%**		**258.117**	**221.093**	**85.66%**
702.461			**Other Managed Funds**	837.661		
	171.996	24.48%	M And G Alpha Opportunities Fund		189.827	22.66%
	132.831	18.91%	Blackrock Fixed Income Global Opportunity Fund		186.912	22.31%
	128.837	18.34%	Pyrford Global Total Return Mutual Fund		140.494	16.77%
	73.927	10.52%	Winton Futures Fund Class D Mutual Fund		77.597	9.26%
	36.638	5.22%	Pantheon		60.666	7.24%
	47.371	6.74%	Distressed Debt		49.263	5.88%
702.461	**591.600**	**84.22%**		**837.661**	**704.759**	**84.13%**
283.686			**Overseas companies**	**353.603**		
	N/A	N/A	Microsoft Com NPV		19.464	**5.50%**
283.686	0.000	0.00%		**353.603**	19.464	5.50%
			Securities/Asset types with no holdings over 5%			
1.926	0.000	0.00%	**Cash [held by the investment managers]**	**2.919**	0.000	0.00%
2.188	0.000	0.00%	**Forward Foreign Exchange**	**1.341**	0.000	0.00%
4.114	**0.000**	**0.00%**		**4.260**	**0.000**	**0.00%**
2,201.449	**1,502.177**	**68.24%**	**Total**	**2,642.570**	**1,819.609**	**68.86%**

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

15. Analysis of Derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset.

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. The investment managers will make use of currency hedging for the purpose of reducing exchange rate risk in the investments held in their mandates. KKR holds a currency hedge for this purpose which equates to £1.341 million in the Suffolk Pension Fund's holdings (£2.188 million as at 31 March 2016).

In order to maintain appropriate diversification and to take advantage of overseas investment returns, the fund hedges a proportion of the Euro and Yen exposure within the portfolios managed by Legal and General Investment Management. £140.275 million is invested in currency hedged funds (£91.383 million as at 31 March 2016).

16a. Financial Instruments – Classification

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenditure, including fair value gains and losses, are recognised. The table below 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).

31 March 2016				31 March 2017		
Designated as Fair Value through Profit & Loss	Loans and Receivables	Financial Liabilities at Amortised Cost		Designated as Fair Value through Profit & Loss	Loans and Receivables	Financial Liabilities at Amortised Cost
£ million	£ million	£ million		£ million	£ million	£ million
			Financial Assets			
507.828			Equities	622.601		
17.782			Pooled Investments - Unit Trusts	16.244		
727.955			Pooled Investments - Unit Linked Insurance	903.687		
241.309			Pooled Investments - Property	258.117		
702.461			Pooled Investments - Other Managed Funds	837.661		
2.188	1.926		Other Investment Balances	1.341	2.919	
	5.325		Debtors		8.070	
	6.148		Cash		8.653	
2,199.523	13.399	0.000		2,639.651	19.642	0.000
			Financial Liabilities			
		-5.471	Creditors			-14.875
0.000	0.000	-5.471		0.000	0.000	-14.875
2,199.523	**13.399**	**-5.471**		**2,639.651**	**19.642**	**-14.875**

The debtor figure of £8.070 million above (£5.325 million at 31 March 2016) excludes statutory debtors of £6.714 million (£7.695 million at 31 March 2016).

The creditor figure of £14.875 million above (£5.471 million at 31 March 2016) excludes statutory creditors of £2.467 million (£1.951 million at 31 March 2016).

No financial assets were reclassified during the accounting period.

16b. Net Gains and Losses on Financial Instruments

31 March 2016 £ million		31 March 2017 £ million
	Financial Assets	
-19.570	Fair value through profit and loss	388.701
-0.256	Loans and receivables	0.680
	Financial Liabilities	
0.000	Fair value through profit and loss	0.000
-19.826	**Total**	**389.381**

17a. Fair Value Hierarchy

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

Level 1
Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets 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.

These instruments would include unquoted investments such as Property, Private Equity, Infrastructure, Distressed Debt and Timberlands, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

17.b Fair Value - Basis of Valuation

The basis of valuation for each class of investment asset is set out below:

Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuations
Market Quoted Equities Unit Trusts Money Market Funds Absolue Returns	Level 1	Published bid market price	N/A	N/A
Unit Linked Life Assurance Policies	Level 2	Valuation technique with quoted prices of a similar asset	Price of recent transactions for identical instrument	Significant change in economic circumstances or time lapse since the transaction took place.
Fixed Income	Level 2	The prices are published reflecting the NAV at each dealing point but are not exchange traded	Price of recent transactions for identical instrument	Significant change in economic circumstances or time lapse since the transaction took place.
Forward Foreign Exchange derivatives	Level 2	Market exchange rates at the year end	Price of recent transactions for identical instrument	Risk of an exchange rate changing between the transaction date and the subsequent settlement date volatility of the exchange rates during the hedge period

Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuations
Property	Level 3	Assets are priced based on valuations received from the Managers which are determined in accordance with the last known NAV and adjusted for subsequent capital calls and distributions and other relevant information provided by the real estate fund.	Pricing inputs are unobservable and includes situations where there is little market activity Estimated rental growth Covenant strength for existing tenancies Discount rate Land/Building valuation surveys	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices and volumes of sales and purchases
Distressed Debt	Level 3	The valuation techniques used include comparison to recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option adjusted spread models and, if applicable, enterprise valuation.	These techniques may include a number of assumptions relating to variables such as credit risk and interest rates.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.
Infrastructure	Level 3	The valuation of the investment assets is determined in accordance with generally accepted valuation principles in compliance with article 5(3) of the Luxembourg law of 15 June 2004 on investment companies in risk capital.	Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets Valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows and fair value adjustments
Private Equity	Level 3	The valuation of the investment are carried at fair value as determined in good faith by the General Partner in accordance with the terms of the Partnership Agreement and US GAAP.	Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets Valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.
Timberlands	Level 3	Valuation techniqueis based on accepted valuation techniques that include discounted casflow and multiple earnings.	Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets Valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.

17.c Valuation of Financial Instruments Carried at Fair Value

Restated Values at 31 March 2016	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	757.354	1,034.969	407.199	2,199.522
Loans and receivables	13.399			13.399
Total Financial Assets	**770.753**	**1,034.969**	**407.199**	**2,212.921**
Financial Liabilities				
Fair value through profit and loss				
Financial Liabilites at amortised cost	-5.471			-5.471
Total Financial Assets	**-5.471**	**0.000**	**0.000**	**-5.471**
Net Financial Assets	**765.282**	**1,034.969**	**407.199**	**2,207.450**

The Pensions Research Accountants Group (PRAG) published a practical guidance for investment disclosures during 2016 in response to FRS102 amendments in respect of the fair value hierarchy disclosures alignment with IFRS. Taking this into account, the 2015 – 2016 figures have been restated to include the reclassification from level 1 to level 2 of the Unit Linked Insurance Policies held with Legal & General (£728 million) and pooled Fixed Income holdings with Blackrock (£133 million) and M&G (£172 million).

The property holdings with Schroders (£241 million) have also been restated due to reclassification from level 2 to level 3 as a result of an internal review by Schroders of the IFRS and SORP guidelines following evolving industry practice.

Values at 31 March 2017	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	912.672	1,281.767	445.212	2,639.651
Loans and receivables	19.642			19.642
Total Financial Assets	**932.314**	**1,281.767**	**445.212**	**2,659.293**
Financial Liabilities				
Financial Liabilites at amortised cost	-14.875			-14.875
Total Financial Assets	**-14.875**	**0.000**	**0.000**	**-14.875**
Net Financial Assets	**917.439**	**1,281.767**	**445.212**	**2,644.418**

17.d Reconciliation of Fair Value measurements within Level 3

Assets	Opening Market Value 01 April 2015 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2016 £ million
Quoted						
Property	212.702	20.310	-6.958	2.567	12.688	241.309
Distressed Debt	38.740	7.274			1.357	47.371
Infrastructure	47.519	8.236	-4.806	0.000	2.020	52.978
Private Equity	60.999	14.306	-17.964	7.129	-5.878	58.592
Timberlands	7.154	0.036			-0.242	6.948
Total of Investments	**367.114**	**50.162**	**-29.728**	**9.696**	**9.945**	**407.198**

	Opening Market Value 01 April 2016 £ million	Transfer In/ (Transfer Out) £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2017 £ million
Property		241.309	21.362	-12.913	3.320	5.039	258.117
Distressed Debt	47.371		25.000	-32.660	0.002	9.550	49.263
Infrastructure	52.978		8.855	-18.494	7.883	6.901	58.123
Private Equity	58.592		13.254	-15.410	6.292	8.675	71.403
Timberlands	6.948					1.358	8.306
Total of Investments	**165.889**	**241.309**	**68.471**	**-79.477**	**17.497**	**31.523**	**445.212**

17.e Sensitivity of assets values at Level 3

An analysis of historical data and expected investment return movements by Hymans Robertson has determined a potential market movement range for the value of the holdings classified as level 3 as set out below:

	Market Value 31 March 2016 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	241.309	2.1%	246.376	236.242
Distressed Debt	47.371	3.7%	49.124	45.619
Infrastructure	52.978	3.7%	54.938	51.018
Private Equity	58.592	3.7%	60.760	56.424
Timberlands	6.948	3.7%	7.205	6.691
Total of Investments	**407.198**		**418.403**	**395.994**

	Market Value 31 March 2017 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	258.117	14.2%	294.769	221.465
Distressed Debt	49.263	7.0%	52.711	45.816
Infrastructure	58.123	20.4%	69.981	46.267
Private Equity	71.403	28.5%	91.751	51.053
Timberlands	8.306	20.4%	10.000	6.611
Total of Investments	**445.212**		**519.212**	**371.212**

18. Nature and Extent of Risks Arising from Financial Instruments

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities of benefits payable to members. The aim, therefore, of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio.

This risk is minimised through asset diversification to reduce exposure to market risk and credit risk to an acceptable level. The liquidity risk is managed by ensuring there is sufficient liquidity to meet the fund's forecast cash flows, which forms part of the Pension Fund's overall risk management policy.

Responsibility for the fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks and are reviewed regularly to reflect changes in activity and market conditions.

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 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 2017 is provided in Note 21.

The securities lending programme is undertaken on behalf of the Fund by the custodian HSBC and is managed through a securities lending agreement. The arrangements to manage risks in the securities lending programme are set out in Note 27.

Forward currency contracts are undertaken 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 15.

The Fund’s bank account is held with Lloyds Bank Plc, 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 March 2017.

Pension Fund cash that is held pending its allocation to the Fund’s investment managers is held with Lloyds Bank Plc and also placed with institutions on the Pension Fund Committee’s approved counter-party list. The management of cash was carried out by the Council’s Treasury Management team 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, HSBC Holdings Plc, or placed on deposit at the instruction of the individual managers.
At 31 March 2017, £8.653 million was with Lloyds (£6.148 million at March 2016). Cash deposited in HSBC money markets amounted to £22.420 million at 31 March 2017 (£13.650 million at March 2016), Blackrock held £11.137 million in their money market fund, (£0.525 million at March 2016) and Schroders held £4.491 million in their money market fund which was not utilised in 2016.

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 takes steps to ensure it has adequate cash resources to meet its commitments.

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, private equity, distressed debt, timberlands and infrastructure funds are considerably less liquid but these make up a far smaller proportion of the overall portfolio, £462.144 million, 18% (£414.603 million, 19% at March 2016).

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 set 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 Mark Stevens) 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 Investment Strategy Statement that is available at www.suffolkpensionfund.org. Investment risk and strategy are regularly reviewed by the Pension Fund Committee.

D. Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Pension Fund's exposure to interest rate movements from its investments in fixed interest securities and cash and cash equivalents (which includes the custodian money market fund and cash held by the investment managers) are as below:

31 March 2016 £ million		31 March 2017 £ million
6.148	Cash held for Deposit	8.653
16.101	Cash and Cash Equivalent	40.967
22.249	**Total**	**49.620**

The Pension Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis overleaf, assumes that all other variables remain constant and shows the effect in the year of a +/- 100 BPS change in interest rates on the cash available to pay benefits.

Asset Type	Value as at 31 March 2016 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	6.148	0.061	-0.061
Cash and Cash Equivalent	16.101	0.161	-0.161
Total Assets	**22.249**	**0.222**	**-0.222**

Asset Type	Value as at 31 March 2017 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	8.653	0.087	-0.087
Cash and Cash Equivalent	40.967	0.410	-0.410
Total Assets	**49.620**	**0.497**	**-0.497**

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 some currency hedging in place. This is undertaken partly by investment in the currency-hedged Funds managed by its index-tracking manager, Legal & General Investment Management. An analysis of historical data and expected investment return movements by Hymans Robertson and State Street Investment Analytics in 2016 has resulted in a potential market movement currency risk index for each asset type as follows:

Asset Type	Value as at 31 March 2016 £ million	Potential Market Movement £ million	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	283.686	19.432	303.118	264.254
Overseas Index Linked	486.872	28.726	515.597	458.147
Alternative Investments	118.407	7.554	125.961	110.853
Total overseas assets	**888.965**	**55.712**	**944.676**	**833.254**

Asset Type	Value as at 31 March 2017 £ million	Potential Market Movement £ million	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	353.603	35.360	388.964	318.243
Overseas Index Linked	591.074	59.107	650.181	531.967
Alternative Investments	154.627	15.463	170.090	139.165
Total overseas assets	**1,099.304**	**109.930**	**1,209.235**	**989.375**

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 Hymans Robertson (State Street in 2016) 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 as at 31 March 2016 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	224.142	10.82	248.395	199.889
Overseas Equities	283.686	10.00	312.054	255.317
Fixed Income	304.827	8.58	330.981	278.673
Index Linked	727.955	9.53	797.330	658.581
Cash & FFX	4.114	0.01	4.114	4.114
Property	241.309	2.05	246.256	236.363
Alternatives	415.416	3.72	430.869	399.962
Total Assets	**2,201.449**		**2,369.999**	**2,032.899**

Asset Type	Value as at 31 March 2017 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	268.998	15.80	311.500	226.497
Overseas Equities	353.603	18.40	418.666	288.540
Fixed Income	376.740	2.90	387.665	365.814
Index Linked	903.687	16.44	1,052.253	755.121
Cash & FFX	4.260	0.00	4.260	4.260
Property	258.117	14.20	294.769	221.464
Alternatives	477.165	15.30	550.171	404.159
Total Assets	**2,642.570**		**3,019.284**	**2,265.856**

G. Custody

The Fund appointed HSBC Holdings Plc as its global custodian with responsibility for safeguarding the assets of the Fund. HSBC Holdings Plc is an established custodian bank with more than $7 trillion of assets under custody. They were appointed as the Fund's custodian from 1 October 2014 following a national framework 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 provided by HSBC. All managers have regular review meetings and discussions with members of the Pension Fund Committee, officers and the Independent Financial Adviser Mark Stevens.

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 has 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 1.8% 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 2017 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 2017.

Bond Interest Gilts yield (% p.a.)	1.86%	79% (£571m)	87% (£359m)	95% (£147m)	102% £65m	110% £277m
	1.66%	77% (£661m)	84% (£449m)	**92% (£237m)**	99% (£25m)	107% £186m
	1.46%	75% (£757m)	82% (£545m)	89% (£333m)	96% (£122m)	103% £90m
FTSE 100 Index		5,858	6,591	7,323	8,055	8,788

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.suffolkpensionfund.org

19. Funding Position

In line with Regulation 62 of the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period.

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 judgement. Hymans Robertson LLP provides the Fund's Actuarial appraisal.

The key elements of the funding policy are:

- To ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment.
- To ensure that employer contribution rates are as stable as possible.
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risks and returns.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pensions obligations.

The aim is to achieve 100% solvency over a number of years and to provide stability in employer contribution rates by spreading increases in rates over a period of time. This is usually over three years but in some cases the period can be extended.

Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

When an employer's funding level is less than the 100% funding target, then a deficit recovery plan will be put in place requiring additional contributions from that employer to meet the shortfall.

Formal Valuation
The last formal three-yearly actuarial valuation was carried out as at 31 March 2016. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2017. 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 2016.
- The 'projected unit method' of actuarial valuation.

Financial Assumptions
Financial assumptions typically try to forecast when benefits will come into payment, what form these will take and how much the benefits will cost the Fund in the future. The financial assumptions included in the valuation are as follows:

- Projected investment returns of 4.0% per year. (Asset Outperformance Assumption (AOA) of 1.8%)
- Projected increase in future salaries of 2.4% a year. (RPI)
- Projected pension increases of 2.1% a year. (CPI)

Funding Position
The actuary uses the market value of the Fund's assets as stated in the audited accounts of March 2016. The actuarial assessment of the value of the fund's assets was £2,213 million as at 31 March 2016 and the liabilities, £2,429 million.

The valuation showed that the Fund's assets covered 91% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £216 million.

Contribution Rates
The contribution objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates.

For each employer in the Fund, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon. The time horizon and the likelihood parameters vary by employer according to each employer's characteristics.

The whole fund primary rate (payroll weighted average of the underlying individual employer rates) is 22.5% of pensionable pay for the three years starting 1 April 2017.

The average employee contribution rate is 6.1% of pensionable pay.

The next formal valuation is as at 31 March 2019.

20. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

Interim Valuation
An interim valuation was carried out as at 31 March 2017. The valuation was included on the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Pension Fund and contains the following assumptions:
Increases in future salaries of 2.7% a year
Projected investment returns of 4.2% per year

The actuarial value of the Fund's assets was £2,649 million and the liabilities £2,882 million at 31 March 2017 (£2,213 million and £2,429 million at 31 March 2016).
The valuation showed that the Fund's assets covered 91.8% of its liabilities at the valuation date and the deficit was £237 million (£216 million at March 2016).

International Accounting Standard 26 (IAS 26)
CIPFA's Code of Practice on Local Authority Accounting 2016 - 2017 requires administering authorities of the LGPS funds that prepare Pension Fund Accounts to disclose what IAS 26 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 IAS 19 rather than assumptions tailored to the Suffolk Pension Fund.

The following assumptions have been used for the IAS 26 calculation:

- Pension increases of 2.4% a year (2.2% 2015 - 2016)
- Increases in future salaries of 2.7% a year (4.2% 2015 - 2016)
- Discount rate of 2.6% per year (3.5% 2015 - 2016)

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £3,456 million as at 31 March 2017 (£2,965 million as at 31 March 2016).

21. Current Debtors

The current debtors can be analysed as below:

31 March 2016 £ million		31 March 2017 £ million
	Debtors	
5.984	Employers Contributions	5.277
1.549	Employee Contributions	1.251
4.188	Investment Assets	6.010
1.299	Sundry Debtors	2.246
13.020		**14.784**

The investment assets as at 31 March 2017 includes £2.806 million of spot foreign exchange sales awaiting settlement and £3.204 million of recoverable tax and income not yet received.

Debtors can be further analysed into sectors as below:

31 March 2016 £ million		31 March 2017 £ million
	Analysis of Debtors	
0.152	Central Government Bodies	0.187
6.294	Other Local Authorities	6.109
6.571	Other entities and individuals	8.482
0.003	NHS	0.006
13.020		**14.784**

22. Current Creditors

The current creditors can be analysed as below:

31 March 2016 £ million		31 March 2017 £ million
	Creditors	
-4.835	Investment Expenses	-13.802
-0.284	Administration Expenses	-0.322
-0.080	Transfer Values In Adjustment	-0.419
-0.995	Lump Sum Benefits	-0.167
-1.228	Sundry creditors	-2.632
-7.422		**-17.342**

The investment expenses as at 31 March 2017 includes £8.505 million of purchases and £2.388 spot foreign exchange purchases awaiting settlement, an allowance of £2.906 million for investment management fees and expenses and £0.003 million of irrecoverable tax not yet paid.

Creditors can be further analysed into sectors as below:

31 March 2016 £ million		31 March 2017 £ million
	Analysis of Creditors	
0.000	Central Government Bodies	-0.104
-0.052	Other Local Authorities	-0.985
-0.001	NHS Bodies	-0.006
-7.369	Other entities and individuals	-16.247
-7.422		**-17.342**

23. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, 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 £0.105 million was paid over to the providers Clerical Medical, Standard Life and Equitable Life in 2016 – 2017, (£0.093 million 2015 – 2016).

24. Related Party Transactions

Related party transactions requiring disclosure in accordance with IAS 24 are as follows:

The Suffolk Pension Fund is administered by Suffolk County Council and consequently there is a strong relationship between the Council and the Pension Fund.

Suffolk County Council is the largest single employer of members of the Pension Fund and contributed £39.233 million to the Fund in 2016 - 2017 (£37.451 million in 2015 - 2016). In addition the council incurred costs of £0.933 million (£0.948 million in 2015 - 2016) in relation to the administration of the Fund, audit, legal and committee services. These have all been reimbursed by the Fund.

Under legislation introduced in 2003 - 2004 councillors were entitled to join the Scheme, this was rescinded in April 2014 when the Government laid down regulations barring councillors joining the scheme. Any councillor who is in the scheme as a result of joining before 1 April 2014 will cease to be a member at the end of the current term of office that they are serving.

Three members of the Committee, including two councillors, are scheme members within the Pension Fund, with one currently receiving benefits from the scheme. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

Five members of the Pension Board are scheme members within the Pension Fund, with one receiving benefits from the scheme. Each member of the Pension Board is required to declare their interests at each meeting.

Part of the Pension Fund cash holdings are invested by the Treasury Management operations of Suffolk County Council through the Treasury Management Policy approved by the Pension Fund Committee. During the year ending 31 March 2017 the Fund had an average investment balance of £12.855 million (£7.305 million in 2015 - 2016) earning interest of £0.042 million (£0.036 million in 2015 - 2016) from these investments.

25. Key Management Personnel

No senior officer responsible for the administration of the Pension Fund provides any goods or services to the Fund, other than those covered by their contract of employment with the Council.

The key management personnel of the Fund are the Director of Resource Management, Senior Pensions Specialist and Technical Pensions Specialist. The total remuneration payable to the key management personnel by the Suffolk Pension Fund was £0.139 million in 2016 - 2017 (£0.131 million in 2015 - 2016).

These costs are charged to the Pension Fund as governance and oversight costs, Note 10 and are included in the related parties Note 24.

26. Agency Services

In response to the Government's requirement for the LGPS to pool their assets with other Pension Funds, the Suffolk Pension Fund joined ACCESS (A Collaboration of Central, Eastern and Southern Shires) alongside Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire and West Sussex.

The Suffolk Pension Fund pays the costs of the ACCESS pool on behalf of the other members of the scheme. The amounts paid are not included in the Fund Account. These costs are then charged equally between all eleven members of the scheme.

The costs charged are as overleaf:

2015 - 2016 £ million		2016 - 2017 £ million
0.059	Payments on behalf of the ACCESS pool	0.830
0.059		**0.830**

27. Stock Lending

The Fund has an arrangement with its custodian HSBC 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 £0.049 million in 2016 - 2017 (£0.054 million in 2015 - 2016). This is included within 'other' investment income in the Fund Account. The stock lending levels and income raised for the Fund are minimal due to the relatively small holding of non-pooled equities owned by the Fund.
At 31 March 2017, £27.752 million (£3.022 million at 31 March 2016) worth of stock was on loan, for which the Fund was in receipt of £29.269 million worth of collateral (£3.180 million at 31 March 2016). This is a minimal share of the Fund holdings representing around 1% of investment holdings in both 2015 - 2016 and 2016 - 2017. The figure out on loan as at 31 March does not reflect the average amount that has been out on loan during the year.

28. Contingent Liabilities and Contractual Commitments

Contractual Commitments
In 2003 the Fund has made contractual commitments to private equity funds managed by Wilshire and Pantheon. Commitments are made in the underlying currency of the funds (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.

At 31 March 2017 the unfunded commitment (monies to be drawn in future periods) was £10.419 million. 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 2017 is included in the Net Asset Statement.

In 2011 - 2012 a contractual commitment was made to an Infrastructure investment managed by Partners Group, the outstanding amount as at 31 March 2017 is £18.125 million.

In 2015 - 2016 contractual commitments were made to Private Equity investments managed by Pantheon. Some draw downs on the commitments have been made and the outstanding amounts to 31 March 2017 are £94.336 million.

In 2016 - 2017 the Pension Fund made additional contractual commitments to M & G, £60 million in the Greenfield Infrastructure fund and £25 million in the Debt Solutions investment, these have not commenced capital calls.

2015 - 2016 £ million	Fund Account	2016 - 2017 £ million
	Contributions Receivable	
	From Employer	
1.581	Normal	1.553
1.334	From members	1.237
	Benefits Payable	
-5.350	Pensions	-5.371
-1.000	Commutations and Lump Sum retirement benefits	-1.507
0.000	Other	-0.077
-0.828	GAD v Milne Redress Payments	-0.021
0.000	1992 Holiday Contributions	-0.045
-4.263	**Net amount payable (-) for the year before top-up grant**	**-4.231**
2.694	Top-up grant received	2.801
0.865	Grant for GAD v Milne Redress Payments	0.000
0.000	Balance from Grant for GAD v Milne Redress Payments	0.037
0.000	Grant for 1992 Holiday Contributions	0.078
3.559	**Total grant received**	**2.916**
0.741	Top-up receivable from sponsoring department	1.364
-0.037	Amount payable to sponsoring department (GAD v Milne)	-0.016
0.000	Amount payable to sponsoring department (1992)	-0.033
0.704	**Net amount payable from/to(-) sponsoring department**	**1.315**

2015 - 2016 £ million	Net Assets Statement	2016 - 2017 £ million
0.704	**Net current assets and liabilities**	**1.315**

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 (DCLG). In January 2016 the Fire Pensions Team (as part of the Fire and Rescue policy) transferred out of the DCLG and is now part of the Home Office.

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 2016 - 2017. 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.

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the DCLG/Home Office and subject to triennial revaluation by the Government Actuary's Department.

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, information on the Council's long-term pension's obligations can be found in the main statements in Note 34.

4. Additional payments to fire pension scheme members (Milne v GAD)

The Pensions Ombudsman's determination, on the complaint brought by Mr W Milne, concluded that additional payments were due to scheme members, who chose to commute pension for a lump sum at retirement and whose pension commenced between 1 December 2001 and 21 August 2006. The Ombudsman's conclusion determined that the scheme's commutation factors should have been reviewed before 2006.

The Council identified members who are eligible for additional payments, of which the majority were paid in 2015 - 2016. Final payments were made during 2016 - 2017 and the remaining balance is now shown. The payments made by the Council have been reimbursed by the Government, as shown in the statement and calculated used guidance issued by the Government Actuaries Department (GAD).

5. Contributions Holiday for relevant members of the 1992 Firefighters Pension Scheme

The Government introduced an employee contribution holiday for 1992 scheme members who accrued the maximum 30 years pensionable service prior to age 50. This applies from the point of accruing the maximum 30 years pensionable service in the scheme until the members 50th birthday. This change has been applied retrospectively to 1st December 2006 and the legislation came into effect on 30th September 2016.

The Council has identified the active and pensioner members who are eligible to benefit from this change. The active member of the scheme had contributions ceased from the relevant date; however employer contributions remain in payment as per the regulations. The pensioner members have all been communicated with and the majority of these paid in 2016 - 2017. The remaining payments will be paid in 2017 - 2018. The payments made by the Council have been reimbursed by Government, after being calculated using guidance provided by the Home Office.

Glossary

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

Accruals basis
Income and expenditure is accounted for as it is earned or committed to, not when it is received or paid out in 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 losses or gains 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 the Council has put into the fund.

Added years'
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.

Amortised
The measure of the wearing out, consumption or other reduction in the useful economic life of an intangible asset.

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 Council. They are measured at market value.

Billing Authority
The Districts and Borough Councils within Suffolk who are responsible for the collection of council tax and non-domestic rates.

Budget
A statement of 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.

Carbon Reduction Commitment Scheme
The Carbon Reduction Commitment Energy Efficiency Scheme requires the Council to purchase allowances proportionate to the energy used within the buildings owned by the Council. Allowances are purchased and surrendered in the year of use. The aim of the scheme is to reduce carbon emissions.

Cash and cash equivalents
Cash is represented by notes and coins held by the Council 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.

Carrying amount
Carrying amount refers to the value at which an asset/liability is held in the balance sheet. It is the most recent valuation of the asset/liability net of any depreciation/amortisation.

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 asset
Contingent assets are possible or present assets that arise from past events whose exitance will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent assets are not recognised in the accounts as an item of expenditure.

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.

Creditors
A person or organisation that the Council owes 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.

Collection Fund Adjustment Account
The collection fund adjustment account contains the difference between the amount of Income from Council Tax and Business Rates included in the Comprehensive 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 minimus
The term used to describe a lower limit of a transaction below which no action is needed.

Debtors
A person or organisation that owes the Council 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 or career average 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.

Donated Assets
Assets transferred to the Council for nil consideration.

Earmarked reserves
Money set aside for a specific purpose.

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).

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

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 the Council. In return, the Council must carry out its activities in line with certain conditions.

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

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

Historical Cost
The original cost of an asset/liability to the Council at the date it was acquired/recognised on the balance sheet.

IFRIC
International Financial Reporting Standards Interpretations Committee.

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 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. 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 Council 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.

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 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 cost of services
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 towards that activity.

Non-current 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.

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)

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 credit 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.

Private Finance Initiative (PFI)
The private finance initiative provides a way of funding major capital investments by working with private consortia.

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 the Councils assets based on historical cost and more recent valuations.

Revenue expenditure funded by capital under statute (REFCUS)
Spending which does not result in the creation of a fixed asset but which by law the Council 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.

Settlements
Agreements that end the Councils 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.

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.

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.