Suffolk County Council

Statement of Accounts

2008 - 2009

Suffolk County Council

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Suffolk County Council

Statement of Accounts

for the year ended **31 March 2009**

Contents

Scope of responsibility

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

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

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

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

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

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

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

The purpose of the governance framework

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

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

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

11. The Council's governance framework has been in place for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

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

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

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

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

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

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

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

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

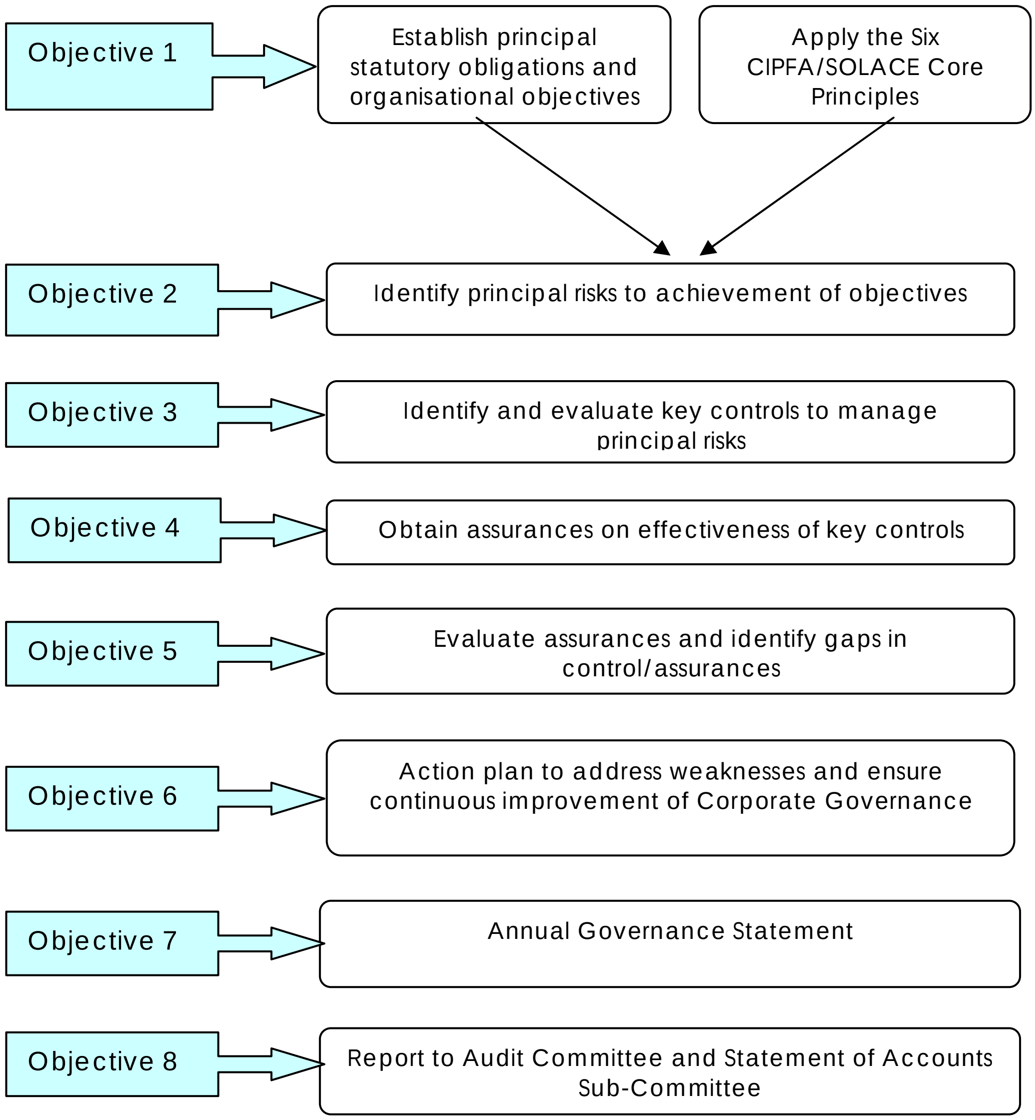
13. The key elements of the systems and processes that compromise the Council's governance arrangements are discussed under these principles in **Annex A**.

Review of effectiveness

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

15. This review of effectiveness is undertaken in line with CIPFA guidance 'The Annual Governance Statement, Rough Guide for Practitioners' as shown in the following diagram:

Review of Annual Governance Statement and Assurance Gathering Process:



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

Audit Commission Annual Audit and Inspection Letter 2007/08

17. The Audit Commission's Annual Audit and Inspection Letter 2007/08, issued in March 2009 reported that the County Council continues to perform well in the area of internal control. During 2007/08 the Council's business continuity plan was fully implemented and embedded within the overall internal control arrangements. Elements of the plan were subject to testing by the Council, with the findings being used to inform further development of the plan. This enhancement in the Council's arrangements resulted in the score for this aspect of internal control improving from level two in 2006/07 to level three within the current assessment, although the overall theme score remained at level three.

Use of Resources Assessment

18. A large number of activities that make up a successful Internal Control Environment (including the areas highlighted above) are tested each year by the Audit Commission in coming to their judgement on the council's 'Use of Resources' assessment. The table below sets out the scores (out of 4) for 2007/08 compared to 2006/07.

Theme	2007 Assessment	2008 Assessment
Financial Reporting	2	3
Financial Management	3	3
Financial Standing	3	3
Internal Control	3	3
Value for Money	3	3
Overall assessment of the Audit Commission	3	3

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

19. From 2008/09, the auditors' assessment of Use of Resources will be based on new key lines of enquiry and will form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).

Audit Services Report on Corporate Governance Directorate Assessments 2008/09

20. Audit Services circulated a self-assessment questionnaire to each directorate to capture evidence that was not available from the information gathered for the Use of Resources assessment. A reality check was carried out by Audit Services on these self-assessments together with some further testing on the evidence for the Use of Resources.

21. It is clear through collation of evidence and arrangements in place that the following improvements have been made during 2008/09:

a) Corporate guidelines for partnership working have now been approved, enabling a comprehensive list of partnerships to be built and held centrally.

b) It is evident that work has been undertaken to deliver an awareness to ensure performance management is embedded in day to day service delivery. Monitoring and review of performance management has clearly improved within service areas.

22. The main issues arising from the audit undertaken for inclusion within the 2008/09 Annual Governance Statement are:

(a) Partnerships

23. Partnership risks should be considered and duly recorded on a central system within each Service Office as each partnership agreement is drawn up. These risks should be monitored and reviewed within the Service Office on a regular basis, and evidence to support this maintained.

(b) Performance

24. All performance indicators should be fully transparent and consequently included within all service plans. The external auditors have also highlighted an inconsistent approach to directorate and service planning and target setting, the need to consistently use SMART targets, and to link outcomes to impact on the public.

(c) Risk

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

26. All risks contained within Service Office plans should be included or referenced within the detailed risk register, with links to the corporate risk register where appropriate.

(d) Finance

27. The County Council should always be seen as a transparent and consistent organisation. Therefore, a uniform approach should be made to the inclusion of appropriate financial information within all Service Office Plans. It should be noted that this uniformed approach has been introduced in the form of guidance issued for 2009/10 planning, therefore any previous gaps should be overcome for the current financial year.

Audit Services

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

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

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

31. Deficiencies in internal control are reported by Audit Services to management, whose responsibility is to consider them and act appropriately. Quarterly reports on internal audit work are presented to the Audit Committee.

32. The results of the review of the effectiveness of the system of internal audit were reported to the Audit Committee which confirmed that the system of internal audit is effective, and plans to address areas for development and ensure continuous improvement are in place.

Opinion of the Head of Audit Services

33. In the opinion of the Head of Audit Services, systems of control within the County Council are acceptable and financial administration systems are generally effective. The upgrade to ORACLE 12 during 2008/09 was a major project and had significant impact on all of the Council's main financial systems. Audit Services were involved throughout Project Matrix to ensure internal controls were implemented within the developments.

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

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

36. Looking forward, as the Council enters a period of financial restriction (and possible restructure not least as a result of local government review), Audit Services will work with management to ensure that the internal control environment is appropriate to risk.

37. Audit Services have, via various audits, focused on different aspects of the controls in place for data management within the Council. These audits have identified opportunities to improve the controls and systems in place for data management. Managers within the Council are working to improve these areas; for example the introduction of a revised and improved data quality policy; working groups to achieve the standards required to join the GovernmentSecure Network (GCSx), and data management and security through the development and improvement of systems.

Conclusion

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

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

Supporting Principle

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

SCC Evidence

'Transforming Suffolk', Suffolk's twenty-year community strategy for the county was launched in June 2008. The strategy aspires to improve and to transform to make the quality of life for all the people of Suffolk exceptional. The Council supports the ambitions within the Community Strategy and is one of the main driving forces behind its implementation.

The Council has communicated its medium-term strategic objectives in a plan entitled 'A Better Way for Suffolk'. Objectives are:
- Promoting opportunity for all
- A healthy, prosperous and safe Suffolk
- High quality transport and access
- Innovation in service delivery
- How we deliver - a better way.

The Corporate Plan for 2006 to 2008 communicated the following short term priorities:
- Community involvement and engagement
- Children and young people
- Safer, stronger and sustainable communities
- Adults and healthier communities
- Economic development and enterprise
- Providing quality services and keeping costs down

The Suffolk Story (a document written specifically for staff and councillors) updated these priorities in December
2008. New Priorities:
- A strong and dynamic jobs market
- Transform learning and skills in Suffolk
- Protect vulnerable people and reduce inequalities
- Be the greenest county
- Deliver great services at exceptional value
- Get the best out of the Local Government Review for the people of Suffolk

There is a strong Local Area Agreement in place which reflects local priorities. This has clear performance measures and targets and is fully supported by the Council.

Supporting Principle

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

SCC Evidence

Good quality performance reports are provided to directorates and CMB. Annual Customer Satisfaction Surveys are undertaken by CSD resulting in action plans to drive improvements.

Services are subject to Use of Resources audit and self assessment process with a current rating of 3. The Council's latest CPA Rating 4 star and "improving well".

Supporting Principle

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

SCC Evidence

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

A Value for Money Strategy has been completed. VFM is becoming embedded within the Council in every aspect of work

Procurement function ensures compliance with Public Procurement Regulations and manages energy efficiency. A Supplier Charter is in place which outlines the Council's commitment to its suppliers and the Council's expectations from its suppliers. The Council has also developed Green Purchasing Guidelines to support its Green Purchasing Policy. Directorate Environmental Action Plans are in place.

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

Supporting Principle

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

SCC Evidence

The Council's Constitution sets out the roles and responsibilities of Councillors, the Chairman, the Vice-Chairman and the Cabinet. It also details the rules of procedure and committee/scrutiny panel terms of reference.
The Leader of the Council chairs Cabinet meetings and represents the Council at a range of outside bodies including the Suffolk Strategic Partnership, County Council's Network and the Suffolk Local Government Association.

Supporting Principle

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

SCC Evidence

The Constitution sets out the roles of Chief Officers including the three Statutory Officers (Head of Paid Service, Chief Financial Officer and Scrutiny and Monitoring Officer) and the scheme of delegation. The Chief Executive is the Head of Paid Service in accordance with the Local Government and Housing Act 1989. She is the principal policy advisor to councillors and leads the Corporate Management Board. The Assistant Director for Scrutiny and Monitoring is the Monitoring Officer and the Proper Officer in accordance with the Local Government Acts (except where signified under other officer delegations) and the Registration Service Act 1953 and is responsible for the administration of the Council's political management structures. The Head of Strategic Finance is the Section 151 Officer and is responsible for making sure that appropriate advice is given to the Council on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

The Cabinet is responsible for most of the day-to-day decisions within the overall policy framework set by the Council, acting on information provided by Officers. The Cabinet Committee consists of the Leader of the Council and seven Portfolio holders.

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

Supporting Principle

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

SCC Evidence

The Constitution contains sections on Member/Officer protocols, media protocols, Members' Allowances Scheme and remuneration, officer employment rules, Members Code of Conduct, procedures for publicising, maintaining and updating the Registrar of Members' Interests.

The Council sits at the centre of a wide range of networks and partnerships, including the co-ordination and delivery of the Local Area Agreement, and the co-ordination and management of the Suffolk Strategic Partnership. A Partnership Register has been developed and roles and responsibilities of partners are clear. Partnerships are monitored through the Scrutiny process.

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

Supporting Principle

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

SCC Evidence

The values and rules of the Council are clearly stated within the Constitution, which includes sections on Financial Regulations and Procedures, Anti-Fraud and Corruption Strategy, Code of Corporate Governance, Procurement Strategy and Regulations, Property Management Framework, Officer employment rules and Members' code of conduct. The Code of Conduct includes a register of interests and of gifts and hospitality.

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

Within the HR policies there is a Whistle blowing Policy and Anti-Money Laundering Policy and Guidance for staff.

Supporting Principle

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

SCC Evidence

A set of values has been developed through staff consultation:
- I put customers first
- I deliver excellent results
- I work for a team that has no boundaries
- I make a real difference
- I learn, I adapt, I create.

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

Supporting Principle

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

SCC Evidence

All Agendas and Minutes of Council meetings are recorded and available to the public (except where there are legal restrictions). There is an active scrutiny function which was judged to ' play an active and robust role in managing performance' by the Audit Commission during CPA inspection. Training on the Scrutiny function has been made available for councillors in order to ensure a high standard of scrutiny. Scrutiny is effective and leads to improvements; example; Resources, Finance and Performance Scrutiny Committee on 22nd April 2008 reviewed performance and performance management systems and the recommendation to purchase a new performance management system is being implemented.

Supporting Principle

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

SCC Evidence

Council meetings are supported by trained committee staff. Report-writing advice and guidelines have been provided to enable report authors to provide good quality information in plain English to promote transparent, accessible decision-making.

There is a Data Quality Policy and Action Plan, linked to Personal Development Review (PDR) competencies, and to Risk, to ensure that we have robust and accurate data on which to base strategic decisions.

Consultation is used effectively in line with the Corporate Consultation Strategy and Consultation Involvement Guide. Examples of consultation are the Integrated Risk Management Plan (IRMP) (Suffolk Fire & Rescue Service), Schools Organisation Review and the Budget Consultation.

For wider ranging policy issues there is a system of policy development panels made up of portfolio holders, backbenchers and experts from outside the Council. A policy development panel is currently reviewing the Retained Duty System for firefighters.

Supporting Principle

Ensuring that an effective risk management system is in place.

SCC Evidence

The Council has issued guidance on management of risks and opportunities. This process is set out in 'Managing Risk: A Practical Guide to Risk and Opportunity Management in Suffolk County Council' and is supported by a Corporate Risk Manager. The guide sets out responsibilities in relation to risk management. A software system (JCAD) is in use which enables corporate reporting. Directorate and Corporate risk registers are regularly reviewed and updated. The Strategic Risk Panel provides assurance to the Council that its significant business risks are being actively and appropriately managed.

The Audit Committee carry out an annual review of the effectiveness of the internal audit system. They receive a report from the Head of Strategic Finance that summarises the evidence and assessment compiled by an officer group (including a representative of a partner organisation) to support their judgements about the effectiveness of the system of Internal Audit. This includes an assessment of compliance with the CIPFA Code of Practice. The Constitution includes details of statutory provisions and officer delegations.

The County Council has effective Financial Regulations and Financial Procedures in place - these were updated for 2008/09. These are contained within the Scheme of Resource Management. Each directorate approves delegation arrangements that set out responsibilities for officers in managing their resources.

Supporting Principle

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

SCC Evidence

Budget decisions taken are subject to review by Scrutiny Committees, where the interests of the community of Suffolk can be considered. The Council also operates a system of Locality Budgets to empower councillors to directly support local priorities. This is supported by a guide which explains what this can and cannot be used for (the ultra vires doctrine), and the use of well being powers.

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

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

Supporting Principle

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

SCC Evidence

An Induction Course for staff is held each month to ensure staff understand how the Council works, attendance is mandatory. On-going training programmes are in place for both councillors and staff. There is a cross-party Councillors Learning and Development Reference Group. The Councillor's Learning and Development Programme has included sessions on the following areas in 2008/09: Drug and Alcohol Awareness, Faith and Culture Seminars, preparing for Emergency, Safeguarding Children, Waste Planning for the Future and Ethical Government - Local Government Review and Partnerships. For staff, individual training and development needs are identified through the Performance Development Review (PDR) process, which all staff participate in. Recent corporate training programmes include the Leadership Development Programme and Oracle Matrix Training. Extensive training for managers and frontline staff in Adult and Community Services has taken place and 45 members of the Procurement and Commissioning team are undergoing a core procurement training programme.

Supporting Principle

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

SCC Evidence

Councillors and staff are developed through planned training sessions and courses. The PDR process is used to identify the training and development needs of individual staff. External sources are used, where appropriate, to develop leadership and political management skills. 240 staff have taken part in the Leadership Development Programme running from October 2008 to March 2009.

An Audit Committee is in place which reviews effectiveness of internal controls and supports corporate developments.

Supporting Principle

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

SCC Evidence

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

No elections have taken place in 2008/9 (with the exception of a by-election) so there has not been a recruitment campaign. Due to uncertainties around LGR a campaign of awareness is planned. Information will be available on our website and will provide guidance to prospective candidates on remuneration, workload, training requirements and useful skills.

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

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

Supporting Principle

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

SCC Evidence

An active scrutiny function is in place - each cabinet portfolio is matched by a Scrutiny committee that scrutinises policy and performance issues. A Scrutiny Protocol has been developed by the Scrutiny Management Board. Scrutiny committees receive a wide range of information from across the Council and the local community. An example of this is the Roads and Transport Scrutiny Committee 16th June 2008 which included information from Ipswich Borough Council and The Ipswich Hospital NHS Trust on Transport Accessibility to Healthcare.

The role of scrutiny extends to cover partnerships. There is a Local Area Agreement Scrutiny Committee which consists of seven County Councillors and six Independent Community Members and which operates under a Code of Conduct.

Supporting Principle

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

SCC Evidence

The Council has a Corporate Consultation Strategy designed to ensure that a consistent and co-ordinated approach to consultation and involvement is adopted and that the information collected is used to influence and inform decision making. The Council is aware of the problems of consulting with 'hard to reach' groups and has a range of Equality and Diversity Policies to assist in this process. The Council aims to fully consult and engage with local people on a range of topics; which have recently included Transfer of Treatment for Head and Neck Cancers and currently for Adult Safeguarding. All meetings of the Council and agendas and minutes are available to the public (unless specifically restricted).

To enable the public more opportunity to be involved in decision making, the Council has introduced a Public Questions session at each meeting of the full Council. Anyone living in Suffolk, or registered to vote in the county, will be able to put a question to a member of the Cabinet about any matter within the Council's responsibility or any matter that the Council is able to influence.

Supporting Principle

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

SCC Evidence

A People Strategy is in place which details the Council’s vision of how to develop and support staff in securing the future of the Council and services to the people of Suffolk. Audit Commission best practice has been followed in development of this strategy. An Action Plan sets out the medium term plans resulting from this strategy.

Consultation with staff is carried out through the staff survey and through formal consultation with Trades Union.

Approval of the Annual Governance Statement

Certificate of Chief Executive

Signature: Date: 9th JUNE 2009

Certificate of Leader of the Council

Signature: Date: 26th JUNE 2009

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

Opinion on the accounting statements

I have audited the Authority and Group accounting statements, the firefighters' pension fund accounting statements, and related notes of Suffolk County Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and the firefighters' pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Suffolk County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements and local government pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements and the firefighters' pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements and the firefighters' pension fund accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

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

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In my opinion:

The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its Group as at 31 March 2009 and its income and expenditure for the year then ended;

The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its Group as at 31 March 2009 and its income and expenditure for the year then ended; and

The firefighters' pension fund accounting statements present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the firefighters' pension fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Opinion on the pension fund accounts

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Suffolk County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing

Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities and fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, I am satisfied that, in all significant respects, Suffolk County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

Neil A Harris

Officer of the Audit Commission

Crown House, Crown Street, Ipswich IP1 3HS

30 September 2009

Statement of Responsibilities for the Statement of Accounts

Our responsibilities

We must:

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

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

The Head of Strategic Finance is responsible for preparing our statements of accounts including those of the Pension Funds. In order to comply with the code of practice on local authority accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), these statements must present fairly our financial position and that of our pension funds at 31 March 2009, and the income and expenditure (spending) for the year to that date.

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

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

The Head of Strategic Finance has also:

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

I certify that this statement of accounts has been prepared in accordance with proper accounting practices and presents fairly the position of the Authority at 31 March 2009 and its income and expenditure for the year to that date.

Geoff Dobson

Head of Strategic Finance (Section 151 Officer)

Date: 30th September 2009

Approval of the Statement of Accounts

Certificate of Chairman of the Statement of Accounts Sub Committee

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

Signature: Date: 30th September 2009

1. Introduction

The purpose of this set of accounts is to present the financial results of the Council's activities for the year ended 31 March 2009, and to summarise the overall financial position of the Council as at 31 March 2009. The following paragraphs provide an overview of the financial performance and position of the Council, with the supporting detail being set out within the subsequent sections of these accounts.

2.0 The Accounting Statements

We are required by law to complete our accounts in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice (SORP) which reflects the proper practices that we must follow. The guidance makes sure that the accounts of different authorities can be compared with each other. It tells us how the figures are to be prepared and the definition of services to be included under the main headings.

The information in these accounts is presented in a number of statements, which are explained below:

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

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

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

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

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

2.2 The Statement of Recognised Gains and Losses

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

2.3 The Balance Sheet

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

2.4 The Cash Flow Statement

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

2.5 The Group Accounts

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

2.6 The Pension Accounts

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

2.7 The Councillor's Allowances Statement

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

3. Service Revenue Expenditure

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

Table 1: Actual Spending compared to final Budget

Service	Budget £ million	Actual £ million	Variance Under / - Over Spend £ million
Adult and Community Services	170.324	170.084	0.240
Children and Young People	88.369	87.952	0.417
Environment and Transport	61.782	59.150	2.632
Public Protection (inc Social Inclusion & Diversity)	26.978	26.999	-0.021
Resource Management	63.879	63.247	0.632
Other Items (e.g. Major Projects and Contingency)	13.308	6.502	6.806
Net Position	**424.640**	**413.934**	**10.706**

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

3.1 Overall

In summary the Council spent £10.7 million less than its overall budget of £424.6 million. This equates to 2.5%. This compares to an under spending of £16.8 million or 4.3% in 2007-2008. Adult and Community Services and Children and Young People spent broadly in line with their budgets whilst Environment and Transport spent £2.6 million less than their budget. This was mainly due to the success of the management and recycling of waste which led to less waste being sent to landfill. A large proportion of this under spend had been forecast in the regular budget monitoring reports to Cabinet and as a result £0.6 million has been taken as a permanent saving into the 2009-2010 budget and a one off transfer from reserves of £1 million to Highways Maintenance has been possible in 2009-2010 to help repair the damage to the road network caused by the severe winter weather.

In addition some centrally held budgets under 'Other' Items under spent by £6.8 million. This was anticipated in earlier monitoring reports and included savings of £2 million on the major projects budget. This under spend arose due to the uncertainty around Local Government Review (LGR) which delayed some large procurement projects e.g. Quality lives for Older People, the Highways Partnership and LGR itself. Again the 2009-2010 budget has been re-profiled to reflect these changes. The Council's contingency budget was forecast to under spend by £3 million and Cabinet agreed in December 2008 that this should be set aside in a specific reserve to support the impacts of the recession on our services, communities and businesses. A further £2 million was created from the 'making a difference' initiative with one off savings from directorates, together with other resources. Additionally there were savings on interest costs of £1.5 million through extra receipts and reduced payments due to lower interest rates, as well as some delays in spending on the capital programme. More detail on individual directorates is given overleaf:

3.2 Adult and Community Services (ACS)

During 2008-2009 ACS under spent its budget by £0.240 million (0.1%). The directorate therefore achieved its savings target of £5.7 million.

The 2008-2009 budget included the cost of re-structuring the prices paid to care providers. The new prices were introduced with the intention of managing the market to ensure the supply of care matched demand, whilst driving up quality standards. One of the challenges faced by ACS in recent years has been to attract carers to work in rural locations. Consequently, from April 2008 enhanced rates were paid for customers supported in those locations. This strategy clearly worked as the waiting time for care fell rapidly in the targeted areas.

One particular area of financial pressure was the increase in expenditure required to support customers with learning disabilities. During the course of the year ACS experienced increases in costs of approximately 8% (£2.5 million) for this client group. Whilst this rate of increase is consistent with the national trend, ACS will not be able to continue to support this year on year increase from within existing resources and additional funding will need to be identified.

From April 2008 ACS introduced a new non residential care charging policy. The policy generated additional income in line with budget expectations. The policy was introduced on a phased basis, with increases in charges to existing customers capped to a maximum of £15 per week. The policy introduction was supported by an increase in the number of Visiting Officers who supported customers to ensure they claimed their full benefit entitlements.

In response to the Governments policy on transforming social care ACS has introduced 'Self Directed Support' to enable customers to direct their own support and have greater control over how they live their lives. Through this approach customers are encouraged to have their care allocation determined through a needs assessment questionnaire. Since April 2008 over two thousand five hundred customers have had their care allocation assessed in this way. ACS will continue to promote this approach through 2009-2010 and beyond.

3.3 Children and Young People (CYP)

CYP under spent its budget by £0.417 million (0.5%) although there were some significant pressures in the service.

The Children's Delivery Agency overspent by £0.78 million this was mainly due to a significant overspend of £2.3 million on purchased care. This was caused by an increase in the numbers of Looked After Children and above inflationary cost increases. For example there was a 19% increase in the costs of purchased care. This was offset by under spends on pay budgets (£0.50 million), commissioned services for children with additional needs (£0.27million) and slippage on the implementation of Contact Point (£0.26 million).

There was a further overspend of £0.97 million on home to school transport. This was caused by additional Special Educational Needs transport packages, contract cost increases triggered by fuel price rises and an underestimation of the additional costs of extra school days falling within the financial year.

These overspends were offset by an under spend of £1.78 million on the Service Office budget due to under spends on workforce development (£0.50 million) and other central budgets (£0.53 million), slippage on transformation projects funded from planned use of directorate reserves (£0.60 million) and a surplus of £0.39 million on the Inclusive School Improvement Service (ISIS).

3.4 Environment & Transport

Over the year the outturn was £2.632 million (4.2%) less than the £61.8 million budget. The majority of this under spend relates to lower than forecast waste quantities. The savings made in 2008-2009 have already been invested in extra highways maintenance in 2009-2010 to allow this budget to keep pace with maintenance requirements and to be able to be more responsive to repair the extra damage caused by severe winter weather.

The quantities of waste will be carefully monitored and any budget not required will be ring fenced for future capital expenditure for the Directorate. This will be required both for waste disposal and highways maintenance costs.

3.5 Public Protection
Public Protection spent very close to the planned budget of £27 million. There was a small overspend of £0.021million.

3.6 Resource Management
The outturn was £0.632 million (1.0%) under budget. The property division had lower than expected costs on running the county's buildings and some staff savings in advance of the major restructuring within the property division of £0.3million.

Procurement spent £0.108 million less than their budget on staffing costs. Some planned spending (£0.360 million) on energy efficiency measures were held back to link into the outcomes of the Automated Meter Reading project. This will allow energy saving measures to be targeted more effectively.

4. Reserves

4.1 Table 2 shows the balance of reserves at 31st March 2009 analysed by service:

2008 - 2009 Reserve Balances	**Balance of Reserves at 31 March 2009**		
	£ million	**£ million**	**£ million**
Service Reserves			
Adult & Community Services	2.681		
Children & Young People (non schools)	3.379		
Environment and Transport	6.975		
Public Protection	1.591		
Resource Management	5.072		
Other	0.346		
Sub Total		**20.044**	
Specific Activity Reserves		**52.517**	
General Fund (non-schools)		**10.523**	
Total reflected in revenue outturn table			**83.084**
General Fund (schools)	16.885		
Dedicated Schools Grant Reserve	7.684		
Total Schools Related Reserves			**24.569**
Landfill Allowance Trading Scheme Reserve (non-cash)			**0.007**
GRAND TOTAL			**107.660**

Table 2: Amount of Reserves at 31 March 2009

We have £107.660 million of General Fund and Earmarked reserves. We can use these reserves to pay for future service needs (except for the Landfill reserve which is non-cash). This is made up of £20.044 million held for services; £52.517 million for specific activities we are committed to (of which £8.975 million is held for the renewal of vehicles and equipment and £5 million for recession related activities); £27.409 million on the General Fund (of which £16.885 million is schools related and £10.523m is for non schools); £7.684 million held for schools in relation to the Dedicated Schools Grant and £0.006 million which is a non-cash reserve relating to the Landfill Allowance Trading Scheme (see Accounting Policy 21 on page 75). While the accounts show we have reserves of £107.660 million (£102.521 million 2007-2008), £24.569 million (£25.236 million 2007-2008) of these are schools balances and cannot be spent on other services. The reserves that can be used to support other services needs is £83.085 million (£77.166 million 2007-2008). The figures in this table reconcile to the General Fund and Earmarked Reserves balances in note 25 on pages 38 and 39.

5. Capital Spending

Table 3 below shows the revised capital spending plan compared with the actual spending on services by Directorates.

Table 3: Actual Capital Spending compared to Planned Capital Spending

	2008 - 2009			2007 - 2008
	Revised Forecast Capital Payments	Capital Payments Outturn	Variance	Capital Payments Outturn
	£ million	£ million	£ million	£ million
Service				
Adult and Community Services	5.813	2.952	**2.861**	**1.832**
Children and Young People	51.655	50.858	**0.797**	**35.370**
Schools Devolved Capital	13.467	14.709	**-1.242**	**11.723**
Public Protection	1.735	2.563	**-0.828**	**1.008**
Environment and Transport	52.175	48.474	**3.701**	**51.181**
Resource Management	24.218	20.491	**3.727**	**11.305**
Total capital programme	**149.063**	**140.047**	**9.016**	**112.419**
Other Capital Spend*				
Children and Young People		5.773		**3.226**
Resource Management		1.827		**1.698**
Grand Total		**147.647**		**117.343**

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

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

5.1 Adult and Community Services (ACS)

The revised Capital Programme for ACS for 2008-2009 was £5.813 million. However, during the year expenditure of £2.952 million was incurred. Consequently £2.861 million of the capital allocation will be carried forward into 2009-2010.

The main reason for the underspending was because funding was received late in the financial year. During the last quarter of the year, ACS received capital resources of £3.4 million from NHS Suffolk, to support the Learning Disabilities Reprovisioning Project. Not all of this funding was able to be spent before the year end. Other causes of the slippage relate to the timing of capital payments in respect of the Supported Housing Programme, ICT Improvement Management Information Grant, and a range of minor works.

5.2 Children and Young People (CYP)

CYP spent money on the temporary reprovision of St Felix Middle School following a major fire, which will be covered by insurance. This additional spend was offset by delays on capitalised maintenance and energy efficiency projects and a delay in the start of some School Organisation Review projects which could not start until the Schools Adjudicator had delivered their ruling.

The low overall variance is the result of a major scheme by scheme review of the whole programme during 2009-2010, which resulted in a robust programme with realistic costs and timing for all schemes.

5.3 Public Protection (including Social Inclusion and Diversity)
Fire vehicles are replaced on a planned basis from a renewals fund. At the beginning of the financial year an average figure is included as estimated payments. In 2008-09 more vehicles were replaced (and funded from the renewals fund). This lead to the overspend of £0.828 million.

5.4 Environment and Transport
The Directorate under spent on its capital programme of £52.2 million by £3.7 million. The major reasons for the underspending relate to payments on the 2 major schemes (the ongoing scheme at Stowmarket and the residual payments on the Lowestoft scheme) being less than profiled by some £3 million. These payments will now be made in 2009-2010. There was also some underspending on schemes within the Integrated Transport programme.

5.5 Resource Management
The programme under spent by £3.7 million. Though the Public Service Village building at Bury (West Suffolk House) is now in use, some final payments of £1.7 million will be incurred for work in 2009-2010. £0.6 million of committed building maintenance projects will now be completed in 2009-2010 and £0.250 million of our contribution to the University of Suffolk will be made in 2009-2010. The remaining under spend relates to ICT projects.

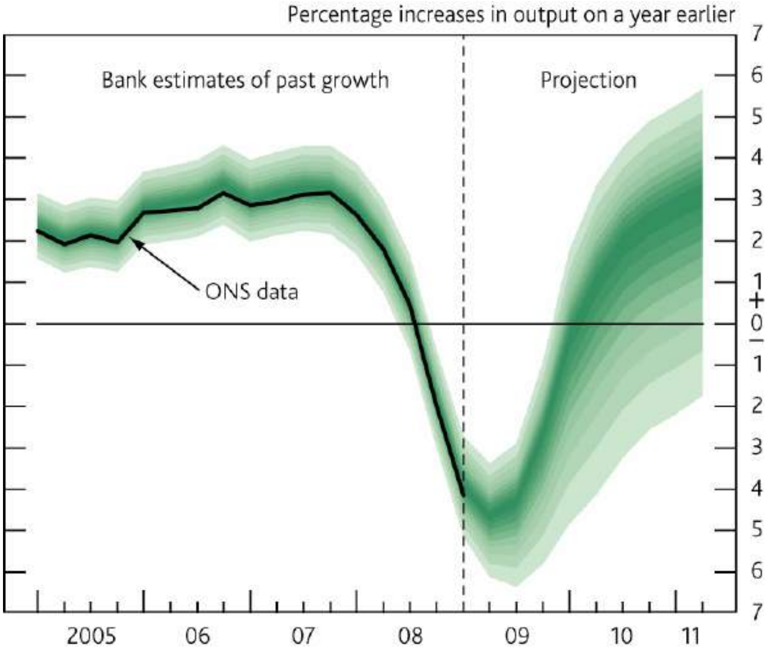
6. Pensions
Suffolk County Council participates in three pension schemes, for firefighters, teachers and other local government employees. These schemes are used to pay former employees their pension and other benefits when they retire. Like other local authorities, Suffolk currently has a deficit on its firefighters and local government pension schemes. At 31 March 2009 this was £341.643 million (£212.967 million at 31 March 2008), and there is a fifteen year recovery plan to correct this for the local government scheme. The Suffolk local government pension fund has to be valued every three years, although Suffolk values its fund every year. In March 2009 it was valued at £1,055.3 million. This is estimated to be able to meet 60.5% of its future commitments. It should be able to meet 100% of its future commitments by around 2022 in accordance with the recovery plan at the previous triennial valuation in 2007.

7. Looking to the future

The Council's budget for 2009 - 2010 was set at £439.448 million which was a 3.5 % increase over the 2008 – 2009 adjusted budget after reflecting transfers into and from Formula Grant and the new Area Based Grant. Planned savings of £12 million were agreed, bringing cumulative savings over 3 years to £57 million. A council tax increase of 2.45% was set which was the lowest increase for the County Council since the council tax was introduced in 1993. This compares to an increase of 3.75% for 2008-2009.

In the medium and long term the Council faces significant challenges particularly in the way it adapts and changes to delivering the priorities set out in the 'Suffolk Story' but with declining resources. The Comprehensive Spending Review 2007 (CSR07) had already signalled lower real terms growth averaging 2.1% over the period 2008-2009 to 2010-2011. Since then the British economy (and the world economy) has gone into recession. Gross Domestic Project (GDP) is forecast to reduce by perhaps 4% in 2009 and then only recover slowly as Table 4 below shows:

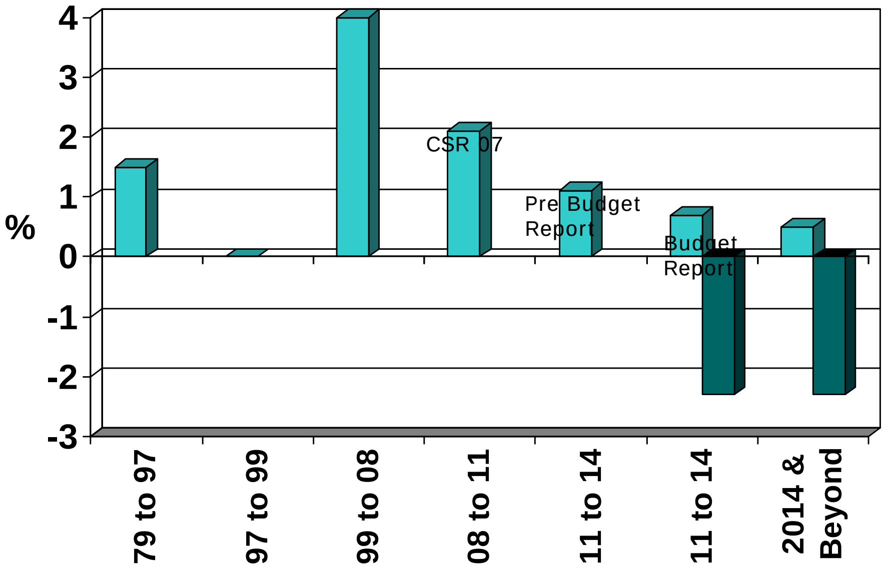
Table 4: GDP Projection



Government borrowing is set to increase to £175 billion in 2009 before reducing to £97 billion by 2013. Though some economists consider these figures to be optimistic.

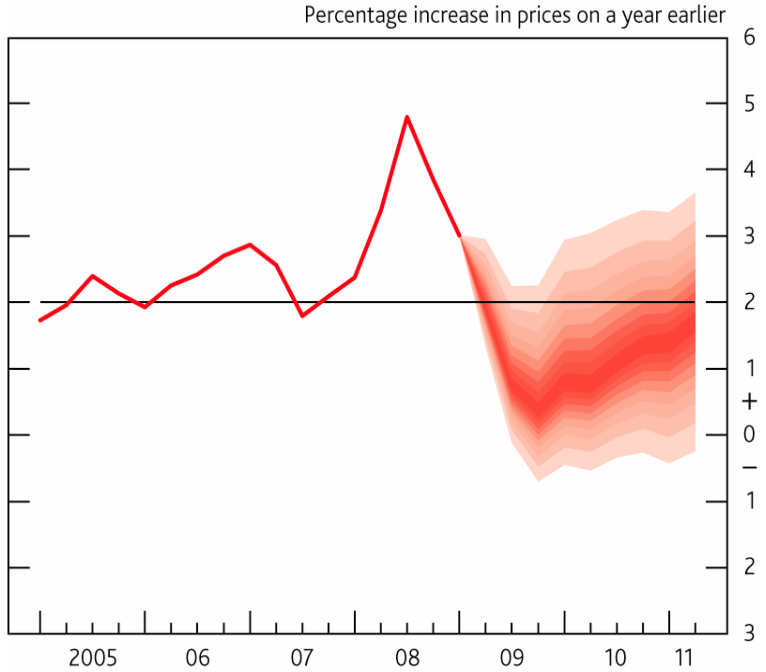
The Chancellor's pre-budget report in November 2008 announced a package of measures to stimulate the economy but also recognised that to re-balance public finances by 2016 would require much smaller real terms growth in public spending together with some tax increases. Average growth was set at 1.1% for the period 2011-14. Subsequently in his April 2009 budget this was further reduced to 0.7% in response to the worsening economic situation and the timeline for re-balancing the economy was pushed out to 2018. Some economic commentators are forecasting real terms growth beyond 2014 falling to 0.5%. However, once the increase in unemployment benefits, pensions and debt interest are covered, this is likely to have more than absorbed the real terms growth, probably leaving the rest of the public sector facing real terms reductions of -2.3% or more. Table 5 overleaf charts the real terms increases in public spending since 1979 to contrast how serious the current position is particularly beyond 2011:

Table 5: Spending Reviews Between 1979-2014



Interest rates have dropped rapidly since 2008 when they stood at 5.25%. The current rate of 0.5% is the lowest ever and is unlikely to change in the near future. The Consumer Prince Index (CPI) is also starting to fall in response to reducing commodity prices, utility charges and heavy price discounting. It is down to 2.3% with the Retail Price Index at –1.2%. Table 6 below maps the CPI from 2005 to 2011.

Table 6: CPI Inflation Projection



Whilst falling inflation will benefit the Council to some extent the CPI does not mirror the inflationary pressures facing our services such as purchased care for vulnerable adults and looked after children – two of our biggest cost drivers. In addition the Council continues to face cost increases from demographic change and the County's population is expected to rise by 12% (from about 709,000) by 2021 with significant increases projected of people aged 65+ bringing the proportion to almost a quarter of the population. In addition Suffolk has a huge challenge in raising skill levels and ambitions of our young people together with creating a dynamic jobs market and the greenest county. Unavoidable costs include legislative change affecting a range of services across the Council, the continued rise in landfill tax which will only be mitigated when our residual waste facility (Energy from Waste) comes on stream in 2014-2015 and the rise in capital financing costs to support the capital programme which includes the 'Schools Organisation Review'.

In summary with budget pressures rising and government grants reducing mirroring the fall in public spending the Council faces significant challenges in bridging this gap in a way that does least damage to the quality of our services whilst still focusing on our key priorities.

The Council has taken a proactive response to the economic recession. It held an 'economic summit' on the 4th December 2008 with partner organisations, local businesses, community and voluntary groups to tease out ideas that if implemented would make a difference. The Council's response was to reduce the time to pay invoices from 30 days to 20 days, provide extra resources to the Citizens Advice Bureaux for more debt advisors and the two credit unions to increase their ability to help people avoid using 'loan sharks'. As referred to earlier the Cabinet has set up a 'Recession Fund' of £3 million to help fund these types of initiative and to protect our own services from rising demands resulting from the recession. A further £2 million (the 'making a difference fund') was also created from one off savings in 2008-2009 and other resources to address the implications of the recession. The use of this fund will be decided shortly.

In our budget planning the impact of falling income and increased demands for services are being assessed together with extending the financial outlook to 2018 to try and guage the severity of what is likely to face the Council.

The outcome of the local government review has yet to be resolved in Suffolk so adding further to the overall uncertainty in which we operate. Nevertheless Suffolk continues to push ahead with its ambitious agenda to deliver the priorities in the Suffolk Story and make a difference to the lives of people working and living in Suffolk. Some of our major projects and developments are summarised below:

- **Schools Organisation Review:** to improve and support pupil learning which, in conjunction with Building Schools for the Future (see below), will raise educational achievement and contribute to lifting the skills base by changing those areas of the county where a three tier schools system is operating, to a two tier system.
  The implementation of the overall project is expected to span a 13 year period and cost about £27 million. This will include training and development for staff, project management and transitional costs. This funding will initially come from schools balances until the first savings are delivered. These savings will then be used to fund the remainder of the implementation costs and repay school balances, before the overall savings are made available for re-investment to schools through the Local Management of Schools (LMS) formula.
  The necessary building works to refurbish, remodel and rebuild schools to complement this programme are estimated in the region of £72 million and will be met from the Children and Young People's capital programme.

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

- **Transfer of LSC Functions for 16-19 Learning -** From September 2010 the Learning and Skills Council will be dissolved and its functions for commissioning and funding learning for 16-19 year olds in schools and colleges will transfer to the local authority. The council expects to receive funds of around £66 million to carry out these tasks, and will work in partnership with other local authorities and the Young Peoples learning Agency in carrying this out.

- **Fire Private Finance Initiative (PFI)** – This project is now live and will rebuild five stations and refurbish five more as part of the modernisation of the Fire Service and covers the rebuilding and refurbishment of about a third of the Fire Services operational buildings. This project reached financial close on 11 June 2008 having been awarded PFI credits of £27.1 million (a specific grant paid over the life of the contract towards the capital element of the scheme). The annual budget requirement to cover the costs of the project and maintenance of the existing estate will be £1.82 million (before grant). This funding has been provided from both corporate property and fire and rescue service budgets. The procurement costs are estimated to have cost £1.8 million over 4 years and have been met from a mixture of base budget, contingency and the major corporate projects budget.

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

  Large levels of capital investment in new waste treatment and disposal technology will be needed to address these issues, in order to deal with the projected waste arising over the next 30 years. The council has developed an Outline Business Case together with its advisers which encompasses waste reduction, re-use, transfer, recycling, composting, the treatment of residual waste (recovery) and landfill disposal. The waste solution will be procured and delivered through a number of separate service contracts. The residual waste treatment facility will be delivered through the Private Finance Initiative (PFI) and provisional PFI credits of £102 million have been approved by the Treasury (broadly 50% of the capital cost) and the procurement process has started. The preparation costs associated with this project are estimated at £4.4 million leading up to full operation in 2014 - 2015. These will be met mainly from specific reserves within the Environment and Transport (E&T) Directorate and supplemented (if required) by the major corporate projects budget. The ongoing costs of the project are planned to be incorporated into the E&T budget which will need to rise by about £14.6 million over the current base budget for Waste.

- **Work Environment Programme –** The council is undertaking a significant programme of work to rationalise its estate, ensure properties meet the latest occupation standards, share buildings with other partners and promote the integration of services together with flexible working. One project, the Public Service Village (West Suffolk House) at Bury St Edmunds, was undertaken jointly with St Edmundsbury Borough Council and there is still some work left to fully complete the project. The building was opened at the end of March 2009.

- **Waveney Campus -** The second project the Waveney Campus (located in Lowestoft) is being undertaken jointly with Waveney District Council and the Centre for Environment, Fisheries and Aquaculture Science (Cefas). This will provide the County's area office in the north of Suffolk, Waveney's Headquarters building and a regional centre for Cefas allowing retention and relocation of skilled jobs in the area. The buiding has an expected capital cost of about £60 million. It is likely the building will be operational during 2011, and the costs of operation and financing are to be met from existing budgets from redundant property. The County's programme costs are being met from the major corporate projects budget.

- **Residential Care Accommodation -** During 2008-2009 Adult and Community Services continued to progress the development of the business case to establish the future role and purpose of the 16 Residential Care Homes, currently owned and operated by the County Council. During the year ACS submitted an Expression of Interest for PFI credits of £30 million to the Department of Health to develop 4 new homes as part of an overall development of accommodation based services. The Expression of Interest was approved and ACS are now developing an outline business case for funding. The overall project preparation costs are estimated at £1 million and are being met from the Directorate's specific reserves.

- **Environmental footprint -** Suffolk County Council is strongly committed to Creating the Greenest County – a vitally important theme within the Suffolk Strategic Partnership's Community Strategy. We are playing a leading role in making this a reality by improving our own environmental performance, by supporting the work of others, and by improving the way we communicate on environmental issues throughout the county.

  The first monitoring report of the Environment Action Plan (EAP) was published in March 2009 and is available on the Council's website. This details the progress against the Plan's actions, as well as highlighting some of the key successes. In the last 18 months considerable steps have been taken towards improving the Council's environmental performance and in playing a leading role in delivering the environmental objectives within the Community Strategy. However, there is still much that can be done. Over the coming months the County Council will be developing a new Environment Action Plan for the years 2009 to 2011, through the Environment Panel, to make sure the momentum is kept up and drive forward the Council's commitment to Creating the Greenest County.

  Suffolk County Council also maintains an Environmental Management System (EMS) to continually improve the Council's environmental performance and reduce its impact on the environment. The Council gained corporate accreditation to the international standard for environmental management, ISO14001, in 2005. The EMS covers all of Suffolk County Council's activities from libraries to fire stations, social care functions and support services to schools.

- **Diversity -** Suffolk County Council works hard to identify those service areas which are not currently fully addressing equalities in their service plans. The Council works with managers to develop action plans to both inform the Best Value process and achieve the requirements of the five levels within the Equality Standard for Local Government.

  The County Council also researches and identifies opportunities to invest in systems that will monitor a whole range of diversity issues in accordance with a modern working environment. We also provide training and development for staff on equalities and their rights, together with those of our customers. Similarly, we publicise the Council's commitment to equality for all, both internally and externally, we assess how policies and programmes could affect marginalised and disadvantaged groups, we identify any potential for adverse impact and we consider any necessary remedial action. We monitor the implementation of policies and programmes to ensure they meet the needs of marginalised and disadvantaged groups and we review and update, as appropriate, our equalities policies in employment and service delivery. We are currently an 'achieving' local authority in line with the Equality Framework for Local Government.

- **Local Government Review –** Following the Minister's decision in December 2007 not to award Ipswich unitary status on its existing boundaries the Minister then invited the Boundary Committee to review local government structures in both Suffolk and Norfolk (together with Devon) with a view to the Committee advising the Minister on unitary options for the respective areas. The Boundary Committee is due to report to the Minister in July 2009. The Minister will then consider the Boundary Committee's recommendation. The start date for any new local government arrangements which are agreed is likely to be 1 April 2011.

  The County Council together with Mid-Suffolk District Council are proposing a One Suffolk single unitary authority. The Boundary Committee is considering between this proposal and one that would have two unitary authorities - an Ipswich-Felixstowe unitary and another unitary council for the rest of Suffolk.
  Clearly the outcome of the Local Government Review does pose risks for the delivery of some of our major projects. However through careful stakeholder engagement and providing confidence to the market, it is anticipated these risks can be mitigated. This will be regularly monitored and appropriate action taken.

Conclusion
The Council has had a successful financial year but spending pressures are rising and though contained within 2008-2009 budgets this will be more difficult in future years as resources will be more limited. A firm grip on activity levels and financial management will need to be maintained together with looking for innovative ways of providing services. Significant challenges face the public sector over the next 10 years and whilst we start from a relatively sound financial position together with being rated a 4 star Council and improving well there is no room for complacency.

Acknowledgements
This has been another demanding year. The closing financial position has remained favourable but much tighter than the previous year as more and more vulnerable people have required our services. There has also been a major overhaul of our financial accounting system with the reimplementation of Oracle 12 (Project Matrix). We were the first local authority site to implement this release of Oracle Financials and we did have some teething problems that affected budget managers at times through the year. Thankfully through the commitment of our joint venture partner Customer Service Direct (CSD) the financial systems were kept operational throughout these difficult times and now virtually all the 'bugs' have been rectified. The completion of these accounts has embraced everybody in the Council and CSD. I would like to thank everyone for their contribution, their tolerance in the difficult times and their support, it has been greatly appreciated.

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

Geoff Dobson
Head of Strategic Finance

Income and Expenditure Account

2007 - 2008			2008 - 2009		
Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£ million		Notes	£ million	£ million	£ million
3.105	Central services to the public		5.194	-0.666	4.528
0.799	Court services (Coroners)		0.929	0.000	0.929
43.603	Cultural, environmental, regulatory and planning services		68.364	-17.466	50.898
113.786	Education and Children's Services		755.065	-519.783	235.282
23.739	Fire services		36.202	-0.735	35.467
38.628	Highways and Transport services		62.497	-11.560	50.937
2.907	Housing Services		20.602	-19.868	0.734
151.355	Adult Social services		234.789	-43.855	190.934
6.204	Corporate and democratic core	**30**	7.527	-0.217	7.310
1.049	Non distributed costs		9.766	-0.031	9.735
385.175	**Net cost of services**		**1,200.935**	**-614.182**	**586.754**
0.457	Surplus(-)/Loss on the disposal of fixed assets				3.243
0.431	Payments to the Environment Agency				0.426
0.355	Payments to the Eastern Sea Fisheries Joint Committee				0.364
-2.440	Surpluses(-) / deficits on trading undertakings not included in Net Cost of Services	**3**			-2.905
13.400	Interest payable and similar charges	**35**			13.880
-4.731	Interest and investment income	**31,35**			-4.953
4.494	Pensions interest cost and expected return on pensions assets	**29**			13.140
397.141	**Net Operating Expenditure**				**609.949**

Income and Expenditure Account

2007 – 2008				2008 - 2009	
Net Expenditure			**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£ million		**Notes**	**£ million**	**£ million**	**£ million**
-258.284	Demand on Collection Fund				-269.985
-21.678	General government grants	**32**			-49.918
-114.102	Non-domestic rates redistribution				-135.757
3.077	**Deficit for the Year**				**154.289**

Included in the net cost of Services for 2008-2009 is an amount of £142.086 million (£9.762m 2007-2008) which relates to the impairment of the Council's fixed assets.

Statement of Movement on the General Fund Balance

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

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

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

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

2007 - 2008		**2008 - 2009**
£ million		**£ million**
3.077	Deficit for the year on the Income and Expenditure Account	154.289
-4.578	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-152.386
-1.501	Increase (-) / Decrease in General Fund Balance for the Year	**1.903**
-27.810	General Fund Balance brought forward	-29.311
-29.311	General Fund Balance carried forward	**-27.408**
-18.914	Amount of General Fund balance held by schools under local management schemes	-16.885
-10.397	Amount of General Fund Balance generally available for new expenditure	-10.523
-29.311		**-27.408**

Statement of Movement on the General Fund Balance

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

2007 - 2008 £ million		2008 - 2009 £ million
-4.578	**Net Additional amount to be credited to the General Fund balance for the year**	**-152.386**
	Comprising:	
-90.878	**Amounts included in the Income and Expenditure Account but required to be excluded by statute when determining the movement on the General Fund Balance for the year**	**-235.455**
-48.123	Depreciation and impairment of fixed assets	-188.509
19.729	Government Grants and Capital Contributions Deferred amortisation	14.705
-24.530	Revenue Expenditure Funded from Capital under Statute and de-minimis capital spending	-12.462
0.069	Net loss (-) / gain on sale of fixed assets	-3.057
-38.023	Net charges made for retirement benefits in accordance with FRS 17	-46.132
65.592	**Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year**	**76.028**
15.944	Minimum revenue provision for capital financing	17.375
9.458	Capital expenditure charged in-year to the General Fund Balance	14.559
40.190	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	44.094
20.708	**Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the general fund balance for the year.**	**7.041**
20.708	Net transfer to or from earmarked reserves	7.041

Statement of Total Recognised Gains and Losses

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

2007 - 2008		2008 - 2009
£ million		**£ million**
3.077	Deficit for the year on the Income and Expenditure Account	154.289
-271.075	Surplus (-) / deficit arising on revaluation of fixed assets	42.575
-73.034	Actuarial gains (-) / losses on pension fund assets and liabilities	126.638
-341.032	**Total recognised gains (-) / losses for the year**	**323.502**
27.360	Loss through re-statement of tangible fixed assets as at 31 March 2007	
-313.672	Total gains recognised since the published Statement of Accounts for 2006 - 2007	

Balance Sheet

31 March 2008			31 March 2009	
£ million		Notes	£ million	£ million
	Fixed Assets			
	Tangible Fixed Assets			
	Operational Assets:			
1,511.283	Other land and buildings		1,368.229	
29.779	Vehicles, plant and equipment		36.941	
299.865	Infrastructure assets		327.141	
1.216	Community assets		0.482	
	Non operational assets:			
21.644	Assets under construction		29.768	
20.022	Surplus assets held for disposal		19.157	
1,883.809	**Total Fixed Assets**	**12**		1,781.718
0.173	Long-term investments		0.158	
0.204	Long-term debtors		0.238	
				0.396
1,884.186	**Total Long-Term Assets**			1,782.114
	Current Assets			
0.996	Stocks and work in progress	**38**	1.114	
47.868	Debtors		46.838	
82.592	Investments		35.962	
0.254	Landfill Allowances	**33**	0.013	
0.126	Cash and bank		0.000	
				83.927
2,016.022	**Total Assets**			1,866.041
	Current Liabilities			
-54.287	Short-term borrowing		-33.921	
-99.599	Creditors		-109.152	
0.000	Bank overdraft		-1.922	
				-144.995
1,862.136	**Total Assets Less Current Liabilities**			1,721.046
	Long-term liabilities			
-294.562	Long-term borrowing		-291.008	
-2.733	Provisions	**24**	-3.089	
-186.064	Government grants deferred	**21**	-246.782	
-27.010	Capital contributions deferred	**21**	-21.443	
-11.226	Deferred liabilities		-13.009	
-212.967	Liability related to defined benefit pension scheme	**29**	-341.643	
				-916.974
1,127.574	**Total Assets Less Liabilities**			**804.072**
	Financed by:			
265.060	Fixed asset revaluation reserve	**25**		211.014
972.960	Capital adjustment account	**14,25**		827.041
-212.967	Pensions reserve	**25,29**		-341.643
29.311	General fund balance	**25**		27.408
73.210	Earmarked reserves	**25**		80.252
1,127.574	**Total Net Worth**			**804.072**

Cash-flow Statement

2007 - 2008 Restated £ million	£ million		Notes	2008 - 2009 £ million	£ million
		Revenue activities			
	-31.353	**Revenue Activities' Net Cash Flow**			**-43.854**
		Returns on Investments and Servicing of Finance			
		Cash outflows:			
13.409		Interest paid		13.812	
		Cash inflows:			
-4.362		Interest received		-5.010	
	9.047	**Net cash flow from returns on investments**			**8.802**
		Capital Activities			
		Cash outflows:			
89.407		Purchase of fixed assets		133.655	
		Cash inflows:			
-1.481		Sale of fixed assets		-2.950	
-44.087		Capital grants received		-60.008	
-13.561		Other capital cash receipts		-8.860	
	30.278	**Net cash flow from capital activities**			**61.837**
	7.972	**Net Cash inflow / outflow Before Financing**			**26.785**
		Management of Liquid Resources			
	37.501	Net increase / decrease (-) in short-term deposits			**-46.942**
		Financing			
		Cash outflows:			
190.345		Repayments of amounts borrowed		832.318	
		Cash inflows:			
-35.000		New long-term loans raised		-20.000	
-197.781		New short-term loans raised		-788.330	
-5.312		Deferred Liabilities		-1.783	
	-47.748				**22.205**
	-2.275	**Net increase (-) / decrease in cash**			**2.048**

1. Authorisation of accounts for issue

Events after the balance sheet date were considered up to 30 September 2009, the point that the Head of Strategic Finance signed the Statement of Accounts on page 1. This followed the completion of the audit of the accounts.

2. Private Finance Initiatives

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

The Council has completed the procurement phase of a PFI contract in relation to the modernisation and development of a number of Fire Stations. This reached financial close on 11 June 2008. Building work started in July 2008 and the development of the first Fire Station is due to be completed in late June 2009.

The Council submitted an Outline Business Case (OBC) to Central Government in relation to building a residual waste treatment facility in Suffolk. The OBC was approved, and the award of £102m of PFI credits was made. The Council has now entered the procurement phase of this PFI project. A Final Business Case (FBC) is due for submission to Central Government in 2010.

3. Trading Organisations

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

Details of those trading units are as follows:

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

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

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

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

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

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

The trading objectives of the Trading Organisations are to provide a fully comprehensive, high quality service and to achieve at least a break even financial position each year.

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

The summary financial position of the Traders is set out below:

2007 - 2008 Gross Spending £ million	2007 - 2008 Income £ million	2007 - 2008 Surplus marked '-' or deficit £ million		2008 - 2009 Gross Spending £ million	2008 - 2009 Income £ million	2008 - 2009 Surplus marked '-' or deficit £ million
2.696	-2.709	-0.013	Cleaning Buildings	2.574	-2.785	-0.211
4.225	-4.405	-0.180	Grounds Maintenance	4.547	-4.639	-0.092
13.120	-13.125	-0.005	Catering	13.945	-14.533	-0.588
0.218	-0.387	-0.169	Suffolk Design and Print	0.353	-0.304	0.049
21.529	-21.480	0.049	Suffolk Highways Contracting	24.974	-25.190	-0.216
2.317	-2.383	-0.066	Suffolk Fleet Management	2.293	-2.514	-0.221
11.582	-13.638	-2.056	Central Department Traders	6.131	-7.757	-1.626
55.687	**-58.127**	**-2.440**	**Net surplus / deficit taken to the revenue account**	**54.817**	**-57.722**	**-2.905**

4. Publicity

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

2007 - 2008 Restated £ million		2008 - 2009 £ million
1.284	Staff recruitment	1.629
0.649	Other advertising such as public notices	0.882
1.144	Other public information activities	1.087
3.077		**3.598**

5. Local Authorities (Goods and Services) Act 1970

The Council provide goods and services to other local authorities and public organisations under the Local Authorities (Goods and Services) Act 1970. The income we received in 2008 – 2009 and the related costs are shown below.

2007 - 2008			2008 - 2009	
Income	Related Costs		Income	Related Costs
£ million	£ million		£ million	£ million
-0.109	0.109	Legal services	-0.095	0.095
-0.003	0.001	Trading Standards - Training Courses	-0.003	0.001
-0.189	0.192	Emergency Planning - Joint EPU for Suffolk	-0.193	0.198
-0.208	0.208	Suffolk Design and Print	-0.182	0.172
-0.017	0.009	Mobile Library - consultancy and design services	-0.006	0.004
-0.267	0.172	Financial services (including payroll and audit)	-0.167	0.156
-1.576	1.576	Property services (professional and technical services)	-1.711	1.711
-0.039	0.039	Procurement (professional services and direct supplies)	-0.033	0.033
-0.701	0.600	HR (training services)	-0.773	0.666
-0.180	0.157	Suffolk Highways Contracting	-0.090	0.079
-0.002	0.002	Suffolk Fleet Maintenance	-0.006	0.005
-0.134	0.117	Highways Safety and Improvement	-0.016	0.014
-0.073	0.045	Cleaning trading organisation	-0.264	0.262
-0.188	0.137	Catering trading organisation	-0.056	0.042
-0.354	0.322	Grounds trading organisation	-0.213	0.196
-4.040	**3.686**		**-3.809**	**3.635**

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

The Council and the Primary Care Trusts (PCTs) operating in Suffolk (Suffolk PCT and Gt Yarmouth and Waveney PCT) – have pooled our money to be spent on services for people with learning disabilities. The main aims are to:

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

The pooled fund has agreed priorities decided by the partners. The first priority is to provide more support for people so they can stay in their own homes. The second priority is to move people out of expensive residential and out of county placements into supported living packages.

The income and expenditure figures below reflect the overall position of the pooled fund not purely Suffolk County Council. Although the Learning Disabilities pooled fund balanced in 2008/09, this was only achieved through additional contributions from the County Council and the Suffolk Primary Care Trusts of £2.572m. The County Council contributed £2.068m and the Primary Care Trusts £0.504m. These contributions are reflected in the accounts and were formally ratified by the Learning Disabilities Commissioning Group on 20 March 2009.

2007 - 2008				2008 - 2009	
£ million	£ million			£ million	£ million
		Income			
-20.873		Funding:	Suffolk County Council	-24.009	
-5.090			Primary Care Trusts	-5.726	
	-25.963				**-29.735**
-1.353		Income:	Residents' contributions	-1.426	
-0.427			Other	-1.190	
	-1.780				**-2.616**
	-27.743				**-32.351**
		Expenditure			
0.033			Expenditure Review Team	0.007	
17.384			Residential services	19.831	
7.474			Supported living	9.660	
2.852			Day services	2.853	
	27.743				**32.351**
	0.000	**Net under (-) or over spend**			**0.000**

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

From 01 April 2002, Suffolk County Council and the Primary Care Trusts (PCTs) operating in Suffolk (Suffolk PCT and Gt Yarmouth and Waveney PCT) have pooled our money through Section 31 (now Section 75) agreement of the Health Act. This is to be spent on helping to put into practice the National Service Framework for Mental Health and our best value review of mental-health residential care, supported housing and support work services. The main aims are to:

- increase the availability of day care, educational and work opportunities for service users;
- develop the range, quantity and quality of housing and support services for service users;
- develop alternatives to hospital and respite care facilities;
- improve the overall health and wellbeing of people with mental-health problems living in the community; and
- train people to give them skills to live more independently.

2007 - 2008				2008 - 2009	
£ million	£ million			£ million	£ million
		Income			
-2.531		Funding:	Suffolk County Council	-2.678	
-1.580			Primary Care Trusts	-1.625	
	-4.111				**-4.303**
		Expenditure			
0.662			Residential services	0.281	
0.817			Day care	0.840	
0.835			Support work	0.931	
1.173			Supported housing	1.611	
0.269			Advocacy	0.277	
0.323			Employment	0.332	
0.030			Respite	0.031	
	4.109				**4.303**
	-0.002	**Net under (-) or over spend**			**0.000**

8. Councillors' allowances

2007 - 2008		2008 - 2009
£ million		£ million
0.691	Basic allowance	0.714
0.289	Special responsibility allowance	0.294
0.000	Dependants carer's allowance	0.001
0.980	**Total**	**1.009**

More detailed information can be found on pages 76 and 77.

9. Employees' Pay

Pay is defined in the latest CIPFA Statement of Recommended Practice (SORP) 2008. This definition includes the following:

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

The number of staff paid more than £50,000 in 2008 – 2009 was as follows:

2007 - 2008		Band	2008 - 2009	
No. of employees			No. of employees	
Non-Schools	Schools		Non-Schools	Schools
108	175	50,000 - 59,999	143	208
27	45	60,000 - 69,999	33	48
12	19	70,000 - 79,999	18	22
16	5	80,000 - 89,999	19	7
1	4	90,000 - 99,999	6	3
0	0	100,000 - 109,999	1	1
3	0	110,000 - 119,999	1	0
1	0	120,000 - 129,999	2	0
0	0	130,000 - 159,999	0	0
1	0	160,000 - 169,999	0	0
0	0	170,000 - 199,999	0	0
0	0	200,000 - 209,999	1	0

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

10. Related Party Transactions

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

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

Customer Service Direct (CSD)
In June 2004, the Council entered into a partnership with BT and Mid Suffolk District Council that resulted in the formation of a Joint Venture Company, Customer Service Direct (CSD).The board of CSD includes a Councillor and a Senior Officer of the County Council. The Council pays an annual contract sum to BT for the services provided by CSD. For 2008 - 2009 this totalled £49.746 million (2007 - 2008: £40.343 million). This amount includes the cost of staff employed by the Council who are seconded to CSD. The council continues to pay these employees through its payroll, as a result, the council is separately reimbursed by BT for the value of these staff costs. In 2008 - 2009, this reimbursement totalled £29.198 million (2007 - 2008: £26.881 million).

Ipswich Buses Ltd
One of the non-executive directors of Ipswich Buses Ltd is also a County Councillor. In 2008 – 2009 the council made contract payments of £3.106 million to Ipswich Buses.

Eastern Sea Fisheries Joint Committee
There are three councillors that represent the council on the Eastern Sea Fisheries Joint Committee (ESFJC). In 2001 - 2002 the council made a loan of £0.240 million to the ESJFC towards the cost of buying a new boat. The loan is being repaid over 15 years. The amount outstanding at 31 March 2009 was £0.151 million. During 2008 - 2009 the ESFJC has given the council £0.275 million to invest on its behalf. At 31 March 2009 the total amount invested by the council on behalf of the ESFJC, including accumulated interest, was £0.765 million (31 March 2008: £0.466 million).

Grants and payments to other related party organisations that exceeded the de-minimis level totalled £2.044 million (2007 - 2008: £0.646 million).

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

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

2007 - 2008 Income Restated £ million	2007 - 2008 Spending Restated £ million		2008 - 2009 Income £ million	2008 - 2009 Spending £ million
-0.863	1.196	Suffolk Police Authority - various services	-0.860	0.987
-0.124	0.000	Suffolk Probation Board – providing support services	-0.096	0.000
-0.987	**1.196**		**-0.956**	**0.987**

Pension Fund – at the end of the financial year, the pension funds had a balance of cash loaned to the council of £9.042 million (2007 - 2008: £36.041 million of surplus cash borrowed from the council). The difference between years was due to borrowing to support the timing difference when transferring cash from an existing investment manager to a new currency manager in 2007-2008. The period of borrowing was between the 28th March 2008 and the 3rd April 2008 when it was repaid in full. The council paid the funds a total for interest of £0.081 million (2007 - 2008: £0.133 million) on cash deposits held during the year. The council charged the funds £1.078 million (2007 - 2008: £0.885 million) for expenses incurred in administering the funds.

11. Audit Commission Fees

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

2007 - 2008 Restated £ million		2008 - 2009 £ million
0.209	Code of Audit Practice Work	0.236
0.048	Certifying grant claims	0.048
0.084	Statutory inspections	0.015
0.004	Other work	0.024
0.345	**Total**	**0.323**

12. Movement of fixed assets

The following table summarises the movement in fixed assets during 2008-2009.

	Operational assets				Non-operational assets		
	Land and buildings	Vehicles, plant and equipment	Infra-structure assets	Community assets	Assets under construction	Surplus assets	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Cost or valuation							
Value at 1 April 2008	1,549.313	72.312	348.002	1.216	21.644	20.065	**2,012.552**
Restatements	2.813	-	0.049	-0.584	-	-0.074	**2.204**
Restated at 1 April 2008	1,552.126	72.312	348.051	0.632	21.644	19.991	**2,014.756**
Revaluations & impairments to the Revaluation Reserve	-50.547	-	-	0.376	-	-3.109	**-53.280**
Additions	49.005	23.415	36.496	0.001	26.204	0.064	**135.185**
Disposals	-4.177	-16.570	-	-	-	-1.835	**-22.582**
Transfers	9.670	-	-	-	-18.080	8.410	**-**
Value at 31 March 2009	1,556.077	79.157	384.547	1.009	29.768	23.521	**2,074.079**
Accumulated depreciation and impairments							
Value at 1 April 2008	38.030	42.533	48.137	-	-	0.043	**128.743**
Restatements	-	-	-	-	-	-	**-**
Restated at 1 April 2008	38.030	42.533	48.137	-	-	0.043	**128.743**
Revaluations	-8.501	-	-	-	-	-	**-8.501**
Impairments to the I&E	137.638	-	-	0.527	-	3.921	**142.086**
Disposals	-0.002	-16.387	-	-	-	-	**-16.389**
Transfers	-0.251	-	-	-	-	0.251	**-**
Charge for the year	20.934	16.070	9.269	-	-	0.149	**46.422**
Total depreciation	187.848	42.216	57.406	0.527	-	4.364	**292.361**
Net book value							
Value at 1 April 2008	1,511.283	29.779	299.865	1.216	21.644	20.022	**1,883.809**
Restated at 1 April 2008	1,514.096	29.779	299.914	0.632	21.644	19.948	**1,886.013**
Value at 31 March 2009	1,368.229	36.941	327.141	0.482	29.768	19.157	**1,781.718**

The restatements above are as a result of the following events;
- Re-instatement of schools that were previously removed from the asset register in error.
- Removal of assets held under an operating lease.
- Removal of assets that were double counted.

13. Summary of capital expenditure and sources of finance

The table below summaries capital spending for 2008-2009 and shows how this was financed. It also explains the extent to which we have borrowed to finance our capital programme

2007 - 2008 £ million			2008 - 2009 £ million	
	413.445	**Opening Capital Financing Requirement**		**446.552**
72.642		Operational assets	108.917	
20.171		Non-operational assets	26.268	
17.330		Revenue Expenditure Funded from Capital Under Statute	11.600	
7.200		De minimis spending	0.862	
	117.343	**Total capital spending**		**147.647**
-2.024		Receipts from sale of assets	-3.136	
-56.810		Government grants and other contributions	-59.105	
-9.458		Revenue financing of capital	-14.559	
	-68.292	**Total sources of finance**		**-76.800**
	-15.944	**Minimum Revenue Provision to repay debt**		**-17.375**
	446.552	**Closing Capital Financing Requirement**		**500.024**
		Explanation of movements in year		
	25.386	Increase in underlying need to borrow supported by Government financial assistance		27.374
	7.721	Increase in underlying need to borrow unsupported by Government assistance		26.098
	33.107	**Increase in Capital Financing Requirement**		**53.472**

14. Capital adjustment account

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

2007 - 2008			2008 - 2009	
£ million	£ million		£ million	£ million
1,021.755		Capital Adjustment Account at 1 April	972.960	
-27.360		Restatements of Fixed Assets	1.275	
	994.395	Restated Balance at 1 April		**974.235**
		Financing capital spending:		
2.024		Selling assets	3.136	
9.458		Revenue account	14.559	
19.729		Using capital grants and contributions money	14.705	
	31.211			**32.400**
		Other transfers from or to the revenue account:		
15.944		Minimum revenue provision to repay debt	17.375	
-47.864		Less: Depreciation and impairment of assets	-188.509	
-17.330		Revenue Expenditure Funded from Capital Under Statute	-11.600	
-7.200		De minimis spending	-0.862	
	-56.450			**-183.596**
		Other movements in Fixed Assets:		
0.085		Disposals	-2.773	
3.719		Amortisation of Revaluation Reserve	6.775	
	3.804			**4.002**
	972.960	**Balance at 31 March**		**827.041**

15. Usable capital receipts

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

2007 - 2008		2008 - 2009
£ million		£ million
0.000	Balance at 01 April	0.000
2.024	Capital receipts	3.136
-2.024	Less: Money used to buy or build assets	-3.136
0.000	**Balance at 31 March**	**0.000**

16. Future capital commitments

The Council are committed to spending £162.473 million on capital projects that had started before 31 March 2009 (compared with £93.699 million in the previous year).

The significant increase since the previous year is due to a commitment to build a new South West Ipswich and South Suffolk Sixth Form Centre (Suffolk One). Work has started on the centre which is scheduled to open in September 2010 and £53.876m is expected to be spent on the project in 2009-2010 and 2010-2011. This spend is being funded by a capital grant.

17. Assets held

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

2007 - 2008	Service	Description	2008 - 2009
44	Libraries	Libraries	44
3		Record offices	3
9		Mobile libraries	9
256	Schools	Primary schools	256
40		Middle schools	40
38		Upper schools	38
2		Residential special schools	2
7		Day special schools	7
13		Pupil Referral Units	13
4	CYP	Family centres	4
35		Children's Centres	36
36	Fire service	Fire stations	36
17	Adult care	Elderly people's homes	17
7		Homes for people with learning disabilities	7
41	Central services	Offices and other buildings	42
5,438	County farms	Hectares of farmland	5,298
85		Farms	84
8		Cottages	8
584	Highways	Kilometres of principal roads	587
6,248		Kilometres of non-principal roads	6,286

18. Leases – Council as lessee

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

The following tables show the rentals payable in 2008-2009 under these agreements, and the payments that the Council is committed to make in 2009-2010, analysed between lease commitments expiring within a year, in the second to fifth year and over five years from 31 March 2009.

Operating Leases - rentals payable 2008 - 2009

2007 - 2008		2008 - 2009
£ million		£ million
1.393	Land & Buildings	1.434
0.960	Other	0.430
2.353	**Total lease rental payments**	**1.864**

Operating Leases - Commitments payable in 2009 - 2010

2009 - 2010	Land and Buildings	Vehicles, Plant and Equipment	Total
	£ million	£ million	£ million
Commitments expire			
During 2009 - 2010	0.100	0.014	**0.114**
Between 2010 - 2011 and 2014 - 2015	0.810	0.082	**0.892**
After 2015 - 2016	0.382	-	**0.382**
Total liabilities at 31 March 2009	**1.292**	**0.096**	**1.388**

19. Leases – Council as lessor

The Council rents properties to third parties under operating lease arrangements. The first table shows the net book value of these assets and the second table shows the rentals receivable in 2008-2009 from these agreements.

Operating Leases - value of assets held

Net Book Values 2007 - 2008 £ million		Net Book Values 2008 - 2009 £ million
17.748	Land & Buildings	24.370
17.748	**Total**	**24.370**

Operating Leases - rentals receivable

2007 - 2008 £ million		2008 - 2009 £ million
1.059	Land & Buildings	1.078
1.059	**Total rents receivable**	**1.078**

20. Fixed asset valuation

26% of our properties were revalued in the accounts as at 1 April 2008, by the Assistant Director (Property). He followed guidance from the Royal Institution of Chartered Surveyors (RICS) when he did the valuations.

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

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

	Operational assets				Non-operational assets		
	Land and buildings	Vehicles, plant and equipment	Infra-structure assets	Community assets	Assets under construction	Surplus assets	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Valued at historical cost		79.157	384.547	0.482	29.768		493.954
Valued at current value in:							
2008-2009	379.475					0.693	380.168
2007-2008	457.700					12.690	470.390
2006-2007	438.822					6.217	445.039
2005-2006	108.798					-	108.798
2004-2005	33.644					-	33.644
prior to 2004	-					-	-
Total	**1,418.439**	**79.157**	**384.547**	**0.482**	**29.768**	**19.600**	**1,931.993**

The total value for each asset category above reconciles to the Cost or Valuation “Value at 31 March 2009” less “Impairments to the I&E” as shown in Note 12 page 29.

21. Government grants and capital contributions deferred

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

2007 - 2008		2008 - 2009		
Total		**Unapplied**	**Applied**	**Total**
£ million		**£ million**	**£ million**	**£ million**
	Government grants:			
159.117	Balance at 1 April	11.267	174.797	186.064
-	Correction of grants held as contributions	0.033	11.085	11.118
44.087	Capital grants and contributions received	63.966	-	63.966
-	Application of amounts previously unapplied	-52.310	52.310	0.000
-17.140	Less: Transfer to capital adjustment account	-	-14.366	-14.366
186.064	**Balance at 31 March**	**22.956**	**223.826**	**246.782**
	Other Capital Contributions:			
12.560	Balance at 1 April	2.492	24.518	27.010
-	Correction of grants held as contributions	-0.033	-11.085	-11.118
17.039	Capital grants and contributions received	5.890	-	5.890
-	Application of amounts previously unapplied	-6.795	6.795	0.000
-2.589	Less: Transfer to capital adjustment account	-	-0.339	-0.339
27.010	**Balance at 31 March**	**1.554**	**19.889**	**21.443**
213.074	**Total grants and contributions deferred at 31 March**	**24.510**	**243.715**	**268.225**

22. Analysis of Net Assets employed

Suffolk County Council operates some trading undertakings as disclosed in note 3 on pages 21 and 22. This note shows the net assets employed by Suffolk County Council analysed between these trading undertakings and between the main General Fund activities.

31 March 2008		31 March 2009
£ million		**£ million**
1,120.616	General Fund	797.292
6.958	Trading Operations	6.780
1,127.574	Total	**804.072**

23. Interests in Companies

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

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

Suffolk County Council has a 10 year contract with CSD Ltd to provide the above services. The current contract arrangement will end in 2014-2015. The revenue commitment over the remaining years of the current contract is £200.3million (average per annum £38.2million).

CSD Ltd has the policy not to own any assets and at 31st March 2009 net assets equalled the paid up share capital of 10,000 shares at one pound each. The County Council shares equalled its percentage shareholding (1,640 shares).

The turnover of CSD Ltd for 2008–2009 was £51.449million (£43.620million 2007–2008), and operating costs £51.449million (£43.620million 2007–2008). The accounts of CSD Ltd received an unqualified opinion.

Please refer to the prepared Group Accounts that begin on page 59. The statements are intended to present financial information about the parent (the Council) and then additionally reflect the Council's share of CSD Ltd net assets, expenditure and income in a unified set of accounts.

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

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

24. Provisions

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

We have an insurance trading account which receives all premiums charged to services, pays out premiums to other insurers, tops up the insurance cover and receives a central contribution. Any surplus or deficit on the trading account is transferred to the insurance reserve. The trading account is included under "Central Department Traders" in note 3 on pages 21 and 22. All outstanding insurance claims that we can put a value on at the end of the year are included in the Insurance Provision. Claims settled during the year are paid out of the Provision.

Provision is also made for the costs in respect of redundancy /retirement costs for two members of staff at a primary school as a result of planned changes in the staffing levels.

	Balance at 01 April 2008	Arising during the year	Used during the year	Balance at 31 March 2009
	£ million	£ million	£ million	£ million
Insurance claims	2.592	1.077	-0.641	3.028
Environment & Transport internal traders	0.002	0.000	-0.002	0.000
Redundancy provision	0.139	0.061	-0.139	0.061
Total	**2.733**	**1.138**	**-0.782**	**3.089**

25. Movements on Reserves

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

Details of movements on our reserves for 2008 – 2009 is set out below:

Reserve	Balance at 1st April 2008 £ million	Net Movement in Year £ million	Balance at 31st March 2009 £ million	Purpose of Reserve	Details of Movements
Revaluation Reserve	265.060	-54.046	211.014	Store of gains on revaluation of fixed assets not yet realised through sales	a - see next page
Capital Adjustment Account	972.960	-145.919	827.041	Store of capital resources set aside to meet past expenditure	See Capital Adjustment Account Note 14
Pensions Reserve	-212.967	-128.676	-341.643	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	b - see next page
General Fund	29.311	-1.903	27.408	Resources available to meet future running costs of services	Statement of Movement on General Fund Balance
Earmarked Reserves	73.210	7.042	80.252	Resources available to meet the future costs of specific services and activities (except for the LATS reserve)	c - see next page
Total	**1,127.574**	**-323.502**	**804.072**		

a - Revaluation Reserve

2007 - 2008 £ million		2008 - 2009 £ million
270.818	Revaluations	113.525
-2.039	Disposals	-3.422
-3.719	Amortisation of Revaluation Reserve	-6.775
0.000	Impairment	-158.303
0.000	Restatement	0.929
265.060	**Movement on fixed asset restatement account**	**-54.046**

b - Pensions Reserve

2007 - 2008 £ million		2008 - 2009 £ million
2.167	Appropriation to pensions reserve	-2.038
73.034	Actuarial gains and losses relating to pensions	-126.638
75.201	**Movement on pensions reserve**	**-128.676**

c - Earmarked Reserves

2007 - 2008 £ million		2008 - 2009 £ million
21.780	Specific activities	7.707
-0.714	Specific services	-0.553
-0.361	Landfill Allowance Trading Scheme (LATS) non-cash reserve	-0.112
20.705	**Movement on other revenue reserves**	**7.042**

26. Contingent Assets and Liabilities

Contingent assets

Value Added Tax (VAT)

Between 1975 to 1997 Suffolk County Council remitted as VAT a portion of its library income, for the rental of audio, video, and computer media, to HM Revenue and Customs (HMRC) in line with their then current policy. This policy was later challenged and reversed in 2003, which would have allowed the recovery of this overpaid VAT but for legislation which limited retrospective claims for overpaid VAT to a three year period from when the amount was initially declared.

This legislation was challenged and in 2007 the High Court declared the block on recovery to be partially inadequate, and an opportunity was announced with the 2008 budget for potential claims to be submitted to HMRC. Suffolk County Council has lodged a claim for £0.326million with HMRC. However, as primary accounting material for the years in question is limited, some figures are necessarily estimated and these figures may be subject to adjustment in negotiation with HMRC so that the amount, and date, of final settlement of the claim is unknown.

Major insurance claim

In August 2008 St Felix Middle School, Newmarket was burned down following an arson attack. Since then a significant amount of money has been spent by Suffolk County Council to provide school buildings on site on a temporary basis. Some of this money will be recoverable through the insurance policy the Council has to cover such events. As at the end of the year the potential amount recoverable from the insurers was £1.175 million. The process for the Insurer’s Loss Adjuster to review and approve all the expenditure has not yet been completed, so the exact amount and timing of the insurance receipt is not known.

Contingent Liabilities

Municipal Mutual Insurance (MMI)

In 1992, Municipal Mutual Insurance (MMI), one of our insurers at the time, stopped accepting new business. MMI and its policy holders, including local authorities, have organised how the company can be closed if necessary. How much the company owes cannot be worked out until all current and future claims have been settled. MMI may not have enough money to pay its debts in the future. If that is the case, MMI can claim back from its major policy holders part of the claims paid from 1 October 1993. The total amount of claims they could ask for is £3.4m (£3.4m in 2007 – 2008).

Contractual liabilities

A contractor to the Council has recently advised that it considers it is entitled to an additional payment in the region of £0.5m against their contract. The council does not agree and is disputing this. We will not know the exact timing or amount of any payment until conclusion of the dispute.

Enfield Primary Care Trust (PCT)

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

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

Suffolk Primary Care Trusts (PCTs)

The overall contingent liability in relation to Suffolk PCTs as at 31 March 2009 is £1.827m (£1.827m 2007 – 2008). The nature of the contingency is in respect of the request for past contributions to be repaid.

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

1. Contributions of £1.392m to the County Council in 2003 - 2004 be repaid.
2. Contributions of £0.435m to the County Council in 2004 - 2005 be repaid.

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

27. Pension funds, trust funds and amenity funds

We look after 111 trust and amenity funds (106 in 2007-2008) relating to specific services. Of these 28 are trust funds, most of which were set up after we were left money or property in somebody's will. The 83 amenity funds are for money held on behalf of individual establishments, mainly social care services. The trust and amenity fund balances are placed in specific investments amounting to £0.461 million (£0.462 million in 2007-2008), and cash totalling £0.491 million at 31 March 2009 (£0.460 million at 31 March 2008) was lent to us.

2007 - 2008		2008 - 2009
£ million		**£ million**
1,320.578	Pension funds	1,049.492
0.576	Trust funds	0.604
0.347	Amenity funds	0.347

28. Dedicated schools grant

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

Details of the deployment of DSG receivable for 2008 – 2009 are as follows:

	Central Expenditure £ million	ISB £ million	Total £ million
Final DSG for 2008/09			356.069
Brought forward from 2007/08			4.465
Carry forward to 2009/10 agreed in advance			-2.965
Agreed budgeted distribution in 2008/09	42.811	314.758	357.569
Actual central expenditure	-41.009		-41.009
Actual ISB deployed to schools		-314.758	-314.758
Local authority contribution for 2008/09	0.601	0.000	0.601
Carry forward to 2009/10	2.403	0.000	2.403
Planned carry forward to 2009/10 agreed in advance			2.965
Total carry forward to 2009/10			**5.368**

29. Pension arrangements

The following note explains how the Council accounts for Pension Arrangements under Financial Reporting Standard 17 (FRS17). The figures in the Income & Expenditure account are broken down on the table overleaf, and the liability figure in the balance sheet is explained on page 45. It should be noted these charges and balances are notional and Council Tax is charged on a different basis as explained in the first paragraph on page 43.

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

The authority participates in two pension schemes:

- the Local Government Pension Scheme for civilian employees, administered by Suffolk County Council - this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- the Fire Pension Scheme for firefighters - this is an unfunded scheme, meaning that there are no investments built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they fall due.

Under the 2008 SORP the council has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £646.224 million to £642.993 million, a decrease of £3.231 million, resulting in an increase of the pension deficit of £3.231million (31 March 2007: increase of £3.233m).

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

2007 - 2008 Suffolk County Council Pension Fund No 1	2007 - 2008 Uniformed Fire-fighters		2008 - 2009 Suffolk County Council Pension Fund No 1	2008 - 2009 Uniformed Fire-fighters
£ million	£ million		£ million	£ million
		Net Cost of Services:		
30.284	3.700	Current service cost	23.375	3.000
-0.772	0.000	Past service cost	6.572	0.000
0.317	0.000	Gains on settlements and curtailments	0.045	0.000
		Net Operating Expenditure:		
43.934	7.000	Interest cost	52.375	7.600
-46.440	0.000	Return on assets	-46.835	0.000
27.323	10.700	*Net Charge to the Income & Expenditure Account:*	35.532	10.600
		Statement of Movement in the General Fund Balance:		
-27.323	-10.700	Reversal of net charges made for retirement benefits in accordance with FRS 17	-35.532	-10.600
		Actual amount charged against the General Fund Balance for Pensions in the year:		
37.190	3.000	Employers contributions payable to scheme	40.294	3.800

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £122.407 million (£72.036 million for 2007-08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £126.638 million. This figure included a one-off in year credit adjustment of £4.431 million resulting from the change in accounting policy, moving from mid value to bid value.

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

Teachers

Teachers have their own pension scheme. This is looked after by the Teachers' Pension Agency (TPA). We pay in 14.1% of pensionable pay and teachers contribute at 6.4%. In 2008-2009 we paid over £42.055 million to the TPA. We don’t have to give information about the teachers' scheme because the Teachers' Pension Agency is responsible for paying the pensions. We have also agreed to pay some staff for ‘added years’, as well as their normal pension.

Assets and Liabilities in Relation to Retirement benefits

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

2007-2008 Funded Liabilities	2007-2008 Unfunded Liabilities		2008-2009 Funded Liabilities	2008-2009 Unfunded Liabilities
Local Government pension scheme restated £ million	Uniformed Fire-fighters restated £ million		Local Government pension scheme £ million	Uniformed Fire-fighters £ million
-806.044	-128.700	1 April	-750.691	-109.700
-30.284	-3.900	Current service cost	-23.375	-2.800
-43.934	-7.000	Interest cost	-52.375	-7.600
-10.075	-1.000	Contributions by scheme participants	-11.539	-1.200
114.528	26.900	Actuarial gains and losses	71.231	4.400
24.663	4.000	Benefits paid	24.528	5.000
0.772	0.000	Past service costs	-6.573	0.000
-0.317	0.000	Losses/gains on curtailments	-0.045	0.000
-750.691	**-109.700**	**31 March**	**-748.839**	**-111.900**

Reconciliation of fair value of the scheme assets

2007-2008 Restated £ million		2008-2009 £ million
643.343	1 April	642.993
46.440	Expected rate of return	46.835
-69.392	Actuarial gains and losses	-198.037
37.190	Employer contributions	40.294
10.075	Contributions by scheme participants	11.539
-24.663	Benefits paid	-24.528
642.993	31 March	**519.096**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was negative in both years £151.825 million (£23.102 million in 2007 - 2008).

	2004-2005* £ million	2005-2006* £ million	2006-2007 restated £ million	2007-2008 restated £ million	2008-2009 £ million
Present value of liabilities					
Local Government Pension Scheme	-643.718	-788.676	-806.044	-750.691	-748.839
Uniformed Fire-fighters	-114.000	-131.000	-128.700	-109.700	-111.900
Fair value of Assets in the Local Government Pension Scheme	425.489	567.834	643.343	642.993	519.096
Total	**-332.229**	**-351.842**	**-291.401**	**-217.398**	**-341.643**
Surplus/(deficit) in the scheme					
Local Government Pension Scheme	-218.229	-220.842	-162.701	-107.698	-229.743
Uniformed Fire-fighters	-114.000	-131.000	-128.700	-109.700	-111.900
Total	**-332.229**	**-351.842**	**-291.401**	**-217.398**	**-341.643**

* The council has elected not to restate fair value of scheme assets for 2004 -2005 and 2005-2006

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £860.739 million has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £341.643 million. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the actuary.
- finance is only required to be raised to cover fire pensions when the pensions are actually paid. Any deficit between the contributions paid into the scheme and the benefits paid out in the year is met by a Top-Up Grant from Central Government.

The total contributions expected to be made to the Suffolk County Council Pension Scheme by the council in the year to 31 March 2010 is £39.969 million. There is no equivalent figure for the Firefighters Pension Scheme.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the 'projected unit method', an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Both the Fire Scheme and the County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, who valued both the schemes fund liabilities as at 31 March 2009. When analysing information on our pension fund's individual membership, Hymans came to the conclusion that there has not been a significant change in the age profile over the year. While it is worth noting that under the projected unit method current service costs will increase as members of the scheme approach retirement, there has not been a significant change to the current service cost due to a changing age profile in the year to 31 March 2009. The last full valuation was as at the 31 March 2007.

The main assumptions used in their calculations have been:

2007 - 2008 Local government pension fund	2007 - 2008 Uniformed Fire-fighters		2008 - 2009 Local government pension fund	2008 - 2009 Uniformed Fire-fighters
		Long-term expected rate of return on assets in the scheme:		
7.7%	N/A	Equity investments	7.0%	N/A
5.7%	N/A	Bonds	5.6%	N/A
5.7%	N/A	Property	4.9%	N/A
4.8%	N/A	Cash	4.0%	N/A
		Mortality assumptions:		
		Longevity at 65 for current LGPF pensioners / longevity at 60 for current Fire-fighter pensioners: (years)		
19.6	27.6	Men	19.6	27.6
22.5	31	Women	22.5	31
		Longevity at 65 for future LGPF pensioners / longevity at 60 for future Fire-fighter pensioners: (years)		
20.7	29.2	Men	20.7	29.2
23.6	32.7	Women	23.6	32.7
3.6%	3.6%	Rate of inflation	3.1%	3.1%
5.1%	5.1%	Rate of increase in salaries	4.6%	4.6%
3.6%	3.6%	Rate of increase in pensions	3.1%	3.1%
6.9%	6.9%	Rate of discounting scheme liabilities	6.9%	6.9%
25%	n/a	Take-up of option to convert annual pension into retirement grant	25%	n/a

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

2007-2008 %		2008-2009 %
67%	Equity Investments	69%
21%	Bonds	19%
9%	Property	11%
3%	Cash	1%

History of experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008-2009 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

Local Government Pension Scheme

	2004-2005 %	2005-2006 %	2006-2007 %	2007-2008 %	2008-2009 %
Difference between the expected and actual return on assets	3.5%	14.9%	0.9%	-10.8%	-38.2%
Experience gains and losses on liabilities	-5.3%	0.0%	0.0%	-2.0%	0.0%

Fire Pension Scheme

	2004-2005 %	2005-2006 %	2006-2007 %	2007-2008 %	2008-2009 %
Experience gains and losses on liabilities	-13.1%	0.5%	0.7%	1.1%	0.3%

30. Corporate and democratic core

The corporate and democratic core (CDC) includes anything to do with councillors' activities and any cost involved in supporting their work and the democratic processes which back this up (including financial reporting and auditing). Of the £7.310 million (£6.204 million in 2007 – 2008) shown in the Income and Expenditure account, £4.453 million (£3.432 million in 2007 – 2008) relates to democratic representation and management. The remaining £2.857 million (£2.772 million in 2007 – 2008) relates to corporate management.

31. Interest received

Interest received in 2008 - 2009 includes £1.963 million, which goes directly to schools (£2.205 million in 2007-2008).

32. Government Grants

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

2007 - 2008 £ million		2008 - 2009 £ million
19.149	Revenue Support Grant	18.898
2.214	Local Authority Business Growth Incentive Grant	0.585
0.315	Performance Reward Grant	0.000
0.000	Area Based Grant	30.435
21.678		**49.918**

33. Landfill usage

In relation to the Landfill Allowance Trading Scheme (LATS), Suffolk County Council was allocated, by Central Government, an allowance of 165,875 tonnes representing the maximum amount of Biodegradable Municipal Waste (BMW) it could landfill in 2008 – 2009 without paying penalties. It is estimated that we have landfilled 138,000 tonnes. This means we landfilled 27,875 tonnes less than our allowance.

We have assessed the market value of these allowances to have dropped from £1.00 per tonne at the end of 2007 – 2008 to £0.05 per tonne by the end of 2008 – 2009 based on recent trades for these allowances between different landfill authorities.

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

	Brought Forward As at 1st April 2008 £ million	Initial Recognition of 2008-09 Allowances £ million	2008-09 In-year movements £ million	As at 31st March 2009 £ million
Assets and Liabilities in the Balance Sheet				
Current Assets				
Landfill Usage Allowances	0.254	0.166	-0.406	0.014
Total Assets	**0.254**	**0.166**	**-0.406**	**0.014**
Liabilities				
Deferred Income	0.000	0.166	-0.166	0.000
Liability to DEFRA for BMW landfill usage	-0.135	0.000	0.128	-0.007
Total Liabilities	**-0.135**	**0.166**	**-0.038**	**-0.007**
Net Assets / (Liabilities)	**0.119**	**0.332**	**-0.444**	**0.007**
Reserves				
Earmarked Reserves	0.119	0.000	-0.112	0.007
Total Reserves	**0.119**	**0.000**	**-0.112**	**0.007**

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

Income & Expenditure Transactions in year	**2008 - 2009** Gross Income £ million	Gross Expenditure £ million	Net Expenditure £ million
Cultural, Environmental and Planning Services	**-0.166**	**0.278**	**0.112**

For information on the accounting treatment of Landfill Usage please refer to accounting policy 21 on page 75.

34. Financial Instrument balances

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

Long term 31 March 2008 £ million	Current 31 March 2008 £ million Restated		Long term 31 March 2009 £ million	Current 31 March 2009 £ million
305.788	153.886	Financial liabilities at amortised cost	304.017	144.995
-	-	Financial liabilities at fair value through Income and Expenditure	-	-
305.788	**153.886**	Total borrowings	**304.017**	**144.995**
0.375	130.586	Loans and receivables	0.394	82.800
-	-	Available for sale financial assets	-	-
0.375	**130.586**	Total investments	**0.394**	**82.800**

35. Financial Instruments gains & losses

The gains and losses recognised in the Income & Expenditure and Statement of Total Recognised Gains and Losses (STRGL) in relation to financial instruments are made up as follows:

2007-08				2008-09		
Financial Liabilities measured at amortised cost £ million	Financial Assets - loans and receivables £ million	Total £ million		Financial Liabilities measured at amortised cost £ million	Financial Assets - loans and receivables £ million	Total £ million
-13.400	0.000	-13.400	Interest expense	-13.880	0.000	-13.880
-0.008	-0.227	-0.235	Losses on derecognition	0.000	-0.052	-0.052
0.000	0.359	0.359	Impairment (losses)/ gain	0.000	0.194	0.194
-13.408	0.132	-13.276	Interest payable and similar charges	-13.880	0.142	-13.738
0.000	4.731	4.731	Interest income	0.000	4.953	4.953
0.043	0.011	0.054	Gains on derecognition	0.012	0.002	0.014
0.043	4.742	4.785	Interest and investment income	0.012	4.955	4.967
-13.365	**4.874**	**-8.491**	Net gain/(loss) for the year	**-13.868**	**5.097**	**-8.771**

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

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

- Estimated average interest rates at 31 March 2009 of 3.083% for loans from the PWLB and 4.347% for other loans payable
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2008 Carrying amount £ million Restated	31 March 2008 Fair value £ million Restated		31 March 2009 Carrying amount £ million	31 March 2009 Fair value £ million
459.674	447.848	Financial liabilities	449.012	436.903

The fair value is lower than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest payable is lower than the rates available for similar loans at the balance sheet date. This commitment to pay interest below current market rates reduces the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

31 March 2008 Carrying amount £ million Restated	31 March 2008 Fair value £ million Restated		31 March 2009 Carrying amount £ million	31 March 2009 Fair value £ million
130.963	130.963	Loans and receivables	83.194	83.194

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

37. Nature and extent of risks arising from financial instruments

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

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

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

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

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

Credit risk

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

As at 31 March 2009, the Council will invest up to £25 million for periods of up to one year with financial institutions that satisfy the Council's credit rating requirements. These are ratings (as assessed by the Fitch ratings agency) as follows: Long-term AA-; Short-term F1+; Individual A/B; Support rating 2. In addition, the Council will invest up to £25m in a money market fund operated by Scottish Widows Investment Partners (SWIP), which is AAA rated. The Council sets a limit of £25m that may be invested with other UK local authorities and nationalised industries.

The Council's counterparty requirements have changed compared with those in force at March 2008. At March 2008, the Council was prepared to invest with UK clearing banks (limit £20m), and their wholly owned subsidiaries (limit £5m). At March 2008, the Council was prepared to invest with UK building societies with a P1 Moody's rating (limit £5m). At March 2008, the Council was prepared to invest with British local authorities (limit £3m).

The Council has a number of deposits with banks and building societies at March 2009, which were entered into during 2008/9, and which no longer satisfy the Council's counterparty requirements, although they did so at the time the deposit was made. These deposits were made for varying periods of up to one year and amount to £9 million, and they are due for repayment by the end of July 2009 at the latest. The Council does not consider that there is any significant risk in respect of these deposits.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last 3 financial years, adjusted to reflect current market conditions:

	Amount at 31 March 2009 £ million	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2009 %	Estimated Maximum exposure to default and uncollectability at 31 March 2009 £ million	Estimated maximum exposure at 31 March 2008 £ million
Deposits with Banks and Financial institutions	35.962	0.001%	0.001%	0.000	0.000
Secured debt	2.919	0.001%	0.001%	0.000	0.000
<u>Customers</u>					
External debts (non aged)	30.383				
General debts less than 90 days	11.121	0.000%	0.000%	0.000	0.000
General debts >90days but <365 days	1.811	30.000%	30.000%	0.543	0.693
General debts >365 days	3.082	50.000%	50.000%	1.541	1.585
Total	**85.278**			**2.084**	**2.278**

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

The authority generally has terms that give customers, 30 days to pay their debts. Of the £16.014m classified as receivable trade / general debtors there is £14.853 million outstanding greater than 30 days.

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

31 March 2008 £ million		31 March 2009 £ million
4.139	Less than three months	12.021
1.591	Three to six months	0.881
0.820	Six months to one year	0.643
3.477	More than one year	1.308
10.027	Total	**14.853**

Liquidity risk

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

The maturity analysis of financial liabilities is as follows:

31 March 2008 £ million		31 March 2009 £ million
57.258	Less than one year	33.921
3.503	Between one and two years	13.522
20.515	Between two and five years	10.577
267.573	More than five years	266.909
348.849		**324.929**

The Council also has a significant number of agreements with developers, such as Section 106, 278, and 38 agreements, that are classified in the balance sheet as Deferred Liabilities and total £13.009m (£11.226m 2007-2008). These are agreements that cover contributions to, for instance, road schemes. Each agreement can be different but all those in this category are required to be paid back to the developer should the Council not fulfil the agreement or should the related scheme not be completed for any reason.

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

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

Market risk

Interest rate risk

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

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

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

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

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

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

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

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

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables constant the main impact would be on £13.009m of Developers contributions included within Long term debt (potential impact £0.130m). All other variable rate debt and investments are immaterial as at 31 March 2009 and thus a 1% increase in rates would have an immaterial effect on the accounts for those items.

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

Price risk

Price risk arises mainly through stock market movements.

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

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

38. Stock and work in progress

31 March 2008 £ million		31 March 2009 £ million
0.060	Suffolk Design and Print	0.055
0.102	Public Protection	0.093
0.052	Adult Social Care	0.074
0.390	Suffolk Highways	0.533
0.033	Suffolk Fleet Maintenance	0.033
0.055	Information Centres	0.056
0.304	Education / Catering	0.270
0.996		**1.114**

39. Insurance arrangements

We insure most of our own third-party and employer’s liability risks. Insurance companies provide cover for very large individual claims and limit total claims for each insurance year. Services have to contribute to the cost of the insurance company premiums and to build up money to pay for future claims. We also have an insurance reserve – you can find more details on reserves in accounting policy 4 on page 69.

40. Reconciliation of revenue cash flow

2007 - 2008 Restated £ million		2008 - 2009 £ million	2008 - 2009 £ million
3.077	**Surplus (-) / deficit on I & E Account**		**154.289**
	External interest		
-13.409	Interest paid	-13.880	
4.362	Interest received	4.953	
-9.047			**-8.927**
	Appropriations		
0.090	Contributions to Provisions	-0.356	
0.359	Bad debt provision	0.194	
0.449			**-0.162**
	Items on accruals basis		
3.599	Decrease / increase (-) in creditors	-8.023	
1.270	Increase / decrease (-) in debtors	-1.857	
-0.081	Increase / decrease (-) in long term debtors	0.034	
-0.001	Increase / decrease (-) in stocks	0.118	
-2.970	Decrease / increase (-) in other accruals	0.000	
1.817			**-9.728**
	Capital financing adjustments		
19.729	Government Grants Deferred	14.705	
-48.123	Depreciation and impairment	-188.509	
-0.457	Gain/loss on sale of assets	-3.243	
2.167	Pension charges	-2.038	
-0.965	Landfill Allowances	-0.241	
-27.649			**-179.326**
-31.353	Net Cash flow from Revenue Actitvities		**-43.854**

41. Movement in net debt

2007 - 2008 £ million		2008 - 2009 £ million
2.275	Decrease (-) / increase in cash in the period	-2.048
-47.748	Cash inflow / outflow (-) from change in debt and lease financing	22.205
37.501	Cash inflow / outflow (-) from change in liquid resources	-46.942
-7.972	Movement in net debt in the period	-26.785
-2.970	Accrued Interest in debt financing	0.244
-266.415	Net debt at beginning of year	-277.357
-277.357	Net debt at end of year	-303.898

	At 01 April 2008 £ million	Movement £ million	At 31 March 2009 £ million
Cash at bank / overdrafts (-)	0.126	-2.048	-1.922
		-2.048	
Debt due after one year	-305.788	1.771	-304.017
Debt due within one year	-54.287	20.366	-33.921
		22.137	
Current asset investments	82.592	-46.630	35.962
Total	**-277.357**	**-26.541**	**-303.898**

42. Government grants for services

Significant government grants for services are shown below:

2007 - 2008 £ million	Government Agency	2008 - 2009 £ million
	Revenue Grants	
454.926	Department for Children, Schools and Families	454.899
5.424	DIUS Further Education	4.426
21.910	Communities and Local Government	18.659
19.218	Department of Health	1.743
0.877	East of England Development Agency	2.144
2.225	Teachers Delivery Agency	3.393
1.393	Home Office	1.691
1.115	Youth Justice Board	1.145
0.000	British Educational Communications & Technology Agency	0.605
0.000	SSSI Natural England	0.512
0.305	Department of Work and Pensions	0.381
5.566	Department of Transport	0.158
0.000	Transport Research Board	0.108
0.000	Tech Centre for Agriculture and Rural Co-operation	0.026
0.019	General Register Office	0.020
0.561	Department for Environment, Food and Rural Affairs	0.020
513.539		**489.930**
	Capital Grants	
0.000	British Educational Communications & Technology Agency	0.430
0.000	Department for Environment, Food and Rural Affairs	1.218
34.869	Department for Children, Schools and Families	30.912
0.000	Communities & Local Government	1.384
7.887	Department of Transport	11.875
1.161	Department of Health	0.808
0.000	East of England Development Agency	2.344
0.000	Learning & Skills Council	8.193
0.000	National Health Service	6.458
0.000	Home Office	0.322
0.170	Other	0.329
44.087		**64.273**

Group Accounts – Introduction

Introduction to the Group Accounts

The 2008 Statement of Recommended Practice (SORP) sets out comprehensive requirements for group accounts. These require Local Authorities to consider all their interests in subsidiaries, associates or joint ventures.

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

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

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

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

Group Accounting Policies

The accounting policies used in the preparation of the Group Accounts is the same as for the single entity accounts of Suffolk County Council as set out on pages 68 to 75.

Group Accounts – Income and Expenditure Account

2007 - 2008 Net Expenditure £ million		Notes	2008 - 2009 Gross Expenditure £ million	Gross Income £ million	Net Expenditure £ million
3.105	Central services to the public		5.194	-0.666	4.528
0.799	Court services		0.929	0.000	0.929
43.603	Cultural, environmental and planning services		68.364	-17.466	50.898
113.786	Children's and education services		755.065	-519.783	235.282
23.739	Fire services		36.202	-0.735	35.467
38.628	Highways, roads and transport services		62.497	-11.560	50.937
2.907	Housing Services		20.602	-19.868	0.734
151.355	Adult social services		234.789	-43.855	190.934
6.204	Corporate and democratic core	**30**	7.527	-0.217	7.310
1.049	Non distributed costs		9.766	-0.031	9.735
0.000	Share of operating results of Joint Venture	**G1**	8.438	-8.438	0.000
385.175	**Net cost of services**		**1,209.373**	**-622.619**	**586.754**
0.457	Surplus(-)/Loss on the disposal of fixed assets				3.243
0.431	Payments to the Environment Agency				0.426
0.355	Payments to the Eastern Sea Fisheries Joint Committee				0.364
-2.440	Surpluses(-) / deficits on trading undertakings not included in Net Cost of Services	**3**			-2.905
13.400	Interest payable and similar charges	**35**			13.880
-4.731	Interest and investment income	**31,35**			-4.953
4.494	Pensions interest cost and expected return on pensions assets	**25**			13.140
397.141	**Net Operating Expenditure**				**609.949**

Group Accounts – Income and Expenditure Account

2007 – 2008			2008 – 2009		
Net Expenditure			**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£ million		**Notes**	**£ million**	**£ million**	**£ million**
-258.284	Demand on Collection Fund				-269.985
-21.678	General government grants	**32**			-49.918
-114.102	Non-domestic rates redistribution				-135.757
3.077	**Deficit for the Year**				**154.289**

Group Accounts – Reconciliation of Single Entity Deficit to Group Deficit

2007 - 2008 £ million		2008 - 2009 £ million
3.077	Single Entity Income and Expenditure Account Deficit	154.289
0.000	Less: subsidiary and associate dividend income and other distributions	0.000
0.000	Add: surplus or deficit arising from other entities included in the group accounts	0.000
3.077	Group Account Income and Expenditure Account deficit for the year	154.289

Group Accounts – Statement of Recognised Gains and Losses

2007 - 2008 £ million		2008 - 2009 £ million
3.077	Deficit for the year on the Income and Expenditure Account	154.289
-271.075	Surplus (-) / deficit arising on revaluation of fixed assets	42.575
-73.034	Actuarial gains (-) / losses on pension fund assets and liabilities	126.638
-341.032	**Total recognised gains (-) / losses for the year**	**323.502**
27.360	Loss through re-statement of tangible fixed assets as at 31st March 2007 as per note 13 on page 26.	
-313.672	**Total gains recognised since the published Statement of Accounts for 2006-2007**	

Group Accounts – Balance Sheet

31 March 2008			31 March 2009		
£ million		Notes	£ million	£ million	£ million
	Fixed Assets				
	Tangible Fixed Assets				
	Operational Assets:				
1,511.283	Other land and buildings			1,368.229	
29.779	Vehicles, plant and equipment			36.941	
299.865	Infrastructure assets			327.141	
1.216	Community assets			0.482	
	Non operational assets:				
21.644	Assets under construction			29.768	
20.022	Surplus assets held for disposal			19.157	
1,883.809	**Total Fixed Assets**	**12**			1,781.718
	Long-term investments				
3.979	Share of gross assets of Joint Venture		3.372		
-3.977	Share of gross liabilities of Joint Venture		-3.370		
	Total long-term investment in Joint Venture	**G2**		0.002	
0.171	Other long-term investments			0.156	
0.204	Long-term debtors			0.238	
1,884.186	**Total Long-Term Assets**				1,782.114
	Current Assets				
0.996	Stocks and work in progress	**38**		1.114	
47.868	Debtors			46.838	
82.592	Investments			35.962	
0.254	Landfill Allowances	**33**		0.013	
0.126	Cash and bank			0.000	
					83.927
2,016.022	**Total Assets**				1,866.041
	Current Liabilities				
-54.287	Short-term borrowing			-33.921	
-99.599	Creditors			-109.152	
0.000	Bank overdraft			-1.922	
					-144.995
1,862.136	**Total Assets Less Current Liabilities**				1,721.046
	Long-term liabilities				
-294.562	Long-term borrowing			-291.008	
-2.733	Provisions	**24**		-3.089	
-186.064	Government grants deferred	**21**		-246.782	
-27.010	Capital contributions deferred	**21**		-21.443	
-11.226	Deferred liabilities			-13.009	
-212.967	Liability related to defined benefit pension scheme	**29**		-341.643	
					-916.974
1,127.574	**Total Assets Less Liabilities**				**804.072**

Group Accounts – Balance Sheet

31 March 2008					31 March 2009
£ million		Notes	£ million	£ million	£ million
	Financed by:				
265.060	Fixed asset revaluation reserve	**25**			211.014
972.960	Capital adjustment account	**14,25**			827.041
-212.967	Pensions reserve	**25,29**			-341.643
29.311	General fund balance	**25**			27.408
73.210	Earmarked reserves	**25**			80.252
1,127.574	**Total Net Worth**				**804.072**

Group Accounts – Cash Flow Statement

2007 - 2008 Restated £ million	£ million		Notes	2008 - 2009 £ million	£ million
		Revenue activities			
	-31.353	**Revenue Activities' Net Cash Flow**	**40**		**-43.854**
		Returns on Investments and Servicing of Finance			
		Cash outflows:			
13.409		Interest paid		13.812	
		Cash inflows:			
-4.362		Interest received		-5.010	
	9.047	**Net cash flow from returns on investments**			**8.802**
		Capital Activities			
		Cash outflows:			
89.407		Purchase of fixed assets		133.655	
		Cash inflows:			
-1.481		Sale of fixed assets		-2.950	
-44.087		Capital grants received		-60.008	
-13.561		Other capital cash receipts		-8.860	
	30.278	**Net cash flow from capital activities**			**61.837**
	7.972	**Net Cash inflow / outflow Before Financing**			**26.785**
		Management of Liquid Resources			
	37.501	Net increase / decrease in short-term deposits			**-46.942**
		Financing			
		Cash outflows:			
190.345		Repayments of amounts borrowed		832.318	
		Cash inflows:			
-35.000		New long-term loans raised		-20.000	
-197.781		New short-term loans		-788.330	
-5.312		Deferred Liabilities		-1.783	
	-47.748				**22.205**
	-2.275	**Net increase (-) / decrease in cash**	**41**		**2.048**

G1 Group Share of Joint Venture gross expenditure and gross income

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

2007 - 2008 £ million		2008 - 2009 £ million
-7.154	Share of turnover	-8.438
7.154	Share of operating expenditure	8.438
0.000		0.000

Also refer to note 23 on page 37 of the single entity notes to the accounts for the total of CSD turnover and operating expenditure for the year.

G2 Long-term investments

The Group's share (16.4%) of CSD Ltd's gross assets and gross liabilities is shown under long-term investments in the Balance Sheet in accordance with Financial Reporting Standard 9 (FRS9) issued by the Accounting Standards Board**.**

Accounting policies

1 General principles

We have prepared these accounts in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008 (SORP).

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

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

2 Accruals of income and expenditure

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

This means that:

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

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

- transactions related to grant funding
- transactions relating to Schools
- transactions going through our automated ordering system
- other minor exceptions

The application of the £1,000 de-minimis policy does not materially affect the accounts of Suffolk County Council.

3 Provisions

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

The Council maintains a number of provisions as detailed within note 24 to the accounts on page 37.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. The provisions are reviewed annually to ensure that the amounts held on the Balance Sheet represent the best estimates of the expenditure required to settle the obligations.

4 Reserves

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

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

Details of our reserves are shown in note 25 to the accounts on pages 38 and 39.

5 Government grants and contributions (Revenue)

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

6 Retirement benefits – Financial Reporting Standard 17 (FRS17)

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

- **Teachers** – The Teachers' Pension Scheme is administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF). It is a defined benefit final salary scheme. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and the Education service revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year. If a teacher has extra years added to their pension calculation, we pay the extra pension.

- **Firefighters** – The Firefighters' Pension Scheme is administered by Suffolk County Council and accounted for as an unfunded, defined benefit scheme. This means that there are no assets to meet the pension liabilities and cash has to be generated to meet actual pension payments. The cost of pensions and other benefits are provided from Employer Contributions paid to the scheme by Suffolk County Council and contributions from Firefighters, any deficit on these payments is covered by a Top-Up Grant from Central Government. The liabilities of the Firefighters Pension Scheme attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method.

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

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

Liabilities are discounted to their value at current prices. The rate employed for the 2008 - 2009 accounts is the yield available on long-dated, high quality corporate bonds, as measured by the yield on iboxx Sterling Corporate Index, AA over 15 years with the removal of recently re-rated bonds from the index.

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

1. Quoted securities – current bid price
2. Unquoted securities – professional estimate
3. Unitised securities – current bid price
4. Property – market value

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

1. Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
2. Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
3. Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to Net Operating Expenditure in the Income and Expenditure Account.
4. Expected Return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return, credited to net Operating Expenditure in the Income and Expenditure Account.
5. Gains/Losses on Settlements and Curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the Net Cost of Services in the income and Expenditure Account as part of Non Distributed Costs.
6. Actuarial Gains and Losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited to the Statement of Total Recognised Gains and Losses.
7. Contributions paid to the Suffolk County Council pension Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund.

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

Discretionary benefits

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

For more information on Retirement Benefits and FRS17 please refer to note 29 on page 42 to page 47 of the accounts.

7 VAT

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

8 Overheads and support services

The full costs of overheads and support services are recharged to those Services in proportion to the benefit they receive from the supply or service. This is in accordance with the principles of the CIPFA Best Value Accounting Code of Practice 2008.

The two exceptions to this are:

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

CDC and NDC are shown as separate headings in the Income and Expenditure Account on page 14. Also see note 30 on page 47.

9 Recognition of fixed assets

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

Fixed assets can be:

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

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

Spending on capital assets is recorded in our accounts when the work has been carried out or when the asset has been delivered to us, rather than when we actually pay for it. In this year's accounts we have only included in the Fixed Asset Register new land and buildings over £20,000 and new vehicles, plant and equipment over £6,000, with the exception of I.T. assets, which have all been included. Enhancements to existing assets have also been included.

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

10 Measurement and depreciation

Fixed assets are initially measured at cost. Assets are then carried in the balance sheet at value, and where they have a limited useful life, are reduced in value (amortised/depreciated) according to the following policies:

	Value in Balance Sheet	Depreciation period
Intangible assets	Historic cost less amortisation	Variable – based on the estimated useful life.
Operational land & buildings (excluding community assets)	Existing use value if there is a market for the asset. If not, the asset is valued at replacement cost less depreciation.	Variable - based on the valuer's assessment. Land is not depreciated.
Vehicles, plant & equipment	Historic cost less depreciation	Variable – based on the estimated useful life for the type of asset.
Infrastructure	Historic cost less depreciation – except that the value of infrastructure assets at 1 April 1994 was set by referring to the outstanding loan debt on the assets at that time.	40 years
Community assets	Historic cost – except that community assets held at 1 April 1994 for which the historic cost was not known, were given a token value of £1,000.	No depreciation charge
Investment properties	Open market value	No depreciation charge
Assets under construction	Cost	No depreciation charge
Surplus assets pending disposal	Open market value	Variable - based on the valuer's assessment. Land is not depreciated.

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

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

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

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

11 Impairment of fixed assets

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

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

Where a reduction in value results from a general fall in prices, or where the cause cannot be clearly determined, the loss is written off against any revaluation gains attributable to the asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

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

12 Grants and contributions

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

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

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

13 Charges to revenue for the use of fixed assets

Service revenue accounts, central support services and trading accounts are charged with depreciation, amortisation and any impairment loss that is due to a clear consumption of economic benefits or other impairment losses not covered by a revaluation gain in the Revaluation Reserve for all fixed assets used in the provision of the service.

We are not required to raise council tax to cover depreciation, amortisation and impairment losses. However, we are required by law to make a provision for the repayment of debt, known as a Minimum Revenue Provision (MRP). Up until 2007-2008 this was calculated as 4% of our capital financing requirement at the start of each financial year, where the capital financing requirement represents our outstanding debt for capital investment. From 2008-2009, MRP is calculated in 2 parts. The first part of the charge is debt relating to unsupported borrowing (from 2007-2008 onwards) divided by the life of the assets the borrowing was used to finance. The second part is 4% of our capital financing requirement at the start of the previous year less the balance of debt from unsupported borrowing used for part 1 of the calculation. Depreciation, amortisation and impairment losses charged to the Income & Expenditure Account are therefore replaced by MRP in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account.

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

14 Disposal of fixed assets

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

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

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

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

15 Revenue Expenditure Funded from Capital under Statute and de minimis spending

Revenue expenditure funded from capital under statute (formerly deferred charges) is capital spending that does not result in the creation of an asset for Suffolk County Council. Examples include capital grants we make to other organisations, spend on schools not owned by Suffolk County Council and revenue spending we are directed by the government to treat as capital. De minimis spending is where we buy capital assets below a certain value and do not recognise these assets in the fixed asset register. Please refer to accounting policy 9 on page 71 for the de minimis values. We transfer revenue expenditure funded from capital under statute and de minimis spending to the revenue account in the year in which we spend the money. These charges are then reversed out in the Statement of Movement on the General Fund balance so that there is no impact on Council Tax.

16 Operating leases

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

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

17 Financial Liabilities

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

18 Financial Assets

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

19 Stocks and work in progress

Stocks are included in the balance sheet at the lower of cost or net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit or loss reasonably attributable to the works. Please refer to note 38 on page 55**.**

20 Interests in companies and other entities

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

21 Landfill allowances

Background

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

LATS is a "cap and trade" scheme. This is explained below:

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

Accounting for LATS

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

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

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

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

For details of 2008 - 2009 transactions please refer to note 33 on page 48.

Councillors' allowances

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

Member	Basic Allowance	Special Responsibility Allowance	Dependants Carer's Allowance	Travel and Subsistence Expenses	Financial Loss Allowance
Clare Aitchison	9,687.60			253.71	
Edward Alcock	9,687.60	14,531.40		4,400.85	
Allyson Barron	9,687.60			929.20	
Mark Bee	9,687.60	7,197.27		765.60	
Peter Beer	9,687.60			1,077.37	
Peter Bellfield	9,687.60	4,843.80			
Roger Bellham	9,687.60	7,265.76		2,469.60	
Bill Bishop	9,687.60			772.30	
Andrew Cann	9,687.60	3,269.73		388.00	
Lisa Chambers	9,687.60	14,531.40		4,898.00	
Malcolm Cherry	9,687.60	4,960.20		2,746.16	
Rosemary Clarke	9,687.60	4,960.20		2,267.30	
Terry Clements	9,687.60	2,331.00		1,498.00	
Jeremy Clover	8,073.00			536.41	
John Field	9,687.60	4,855.65		719.60	
Phillip French	9,687.60			1,418.55	
John Goldsmith	9,687.60			781.20	
John Goodwin	9,687.60	2,331.00		2,864.24	
Gary Green	9,149.40			515.97	
David Grutchfield	9,687.60			560.90	
Russell Harsant	9,687.60				
Colin Hart	9,687.60			554.80	
Paul Hopfensperger	9,687.60			76.80	
Rebecca Hopfensperger	9,687.60	2,331.00		985.20	
Jane Hore	9,687.60			1,241.54	
Steven Hudson	9,687.60			252.00	
Richard Kemp	9,687.60			443.47	
John Klaschka	9,687.60			188.80	
Karen Knight	9,687.60	3,229.20		506.00	
Raeburn Leighton	9,687.60	4,036.50		2,533.95	
Tony Lewis	9,687.60	7,265.76		1,508.60	
Kevan Lim	9,687.60	7,629.60	1,013.25	29.18	
Inga Lockington	9,687.60	4,960.20		15.20	
David Lockwood	9,687.60	4,855.65		2,002.49	
Susan Maguire	9,687.60				
Harold Mangar	9,687.60				
Graham Manuel	9,687.60	7,265.76			
Tim Marks	9,687.60			1,771.08	
Sandy Martin	9,687.60	7,265.76			
Wendy Mawer	9,687.60	4,843.80		831.24	
Guy McGregor	9,687.60	14,531.40		3,823.03	
Charles Michell	9,687.60	7,609.18		1,655.01	
Jane Midwood	9,687.60	807.30		805.60	
Graham Newman	9,687.60	14,531.40		2,051.75	
Colin Noble	9,687.60	2,587.55		4,133.13	
Patricia O'Brien	9,687.60	14,531.40		1,174.40	
Stefan Oliver	9,687.60	4,843.80		536.00	

Councillors' allowances

Member	Basic Allowance	Special Responsibility Allowance	Dependants Carer's Allowance	Travel and Subsistence Expenses	Financial Loss Allowance
Penny Otton	9,687.60			606.40	
Jack Owen	7,173.00			338.01	
Caroline Page	5,085.99		256.75	136.63	
Keith Patience	9,687.60			205.60	
Jeremy Pembroke	9,687.60	24,219.12		3,110.28	
Roger Pendleton	9,687.60				
Kathy Pollard	9,687.60	4,359.60		574.35	
Selwyn Pryor	9,687.60			698.80	
William Quinton	9,687.60				
Keith Rawlingson	9,687.60	4,843.80		14.40	
Ben Redsell	2,421.90				
Ann Rodwell	5,839.47	6,283.73		69.60	
Morris Rose	9,687.60			1,156.00	
Bryony Rudkin	9,687.60	7,265.76			
Bill Sadler	9,687.60	1,725.29		1,844.80	
Ken Sale	9,687.60			516.40	
Colin Spence	9,687.60	2,421.96		1,400.71	
Joanna Spicer	9,687.60	14,531.40		3,371.90	
Jane Storey	9,687.60	16,953.36		3,383.70	
Julian Swainson	9,687.60	10,172.04		3,271.92	
John Taylor	9,687.60			1,480.54	
David Thomas	7,721.04				
Sue Thomas	9,687.60	7,265.76		96.00	
Julia Truelove	9,687.60	4,960.20			
Frank Warby	9,687.60	4,843.80		398.40	
Ron Ward	9,687.60			2,085.55	
Anne Whybrow	9,687.60				
David Wood	9,687.60			951.00	
David Yorke-Edwards	9,687.60			1,755.91	
Total	**713,908.20**	**294,048.49**	**1,270.00**	**84,449.13**	**0.00**

Co-opted Members	Basic Allowance	Special Responsibility Allowance	Dependants Carer's Allowance	Travel and Subsistence Expenses	Financial Loss Allowance
Margaret Anderson		9,687.60			
Michael Brenton		4,843.80			
Tony Dack				8.00	140.00
Anne Dunford					630.00
John Levantis				500.90	2,100.00
Paul McIntee				74.00	350.00
Patricia Royce				643.10	1,750.00
Tony Sheppard				496.00	2,450.00
Rachael Sloane				169.00	840.00
Suzanne Travis					
Richard Tucker				247.09	700.00
Total	**0.00**	**14,531.40**	**0.00**	**2,138.09**	**8,960.00**

Pension Number 1 Fund

2007 - 2008 Restated £ million	Fund account	Notes	2008 - 2009 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers:		
59.694	Normal	**2**	64.280
3.956	Deficit funding	**2**	3.337
4.691	Other	**2**	3.256
	From members:		
17.434	Normal	**2**	19.749
	Transfers in:		
7.588	Individual transfers in from other schemes		5.431
0.044	Other income		0.036
	Benefits payable:	**2**	
-40.711	Pensions		-43.947
-7.703	Commutations of pensions and lump sum retirement benefits		-10.590
-0.609	Lump sum death benefits		-1.000
	Payments to and on account of leavers:		
-0.026	Refunds of contributions		-0.021
0.003	State scheme premiums		-0.005
-3.247	Individual transfers out to other schemes		-4.052
-1.147	Administration expenses borne by the scheme		-1.344
39.967	**Net additions (withdrawals) from dealings with members**		**35.130**
	Returns on investments		
	Investment income:		
0.680	Interest from fixed interest securities		0.968
18.108	Dividends from equities		19.197
4.579	Income from pooled investment vehicles		4.656
0.860	Interest on cash deposits		0.572
0.188	Other		0.225
-55.877	Change in market value of investments		-324.595
-0.899	Taxation - irrecoverable withholding tax		-1.289
-3.041	Investment management expenses borne by the scheme		-2.887
-35.402	**Net returns on investments**		**-303.153**
4.565	Net increase, or decrease, in the fund during the year		-268.023
1,300.645	Opening net assets of the scheme		1,305.210
1,305.210	**Closing net assets of the scheme**		**1,037.187**

Pension Number 1 Fund

31 March 2008 Restated £ million	Net asset statement	Notes	31 March 2009 £ million
	Investment assets	**6**	
	Fixed interest securities:		
21.077	UK government fixed interest securities		20.469
1.428	Overseas fixed interest securities		0.000
	Equities:		
279.140	UK companies		198.004
302.840	Overseas companies		241.736
33.869	Private equity		45.245
4.929	Other Managed Funds		10.458
	Pooled investment vehicles:		
60.858	Open ended investment company		56.746
4.052	Unit trusts		2.651
368.604	Unit linked insurance policies		308.570
141.027	Property unit trusts		82.863
	Derivative Contracts:		
41.672	Futures: UK		31.804
0.184	Forward foreign exchange contracts		2.756
20.042	Active Currency		42.167
1,279.722			**1,043.469**
	Investment liabilities		
	Derivative Contracts:		
0.000	Futures: US		-3.549
-0.036	Forward Foreign exchange contracts		-2.702
1,279.686	**Total investments**		**1,037.218**
	Current assets		
12.747	Sundry debtors	**10**	8.153
0.100	Margin Variation	**6**	0.598
5.516	Cash temporarily lent to the council	**6**	9.594
3.159	Cash held by broker for Futures Contracts	**6**	6.874
90.312	Cash held by the investment managers	**6**	5.887
111.834			**31.106**
	Current Liabilities		
-41.672	Cash backing Open Futures Contracts	**6**	-28.255
-3.138	Sundry creditors	**10**	-2.882
-41.500	Cash temporarily borrowed from (-) the council	**6**	0.000
-86.310			**-31.137**
25.524	**Net current assets / liabilities (-)**		**-0.031**
1,305.210	**Net assets**		**1,037.187**

The accounts do not take account of liabilities to pay pensions and other benefits after the year end. The ability to meet these future liabilities is considered by the actuary as part of the valuation.

The net assets for 2007-2008 have not been restated for the movement from Mid to Bid price. Please see the accounting policies on page 84.

Notes to the Pension Number 1 Fund

1. Running the Fund

The fund is administered by Suffolk County Council and provides retirement benefits for all employees who are members of the Local Government Pension Scheme. Also included in the fund are employees of all District Councils and Town Councils in Suffolk, the Suffolk Probation Board, civilian employees of the Suffolk Police Authority and several other organisations. Teachers, Firefighters and Police Officers have their own pension schemes and are not included in the fund.

2. Membership

The fund has the following numbers of members and pensioners:

2007-2008		2008-2009
18,336	Members	19,148
8,157	Employee pensioners	8,635
1,599	Dependent pensioners	1,671
11,861	Deferred	12,442

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

2007-2008				2008-2009		
Employers' Contributions £ million	**Employees' Contributions £ million**	**Benefits Paid £ million**		**Employers' Contributions £ million**	**Employees' Contributions £ million**	**Benefits Paid £ million**
40.033	10.148	-19.207	**Suffolk County Council**	41.429	11.598	-20.887
26.828	6.758	-20.868	**Other Schedules Bodies**	27.269	7.404	-22.595
1.480	0.528	-0.636	**Admitted Bodies**	2.175	0.747	-0.465
68.341	17.434	-40.711	**Total**	70.873	19.749	-43.947

Included within employer normal contributions of £64.280 million is an amount for deficit funding of £20.522 million paid within the employers contribution percentage. The deficit funding identified separately on the fund account of £3.337 million refers to those employers funding their deficit by means of lump sum payments.

Employer contributions are made up of two elements:

a) the estimated cost of future benefits being accrued, the "*future service rate*"; plus

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

The Fund's actuary is required by the regulations to report the *Common Contribution Rate*[1], for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) has in the past been spread over a period equivalent to the remaining working lifetime of all the employers' scheme members. The aim is to cover any deficit within 15 years as per the actuarial position on page 83.

[1] See Regulation 77(4)

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

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

2008-2009 is the first in a three year period for the contribution rates set by the actuary to reflect a and b above.

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

The scheduled bodies contributing to the fund are:

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

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

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

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

[2] See Regulation 77(6)

3. Managing the Fund

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

The Funds investments are managed by:

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

The managers invest within a broad policy agreed with the Pension Fund Committee, who they report to at intervals during the year. The long term nature of the fund's liabilities means that capital growth potential and likely income, within acceptable levels of risk, are the main investment considerations. You can get a copy of the fund's Statement of Investment Principles from the Head of Strategic Finance or from the Suffolk County Council website.

The following table shows the market value of investments held by each manager at 31 March 2009.

31 March 2008			31 March 2009	
Market Value £ million	**Percentage of Assets %**		**Market Value £ million**	**Percentage of Assets %**
82.643	6.46%	Aberdeen Fund Management equities	77.098	7.43%
169.930	13.28%	AllianceBernstein Institutional Investments	109.520	10.56%
83.387	6.52%	BlackRock Investment Management	70.953	6.84%
0.119	0.01%	Cambridge Research & Innovation Limited	0.119	0.01%
158.024	12.35%	JP Morgan Asset Management	123.177	11.88%
368.604	28.79%	Legal and General Investment Management	308.570	29.75%
41.672	3.26%	Man financials	28.477	2.75%
-	0.00%	Millennium Global Investments	33.486	3.23%
175.804	13.73%	Newton Investment Management	139.559	13.46%
14.846	1.16%	Pantheon Ventures	15.171	1.46%
20.042	1.57%	Record Currency Management	8.681	0.84%
145.711	11.39%	Schroder Property Investment Management	92.452	8.91%
18.904	1.48%	Wilshire Associates	29.955	2.88%
1,279.686	**100.00%**		**1,037.218**	**100.00%**

100% (£308.570 million) of the Legal and General Investments are invested in its own index pooled funds(100%, £368.604 million as at 31 March 2008). Similarly 73.4% (£56.746 million) of Aberdeen investments are in its own overseas and corporate bond pooled funds (73.7%, £60.858 million as at 31 March 2008). These investments are shown on the Net Asset Statement as pooled investment vehicles. The pooled funds are one step removed from direct ownership of the assets.

Notes to the Pension Number 1 Fund

At the 31 March 2009 the following Derivative contracts were outstanding. The Futures were held by Man Financials and Aberdeen Asset Management. The forward exchange contracts were held by various managers.

2007-2008 Economic Exposure Value £ million	Type of Derivative	Expiration	2008-2009 Economic Exposure Value £ million
	Forward foreign exchange contracts		
0.148	(over the counter)	Less than 1 Year	0.054
41.672	UK FTSE (exchange traded)	Less than 1 Year	28.477
-	UK Treasury (exchange traded)	Less than 1 Year	3.327
-	US Treasury (exchange traded)	Less than 1 Year	-3.549

4. Actuarial Position

The last statutory three-yearly actuarial valuation was carried out as at 31 March 2007. The valuation report sets out the rates of the employers' contributions for the three years starting 1 April 2008. The valuation was based on:

- Meeting the requirements of the Local Government Pension Regulations
- 100% funding of future liabilities for service completed to 31 March 2007.
- The 'projected unit method' of actuarial valuation.
- Projected investment returns of 6.1% per year, increases in future salaries of 4.7% a year and for pension increases of 3.2% a year.

- The actuarial assessment of the value of the fund's assets was £1,301.2 million as at 31 March 2007 (the market value of assets in the draft accounts), plus £1.3 million for augmentation and redundancies, making a total of £1,302.5 million.
- The actuarial assessment of the fund's liabilities was £1,460.9 million at 31 March 2007

The valuation showed that the fund's assets covered 89.2% of its liabilities at 31 March 2007, and the deficit based on the actuarial valuation was £158.4 million. The actuary has confirmed that the employer's common contribution rate should be 19.0% of pensionable pay for the three years starting 1 April 2008. The aim is to recover the pension fund deficit over a period of fifteen years.

An interim valuation was carried out as at 31 March 2009. The valuation was based on the following assumptions:

- Projected investment returns of 5.79% per year, increases in future salaries of 4.59% a year and pension increases of 3.17% a year.
- The actuarial value of the fund's assets was £1,055.3 million and the liabilities £1,745.2 million at 31 March 2009.

The valuation showed that the fund's assets covered 60.5% of its liabilities at 31 March 2009 and the deficit was £690 million.

5. Accounting Policies

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

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

Administration costs are charged to the pension fund based on time spent by our staff. The costs are based on a contract charge from Customer Service Direct.

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

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

- Listed securities and managed fund are valued at the current bid price on the 31st March
- Property Unit trusts – open ended funds are shown at bid price and closed-ended funds are shown at Net Asset Value
- Private Equity – valuations as at 31 December 2008 which are compiled in accordance with the guidelines issued by the British Venture Capital Association or an Equivalent Body, adjusted for payments to and payments received from the private equity managers in the period 1 January 2009 to 31 March 2009.
- Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate on the balance sheet date.
- Futures are shown at market value which is the total exposure to the stock market that the futures contracts effect.

A change in accounting policy took place in April 2008 whereby listed securities changed from being valued at mid-price to being valued at current bid price.

Notes to the Pension Number 1 Fund

6. Buying and Selling Investments

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

	Opening Balance 01 April 2008 £ million	Purchase £ million	Transaction costs on purchase £ million	Sales £ million	Transaction costs on sale £ million	Change in Market Value £ million	Closing Balance 31 March 2009 £ million
Quoted							
UK Government Fixed Interest Securities	21.077	12.147	0.000	-13.638	0.000	0.883	20.469
Overseas Fixed Interest securities	1.428	0.000	0.000	-1.413	0.000	-0.015	0.000
UK Companies	279.140	137.810	0.124	-107.277	0.098	-111.891	198.004
Overseas Companies	302.840	313.423	0.366	-298.071	0.357	-77.178	241.736
Other Managed Funds	4.929	33.946	0.000	-28.778	0.000	0.361	10.458
Derivatives - Currency	20.042	36.000	0.000	-3.000	0.000	-10.875	42.167
UK FTSE exchange traded futures	41.672	136.250	0.000	-136.331	0.000	-13.114	28.477
UK Treasury Exchange Traded Futures	0.000	24.743	0.001	-21.923	0.000	0.506	3.327
Derivatives - Forward Foreign Exchange contracts	0.148	490.027	0.000	-491.372	0.000	1.251	0.054
US Treasury Exchange Traded Futures	0.000	24.265	0.006	-27.215	0.000	-0.605	-3.549
Pooled Investment Vehicles							
Open ended investment company	60.858	8.887		-7.026		-5.974	56.746
Unit trusts	4.052	4.227		-4.227		-1.401	2.651
Unit linked insurance policies	368.604	302.839		-302.708		-60.165	308.570
	1,104.790	**1,524.564**	**0.497**	**-1,442.979**	**0.455**	**-278.217**	**909.110**
Unquoted							
Pooled Investment Vehicle - Property Unit trust	141.027	2.580	0.000	-11.715	0.000	-49.029	82.863
Private Equity	33.869	11.253	0.000	-2.020	0.000	2.143	45.245
	174.896	**13.833**	**0.000**	**-13.735**	**0.000**	**-46.886**	**128.108**
	1,279.686	**1,538.397**	**0.497**	**-1,456.714**	**0.455**	**-325.103**	**1,037.218**

	Opening Balance 01 April 2008 £ million	Movement in Cash Balance £ million	Change in Market Value £ million	Closing Balance 31 March 2009 £ million
Margin Variation	0.100		0.498	0.598
Cash [temporarily lent to/(borrowed from) the council]	5.516	4.078		9.594
Cash [temporarily lent to/(borrowed from) the council]	-41.500	41.500		0.000
Cash Backing Open Futures Contracts	-41.672	13.417		-28.255
Cash held by broker for Futures Contracts	3.159	3.715		6.874
Cash [held by the investment managers]	90.312	-84.435	0.010	5.887
	15.915	**-21.725**	**0.508**	**-5.302**

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

Notes to the Pension Number 1 Fund

7. Holdings above 5 % of the Fund

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

Market Value 2007-2008 £ million	Percentage of the Fund 2007-2008	Asset Type	Manager	Market Value 2008-2009 £ million	Percentage of the Fund 2008-2009
74.904	5.85%	Corporate Bond Index	Legal and General	66.412	6.40%
N/A	N/A	Corporate Bond Index	Aberdeen Asset Management	52.149	5.03%
69.159	5.40%	European Equities Index	Legal and General	N/A	N/A

In November 2008 Legal & General transferred a percentage of their European Equities Index into a European Passive Equities Index.

8. Stock Lending

The fund has an arrangement with its custodian State Street Bank and Trust to lend eligible securities from within its portfolio of stocks to third parties in return for collateral.
In October 2008 a decision was taken by the Pension Fund Committee to suspend the stock lending agreement due to the global market conditions. The decision was reversed at the January 2009 committee meeting when stock lending recommenced.

Lending is limited to a maximum of 25% of the total value. Collateralised lending generated income of £0.129 million in 2008-2009 (£0.062 million 2007-2008) the third year that securities lending has occurred within the fund. This is included within 'other' investment income in the Fund Account. At March 2009 £28.526 million worth of stock (2.75% of the Fund) was on loan, for which the fund was in receipt of £29.286 million worth of collateral.

9. Related Parties

The pension fund is a related party to its administering authority and other participating employers. During 2008-2009 the material transactions were as follows: Please see note 2 for employer contributions.

2007-2008 £ million		2008-2009 £ million
0.880	Suffolk County Council - Administration Expenses	1.073
-0.133	Interest on money lent to Suffolk County Council	-0.086

Notes to the Pension Number 1 Fund

10. Net Current Assets and Liabilities

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

2007-2008 £ million		2008-2009 £ million
	Sundry Debtors:	
6.932	Employer Contributions	3.460
0.568	Employee Contributions	0.502
4.981	Investment Assets	3.048
0.018	Stock Lending Income	0.012
0.000	Class action income	0.001
0.000	Payment in advance	0.037
0.098	Interest on Cash Deposits	0.086
0.150	Income due from Employers for Benefits Paid	1.007
12.747		8.153
	Sundry Creditors:	
-0.753	Investment Manager Expenses	-0.826
-0.975	Administration Expenses	-1.025
-0.721	Employer Contributions	-0.400
-0.677	Individual Transfers Into the Scheme	-0.343
-0.012	Payments for Lump Sums on Retirement	-0.288
-3.138		-2.882

11. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 5 (2) (C) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended), additional voluntary contributions have been excluded from the Fund Account and Net Assets Statement. These contributions are held by the providers and therefore do not form part of the fund's investments. A total of £1.377m was paid over to the providers, Prudential, Clerical Medical, Standard Life, Equitable Life and Century Life in 2008-2009.

12. Contingent Liabilities

At the 31 March 2009 there was a pending determination of the transfer value from the Pension No. 1 Fund to the Civil Service Pension Scheme due to a staff transfer which occurred in April 2005 of employees of the Suffolk Magistrates Courts Committee. The determination of the amount of any payment from the Suffolk Pension Fund to the Civil Service Pension Scheme is subject to the outcome of national discussions between the Government Actuary and the actuaries acting on behalf of local authority pension funds.

At the 31 March 2009 there was a pending bulk transfer of 41 employees from the Pension No. 1 Fund to the National Heath Service. The value of the transfer is still to be determined by the actuaries of the respective schemes.

At the 31 March 2009 there was a pending bulk transfer of 28 employees from the Pension No. 1 Fund to Essex County Council. The provisional value of the transfer has been determined by the actuaries of the respective schemes. Essex County Council provided on the 21st May 2009 details of those wishing to transfer and this was communicated to the actuaries.

2007 - 2008 £ million	Fund account	Notes	2008 - 2009 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers:		
0.182	Normal		0.232
0.325	Deficit funding		0.130
0.000	Other		0.073
	From members:		
0.045	Normal		0.047
	Benefits payable:		
-0.610	Pensions		-0.644
-0.061	Commutations of pensions and lump sum retirement benefits		-0.207
-0.009	Lump sum death benefits		0.000
0.000	Individual transfers out		-0.036
-0.027	Administration expenses borne by the scheme		-0.038
-0.155	**Net additions (withdrawals) from dealings with members**		**-0.443**
	Returns on investments		
	Investment income		
0.059	Income from pooled investment vehicles		0.054
-0.309	Change in market value of investments	**6**	-2.658
-0.008	Taxation - irrecoverable withholding tax		-0.004
-0.014	Investment management expenses borne by the scheme		-0.012
-0.272	**Net returns on investments**		**-2.620**
-0.427	Net increase, or decrease, in the fund during the year		-3.063
15.795	Opening net assets of the scheme		15.368
15.368	**Closing net assets of the scheme**		**12.305**

Pension Number 2 Fund (Ipswich Buses Ltd)

31 March 2008 Restated £ million	Net asset statement	Notes	31 March 2009 £ million
	Investment assets		
	Pooled investment vehicles:		
14.003	Unit linked insurance policies		11.828
1.393	Unit trusts: property		0.910
15.396	**Total investments**	**6**	**12.738**
	Current assets		
0.032	Sundry debtors		0.132
0.001	Cash [held by the investment managers]		0.002
0.033			**0.134**
	Current liabilities		
-0.004	Sundry creditors		-0.015
-0.057	Cash [temporarily lent to / borrowed from (-) the council]		-0.552
-0.061			**-0.567**
-0.028	**Net current assets / liabilities (-)**		**-0.433**
15.368	**Net assets**		**12.305**

The accounts do not take account of liabilities to pay pensions and other benefits after the year end. The ability to meet these future liabilities is considered by the actuary as part of the valuation.

The net assets for 2007-2008 have not been restated for the movement from Mid to Bid price. Please see the accounting policies on page 91.

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

1. Running the Fund

The fund is administered by Suffolk County Council and provides retirement benefits for employees of Ipswich Buses Limited. The separate fund was started on 1 April 1987.

2. Membership

The fund has the following number of members:

31 March 2008		31 March 2009
47	Membership	39
126	Employee pensioners	135
22	Dependent pensioners	22
33	Deferred	35

3. Managing the Fund

The balance of the fund is invested in line with the Local Government Pension Regulations. The fund is quite small therefore to keep administration costs down the fund is invested in Legal and General unit linked insurance policies (£11.828 million, 91% as at 31 March 2009) and Schroders property units (£0.910million, 9% as at 31 March 2009).
A copy of the fund's Statement of Investment Principles can be obtained from the Head of Strategic Finance or from Suffolk County Council's website.

4. Actuarial Position

The last statutory actuarial valuation was carried out as at 31 March 2007. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2008. The valuation was based on:

- Meeting the requirements of the Local Government Pension Regulations
- 100% funding of future liabilities for service completed to 31 March 2007.
- The 'attained age method' of actuarial valuation.
- Projected investment returns of 5.8% per year, increases in future salaries of 4.7% a year and for pension increases of 3.2% a year.
- The actuarial assessment of the value of the fund's assets was £15.8 million as at 31 March 2007 (the market value of assets), and
- The actuarial assessment of the fund's liabilities, which was £16.6 million at 31 March 2007

The valuation showed that the fund's assets covered 94.9% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £842,000. The estimated funding level for the No. 2 Pension Fund at March 2008 was 88%, which reflects the falls in all major markets over the period since the March 2007 actuarial valuation.

The actuary has confirmed that the employer's common contribution rate should be 26.2% of pensionable pay for the three years starting 1 April 2008. In addition, monetary payments of £130,000 in 2008-2009, £136,000 in 2009-2010 and £143,000 in 2010-2011.

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

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

The valuation showed that the fund's assets covered 72.9% of its liabilities at 30 November and the deficit was £4.7 million.

5. Accounting Policies

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

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

Administration costs are charged to the pension fund based on time spent by our staff. The costs are based on a contract charge from Customer Service Direct.

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

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

- Listed securities and managed fund are valued at the current bid price on the 31st March
- Property Unit trusts – open ended funds are shown at bid price and closed-ended funds are shown at Net Asset Value
- Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate on the balance sheet date.
- Futures are shown at market value which is the total exposure to the stock market that the futures contracts effect.

A change in accounting policy took place in April 2008 whereby listed securities changed from being valued at mid-price to being valued at current bid price

6. Buying and Selling Investments

	Opening Balance 01 April 2008 £ million	Purchase £ million	Sales £ million	Change in Market Value £ million	Closing Balance 31 March 2009 £ million
Pooled Investment Vehicles					
Property Unit Trusts	1.393	0.270	-0.270	-0.483	0.910
UK Companies	3.856	0.755	-0.095	-1.157	3.359
UK Government Index Linked Securities	3.178	0.035	-0.570	-0.120	2.523
Corporate Bonds	3.151	0.293	-0.673	-0.131	2.640
Overseas Companies	3.818	0.506	-1.378	-0.744	2.202
Overseas Companies - Currency Hedged	-	1.167	-0.040	-0.023	1.104
Total	**15.396**	**3.026**	**-3.026**	**-2.658**	**12.738**

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

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

7. Holdings above 5% of the fund

This is a summary of the investments above 5% of the total value of the investments (£12.738 million) at the balance sheet date. All the individual holdings shown below are shown within Pooled Investment Vehicles on the Net Asset Statement.

Value 31 March 2008 £ Million	% of the Fund 31 March 2008	Asset	Manager	Value 31 March 2009 £ Million	% of the Fund 31 March 2009
1.104	7.17%	North American Equities Index	Legal and General	N/A	N/A
0.777	5.05%	Japan Index	Legal and General	N/A	N/A
1.193	7.75%	European Equities Index	Legal and General	0.677	5.32%
1.392	9.04%	Property Unit Trust	Schroders	0.910	7.14%
3.179	20.65%	Over 5 Year Index Linked Index	Legal and General	2.523	19.82%
3.150	20.46%	Corporate Bond Index	Legal and General	2.640	20.72%
3.856	25.05%	UK Equities Index	Legal and General	3.359	26.37%

8. Related Parties

The pension fund is a related party to its administering authority and Ipswich Buses Ltd. During 2008-2009 the material transactions were as follows:

2007-2008 £ million		2008-2009 £ million
	Transactions:	
0.006	Suffolk County Council - Administration Expenses	0.005
0.000	Interest on money borrowed from Suffolk County Council	0.005
	Balances:	
0.017	Employer contributions	0.020

Fire Pension Scheme

2007-2008 £ million	Fund Account	2008-2009 £ million
	Contributions Receivable	
	From Employer	
1.751	Normal	1.758
0.979	From members	0.962
0.002	Transfers In	0.204
	Benefits Payable	
-3.556	Pensions	-3.742
-0.390	Commutations and Lump Sum retirement benefits	-0.890
-0.001	Other - Ill Health	-0.001
-1.215	Net amount (payable) for the year before top-up grant	-1.709
1.441	Top-up grant received	1.336
-0.226	Net amount (payable)/receivable to/from sponsoring department	0.373

2007-2008 £ million	Net Assets Statement	2008-2009 £ million
	Net current assets and liabilities	
0.226	Amount to/(from) sponsoring department	-0.373

1. Administration of the Fire Pension Fund

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

2. Preparation of the Fire Pension Fund

The Fire Pension Fund is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008 (SORP). The accounts are prepared on an accruals basis. This means that, within material levels, income and expenditure is recognised in the accounts in the accounting period in which the effect of the relevant transactions take place and not in the period in which cash is received or paid.

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Capital receipts
Money obtained on the sale of a capital asset

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Community assets
These assets include public areas within Suffolk such as parks and other open spaces.

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

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

Creditors
People we owe money to.

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

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

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

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

Debtors
People who owe us money.

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

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

Depreciation
The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset.

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

Earmarked reserves
Money set aside for a specific purpose.

Emoluments
Payments received in cash and benefits for employment

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

Fees and charges
Income arising from the provision of services.

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

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

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

FRS
Financial reporting standard

Glossary
An explanation of terms used.

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

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

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

ICT
Information and communications technology

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

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

Investments (Non-Pension Funds)
A long-term investment in the activities of the authority is an investment that is intended to be held for continuing use. Investments are also classified in this way only where the investors can show they intend to hold the investment for the long term or where there are restrictions on their ability to sell the investment.

Investments which do not meet these conditions are classed as current assets.

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

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

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

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

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

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

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

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

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

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

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

Pay
Pay is defined in the latest CIPFA Statement of Recommended Practice (SORP) 2008. This definition includes the following:

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

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

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

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

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

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

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

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

The accrued benefits are the benefits for service up to a given point in time. You can find guidance on the projected unit method in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

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

Public Works Loans Board (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.

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

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

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

Settlements
Agreements that end our responsibility to pay pensions to people, for example, when people move to another pension scheme.

Single entity accounts
Financial statements prepared for an organisation as a distinct and independent body. These do not include assets, liabilities expenditure or income owned or incurred by another body in which the organisation has an interest, such as a joint venture.

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

Stocks
Goods bought which have not been used.

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

Surplus
The remaining income after taking away all expenses.

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

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

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

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