APPLICATION BY SUFFOLK COUNTY COUNCIL FOR AN ORDER GRANTING DEVELOPMENT CONSENT FOR THE LAKE LOTHING THIRD CROSSING

PFK LING LIMITED

WRITTEN REPRESENTATION

PINS REFERENCE: TR010023

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PFK Ling Limited (CG/322701.0002)

EXECUTIVE SUMMARY

1. This is the Written Representation of PFK Ling Limited ("Lings") in relation to the application ("the Application") for a development consent order ("DCO") by Suffolk County Council ("SCC") under the Planning Act 2008 ("PA 2008") by which that highway authority will be authorised to develop a new embanked highway and bascule bridge over Lake Lothing in Lowestoft ("the Scheme").
2. Lings has operated for many years as the headquarters for its family business selling cars and motorbikes from land ("the Land") that will fall within the envisaged Southern Approach to the bridge. It has a number of other sites and employs many people. The core of its operation at the Land comprises 6 franchisees (3 motor car and 3 motor bike) who trade from that location under contracts with Lings. The contracts entitle the franchisors to dictate the particular layout appropriate for the relevant franchisee. The Land has been arranged in a particular manner so as to enable each of the franchisees to appropriately advertise and sell their vehicles. Thus, there is external space visible from the highway and internal showroom space as well as workshops. The carefully designed synergistic situation results in a different resilience of operation than may be the case with a single business and the potential for ongoing dust and construction impacts as well as permanent physical disruption of that layout is a serious concern and a real risk to ongoing showroom operations.
3. Because Lings has operated from the Land for so many years and is a family run business, its priority is to remain on the Land operating and employing local people. This approach is endorsed by local planning authority which has recognised the employment use of the Land and designated the local area for regeneration and as well as having development plan proposals to regenerate the area around the Land in a particular way. Those proposals do not include express provision for the Scheme but for a small bridge.
4. SCC has designed a Scheme to optimise its proposed bridge and approaches but to the material detriment to Lings. This is because SCC require a wide area of land around the south and western extent of the Land on which to physically construct its embanked Southern Approach and plan to spend some considerable time executing construction operations next to polished vehicles advertised for sale to passers-by.
5. The consequence of the Scheme will be to reduce, by removal of a wide area along the southern and western sides of the Land for envisaged necessary embankment and a maintenance accessway, the Land required for successful closely-related franchisee operations. Lings are concerned at the real potential for extinguishment of this differently resilient business, particularly in light of relatively recent and real experience

of impacts from a flood affecting the Land on such operations. The Scheme appears likely to result in an existing quart of operations being required to fill a new pint pot. Whilst Lings' priority is to remain operating from the Land, it is alive to the real potential for its business to be impacted potentially leading extinguished as a result of the execution and presence of the Scheme, and so ongoing presence must be financially sustainable. To ensure business operations subsist, the sole alternative appears to be relocation but no obvious sites have emerged to date which provide a certain alternative.

6. Because of the real threat to its particular ongoing business, Lings is also concerned that SCC has a reasonable prospect of having available funds in place for the acquisitions of parts of Lings' Land that are envisaged necessary for construction of the Scheme and for the ongoing impacts of the existence of the Scheme on operations.

7. While Lings' are supportive of the benefits the Scheme generally brings to the wider area they wish to ensure the sustainability of their business by ensuring that the land take is reduced to that which is required and that SCC have sufficient funds to compensate for any losses suffered.

8. The available evidence demonstrates that not all of the parts of the Land of Lings asserted as required for the Scheme are actually required. Therefore, section 122(2)(a) or (b) of the PA 2008 cannot be made out. Lings requests these Plots be removed from the DCO and that SCC pay the costs of Lings as a result of having to defend its Land.

9. The available evidence demonstrates that the Scheme has been subject to costs considerations resulting in a Total Cost of £91.7m (see paragraph 4.3.2 of the Outline Business Case). The Department for Transport has committed to fund the Scheme up to £73.39m (see paragraph 4.3.2) subject to SCC funding a balance of 20% (identified by SCC a paragraph 4.3.2 as £18.3m). However, SCC has only authorised £10m and has instead given by an Officer's letter dated 22nd December 2016 a 'commitment' to underwrite the balance of the 20% and not more: ("on the basis of its proposed funding contribution", i.e. 20%). Since then, SCC has exhausted (within the 20% the authorised land acquisition sum) £3.63m in June 2016, has acknowledged that some £7.6m more is necessary for acquisition (taking the Total Cost up to some £99.3m) yet neither authorised nor reasonably established the prospect of the source of necessary available funds to enable the Scheme and fund necessary acquisitions.

10. The DCO for the Scheme is parasitic on necessary land acquisitions from some 22 parties and relies on section 122 of the PA 2008. However, the evidence shows that it is presently premature to confirm the DCO for want of actual funding for acquisitions

and Scheme implementation. See paragraphs 6 and 17-18 of the DCLG Guidance on the Planning Act 2008 (September 2013). But, SCC has deferred its own consideration of whether additional funds of £8m be made available. However laudable the Scheme may be, section 122(3) of the PA 2008 cannot be satisfied because the Secretary of State cannot be in a better position than SCC and is not himself in a position to be conclusively or reasonably satisfied that the proposed acquisition powers are or can be evidentially justified and the DCO cannot be granted yet. Thus, Lings also seeks its costs

INTRODUCTION

11. This is the Written Representation of PFK Ling Limited ("Lings") in relation to the application for a development consent order by Suffolk County Council ("SCC") under the Planning Act 2008 ("PA 2008").

THE EXISTING SITUATION

12. "Lings" is a family business that has operated since about 1913, and in particular from 2004, from land adjacent to Riverside Road in Lowestoft ("the Land"). The Land comprises HM Registered Titles SK 245 554 and SK 259 805. See **Appendix A**. Figure 4 of the Design Report (Document 7.5) shows an aerial photograph of the Land lying immediately adjacent to the eastern side of the proposed bridge Southern Approach. Within of the Design Report (Document 7.5), Figure 11, photographs 2 and 3, show the vicinity, level nature, accessibility and open sided aspect of the Land in the right hand part of each of those photographs. See also Figure 22.
13. Lings is the main UK dealer for Honda, Hyundai and Mitsubishi Cars, as well as Honda, Triumph and Husqvarna Motorcycles.
14. Lings employs about 110 people across five sites of which the Land comprises the Head Office. 44 people are employed at the Head Office.
15. The Land is organised for the purposes of selling cars and motorcycles. It contains, in particular, a purpose built main showroom building that houses six franchises and associated external areas, and back of house functions such as workshops. The showroom has been customised to the particular requirements of the franchisors. The layout of the Land derives from the existing access from the west and the main building fronts that access. The external area functions as advertising area for the display of vehicles for sale and vehicles can be seen from the south and west by people in passing traffic. Figure 4 of the Design Report (Document 7.5) shows an aerial photograph of the Land layout and the particular orientation of the main showroom and western access.
16. The evidence of Paul Barkshire in **Appendix B** sets out the situation of Lings.
17. The evidence of Mr Arden in **Appendix C** sets out the particular situation of Lings as a retailer of motor vehicles and motorcycles.
18. The evidence of Mr Dewey in **Appendix D** sets out a strategic compulsory purchase assessment including consideration of funding for land acquisition and compensation.

DEVELOPMENT PLAN POLICY

19. The Land lies in the area of Waveney District Council ("WDC"). It envisages the area to be regenerated for housing, employment, and a new pedestrian and cycle bridge.

20. The statutory development plan includes the Adopted Waveney Core Strategy. Policy CS05 of the Adopted Waveney Core Strategy of WDC identifies Lake Lothing as an area for employment led regeneration and the provision of 1,500 new homes. Policy CS05 states that an Area Action Plan for the Lake Lothing area will be developed to provide further guidance.

21. The Land lies within the Kirkley Waterfront and Sustainable Urban Neighbourhood (SSP3) ("the SUN") and in the Riverside Road Employment Area. See Figure 9 of the Design Report (Document 7.5). That SUN is also subject to a Development Brief adopted in May 2013 of the same name and that accords with the NPPF(2012) (see Figure 10 of the Design Report (Document 7.5)). Figure 10 shows a cycle path along the eastern boundary of the Land and a street network leading to a new bridge. Appendix A1 of that Brief identifies the Land as an existing Industrial Use in Figure A1.1. Crossings were considered in the formulation of the Brief. Paragraphs A2.4-5 say this:

> *A2.4. A key consideration in the development of this area will be to ensure future options for a third road crossing of Lake Lothing are not jeopardised.*
> *A2.5 The development of the SUN presents an opportunity to deliver a new pedestrian/cycle bridge across Lake Lothing at Brooke Peninsula, linking the development to Normanston Park, Harbour Road and the wider area. However, Lake Lothing in this location is navigated by a number of different vessels including dredgers and sail boats. It is important that the construction and use of a bridge does not restrict navigation along this stretch of Lake Lothing.*

22. The Development Brief envisages a large mixed-use development on the south-side of Lake Lothing in Lowestoft over a 59.8 hectare site covers the majority of the southern shore of Lake Lothing stretching back from the shore to Victoria Road and Waveney Drive. The site comprises predominantly underutilised or unoccupied brownfield land and offers an unrivalled waterfront opportunity to regenerate the southside of Lake Lothing as a new employment area and residential community and to open up access to the waterfront for the public.

23. Objective 3 of the Development Brief is for Infrastructure: (Emphasis added)

> *<u>Infrastructure: New infrastructure will support</u> new residents and <u>businesses in the area</u>. This will include a new primary school, a pedestrian/cycle bridge over Lake Lothing at Brooke Peninsula, a new road to access the site and measures to reduce the risk of flooding. New infrastructure will be delivered in a comprehensive and integrated fashion.*

24. Objective 10 provides for Sustainable Transport:

A network of legible, attractive walkways and cycleways will enable convenient access to local facilities and services. Supplemented by public transport they will provide people with a choice of transport modes to get to their destination. This will reduce the need to travel by private vehicle. A new pedestrian/cycle bridge across Lake Lothing at Brooke Peninsula will improve access to local facilities and benefit people living in both north and south Lowestoft.

25. There is no Objective that provides for a road bridge nor for a new road across the Lake.

26. Section 5 provides for transport. Figure 5.5 shows the Indicative Vehicular Network within the Neighbourhood. Paragraph 5.21 states that: (Emphasis added)

<u>All</u> roads within the SUN should be designed as 'streets' that prioritise pedestrian and cycle movements, following the principles set out in Manual for Streets[6] (DfT, 2007) and Manual for Streets 27 (CIHT, 2010). A hierarchy of streets within the SUN should be developed that integrates well with existing streets and creates an environment that is permeable and legible, particularly for cyclists and pedestrians.

27. Section 10, Implementation, provides for Infrastructure Requirements and includes detail about the Pedestrian/Cycle Bridge over Lake Lothing: (Emphasis added)

27.1.9 <u>The pedestrian/cycle bridge</u> over Lake Lothing on the Brooke Peninsula is essential to minimise traffic impacts associated with new development planned in Lowestoft and to provide access to Normanston Park for new residents, which addresses the difficulty of providing adequate amounts of open space on the site.

27.1.10 Ideally, the bridge will need to be in place prior to the completion of all residential units on the SUN. However, given the difficulties in funding the bridge as described below, this may not be possible. <u>The bridge will need to be funded partly by developers on the SUN. There will also be potential for funds raised through the Community Infrastructure Levy from wider developments in Lowestoft to help pay for the bridge</u>. The Council will also explore other public funding streams as and when they become available such as through Local Transport Plan funding.

27.1.11 A draft feasibility study established that a bridge with a soffit level of 3.5m above ordnance datum would have a capital cost of £4,810,382.

WDC INFRASTRUCTURE FUNDING

28. WDC envisages payment for its bridge to derive from CIL and there is no guaranteed CIL available from WDC to be applied to the DCO Scheme.

29. On 22nd May 2013, WDC approved a CIL Charging Schedule that has been effective from 1st August 2013. It applies a CIL Rate of £0 to Zone 1 and the Sustainable Urban Neighbourhood and Kirkley Waterfront Site identified on red on the plan in Appendix 1 **(Lings' Appendix E)**.

30. WDC adopted at the same time a Regulation 123 List which states the infrastructure to which CIL collected by it for development in its area will be applied **(Lings' Appendix F)**. The first description is for:

Pedestrian and cycle infrastructure (with the exception of the Pedestrian and Cycle Bridge over Lake Lothing in the Sustainable Urban Neighbourhood and Kirkley Waterfront site).

31. The second description is for:

    Strategic highway improvements

32. WDC is entitled to choose to which description in its list CIL funds may or may not be applied. WDC accounts show that CIL raised about £711,428.73 in the year ending 1st April 2018 and that WDC holds some £1,123,799.37 in CIL funds.

33. The WDC Infrastructure Study (March 2018) includes consideration of the Third Crossing. It includes:

    5.5 The Lake Lothing Third Crossing will also make a significant contribution to the walking and cycling accessibility in Lowestoft that will significantly benefit the area…
    5.20 The main road project for the District is the Lowestoft Lake Lothing Third Crossing which is still currently in development. The Third Crossing will link Waveney Drive to Denmark Road and Peto Way and is expected to bring significant improvements to traffic issues in the town, helping to deliver the objectives of the Local Plan. The bridge will also reduce the negative effects of traffic around Station Square which undermine regeneration goals for the area. Construction is predicted to begin in 2019/20, with completion coming in 2022…
    5.28 The Lowestoft Third Crossing is expected to cost in the region of £92 million. £73 million has been secured from Central Government. The remaining £19 million is to come from a local contribution which has been underwritten by Suffolk County Council.

WDC's EMERGING DEVELOPMENT PLAN

34. The emerging Local Plan is a material consideration but is not part of the statutory development plan. It is also at a relatively early stage, having been only relatively recently submitted to independent examination by the Secretary of State.

35. The emerging Local Plan provides for a plan period of 2014-2036.

36. The Plan recognises a Third Crossing over Lake Lothing:

    The town will benefit from improved infrastructure, including a third crossing over Lake Lothing and strategic flood risk protection, both of which are essential to allow the town to continue to grow and thrive…

    1.35 There are three strategic pieces of infrastructure which are expected to be delivered during the plan period. These are the Lake Lothing Third Crossing, … The Lake Lothing Third Crossing will link the A12 via Waveney Drive on the south side of Lake Lothing, to Denmark Road and Peto Way on the north side of Lake Lothing. It is expected to cost nearly £92 million of which £73 million has been secured from the Department for Transport…

37. Policy WLP1.4- Infrastructure, provides:

    The Council will work with partners including, Suffolk County Council, to ensure that the growth outlined in this Local Plan is supported by necessary infrastructure. The Council will work with partners to ensure the timely delivery and the success of:

    - *The Lake Lothing Third Crossing …*

Off-site infrastructure will generally be funded by the Community Infrastructure Levy…

38. Paragraph 2.8 recognises a need for Lake Lothing Third Crossing. Paragraph 2.10 explains that:

> *Central Lowestoft will also experience significant change over this plan period with the planned Third Crossing…*

and links to the Neighbourhood Development Brief.

39. Objectives for central and coastal Lowestoft include:

> *1 Improve connections and permeability within the area. Including ensuring the third crossing supports connections through central Lowestoft and to the town centre …*

40. Appendix, page 292, addresses the Third Crossing over Lake Lothing. It states that it is "essential" and the lead provider will be the County and District Councils. "Funding Sources" are described as Central Government for the £92,000,000 project and there is potential for £0 from developer contributions and the potential remaining funding gap is £0 from CIL. The potential funding sources to fill that gap are stated as "New Anglia LEP, Highways England". WDC considers that there is no potential funding from CIL or from planning obligations for the DCO Scheme and that it may be provided at any time during the plan period to 2036 (as opposed to near to the outset of that period) **(Lings' Appendix G)**.

THE APPLICATION FOR A DEVELOPMENT CONSENT ORDER BY SCC

41. Suffolk County Council ("SCC") is the relevant highway authority for the A12 (as it passes through Lowestoft) and Riverside Drive.

42. In June 2018, SCC applied for a development consent order ("DCO") to erect a new bridge crossing over a river known as "Lake Lothing" situated in Lowestoft ("the Application"). The Application falls to be considered within the Planning Act 2008. See **Appendix H**.

43. The bridge crossing would be comprised of new embankments on the north and south sides of Lake Lothing, with an elevated bascule bridge, bearing a new highway between two new roundabout junctions: with the B1531 Waveney Drive (on the south side of the crossing); and the C970 Peto Way (on the north side of the crossing). The southern roundabout would have a connection to the A12. The A12 itself links to the A47. The A47 is borne by an existing bascule bridge across the Inner Harbour of Lowestoft.

44. Drawing reference 1069948-WSP-EGN-LL-SK-LE-0003, Revision P00 shows the "Order Limits and the Scheme". The Order Limits include parts of the Land.

45. The proposals cannot satisfy the requirements for a nationally significant infrastructure project ("NSIP") and the Highway and Railway (Nationally Significant Infrastructure Project) Order 2013 No. 1883 ("the Threshold Order"). Instead, on 22nd March 2016, the Secretary of State directed under section 35 of the PA 2008 that the proposals (as set out in the letter dated 24th February 2016 from SCC) be an NSIP ("the Direction"). Consequent on the Direction, the Scheme *must* be consented under the PA 2008.

46. Paragraphs 6.3.25 and 7.6.16 of the Design Report (Document 7.5) recognise that businesses and buildings usually use Riverside Road and will require new access to Lings. The Minutes of 19th June 2018 record that the bridge alignment has been optimised and this has resulted in some of the Land being required. Figure 16 of the Design Report shows the extent of land acquisition proposed.

47. The direct consequence of acquisition is to reduce the available area of the Land from which Lings operates and on which vehicles are displayed, to remove its western access and require a new access, to re-orientate the approach to the showroom building from the west to the south-east whilst leaving the showroom facing west, and to introduce embankment and a safety barrier along the western and rising part of the Southern Approach. See Figure 17 of the Design Report (Document 7.5) and contrast with Figure 11, photographs 2 and 3, and Figure 18, and paragraph 7.3.28-29 of that Report. See also Figures 22, 61, 66, and 80. The introduction of an embankment severs access from the west to the Land.

48. Figure 81 illustrates a proposed view in which the Land can be notionally recognised to the right hand side of the image, behind the new roundabout and embanked situation and associated safety barriers.

49. Subject to finance of the Scheme as set out below, and of the acquisitions, the evidence of Mr Dewey in **Appendix D** summarises the impact of the Scheme on the Land. In particular, SCC proposes to acquire parts of the Land set out in paragraph 6.2 of Mr Dewey's Report. He concludes, in Part 6, that acquisition is *physically* justified for:

a) Plot 3-31;
b) Plot 3-43;
c) Plot 3-49;
d) Plot 5-02;
e) Plot 5-11;
f) Plot 5-13;
g) Plot 5-29; and
h) Plot 5-30.

And for temporary acquisition of Plot 3-50.

50. However, he concludes that the envisaged acquisition is physically unjustified for the Scheme in relation to:

a) Plot 3-58;
b) Plot 3-32;
c) Plot 5-10;
d) Plot 5-14;
e) Plot 5-31;
f) Plot 3-57;
g) Plot 5-37 and
h) Plot 5-28.

STATUTORY POLICY FRAMEWORK

NPS for National Networks (December 2014)

51. The decision on whether to consent the Scheme falls to be determined under sections 103 to 106 of the PA 2008 which provide for decisions on applications. Section 104 applies in a case where a national policy statement has effect. Parliament has designated the NPS for National Networks (December 2014) ("NPSNN").

52. By paragraph 1.2 of the NPSNN, the Secretary of State will use this NPS as the primary basis *for* making decisions on development consent applications *for national networks* nationally significant infrastructure projects in England and section 104 applies. However, by paragraph 1.3, where a development does *not* meet the current requirements for a nationally significant infrastructure project set out in the Planning Act (as amended by the Threshold Order), but is considered to be nationally significant, there is a power in the Planning Act for the Secretary of State, on application, to direct that a development should be treated as a nationally significant infrastructure project.[5] In *these* circumstances any application for development consent would need to be considered in accordance with this NPS. As a result of the Direction, the NPSNN has effect in this Application.

53. By paragraph 1.5, the great majority of nationally significant infrastructure projects on the road network are likely to be developments on the *Strategic Road Network*.[7] Development on *other roads* will be nationally significant infrastructure projects *only* if a direction under Section 35 of the Planning Act has been made designating the development as nationally significant.[8] In this NPS the '*national road network*' refers to the Strategic Road Network *and other roads* that *are* designated as nationally significant under Section 35 of the Planning Act. Therefore, the NPSNN differentiates between "Strategic Road Network" ("SRN") and "other roads". An "other road" can fall within guidance for the national road network but cannot fall within guidance concerning the SRN.

54. SCC is not the relevant highway authority for a highway that forms part of the SRN because Highways England performs that function. The SCC proposals qualify as an "other road" by reason of the Direction. The proposals cannot be part of the SRN. The A12 within Lowestoft cannot be part of the SRN either because SCC is the relevant highway authority for that part of the A12. The provisions of the NPSNN concerning the SRN cannot apply to "other roads". Rather, only those guidance provisions that concern the '*national road network*' ("NRN") can apply here because the NRN encompasses "other roads". Therefore, it is misplaced of SCC to suggest, in

paragraph 4.6 (in particular, paragraphs 4.6.1-17), and in paragraph 7.1.4, of the Case for the Scheme, that the Scheme *itself* be elevated by reason of it being directed to be an NSIP to equivalent status to that of a part of the SRN and, thereby, that it can establish a degree of 'need' higher than that for an "other road" within the NPSNN. The reasons of the Secretary of State's Direction clearly explain that the Scheme is a "connection", a "*tactical* diversion… when the Bascule Bridge … is closed". **[See Appendix B to the Case for the Scheme]**. Therefore, there cannot be the "vital" need for the Scheme.

55. Instead, by paragraph 2.10, and placing to one side the separate matter of compulsory acquisition, the Government has concluded that at a *strategic* level there is a compelling need for development of the *national networks* – both as individual networks and as an integrated system. *Because* the Scheme has been designated by the Secretary of State and qualifies as an "other road", it forms part of the *national network.* The Examining Authority ("ExA") and the SoS should, therefore, *start* their assessment of applications for infrastructure covered by this NPS on that basis.

56. However, whilst the *start* point is at a strategic level, and generality, for the development of the national network, the Direction reasons recognise with more particularity that the Scheme is no more than a "connection", and in reality a "*tactical* diversion… when the Bascule Bridge … is closed". **[See Appendix B to the Case for the Scheme]**. The Bascule Bridge bears the A12 within Lowestoft and so is itself an "other road" and cannot be part of the SRN.

57. In this respect, paragraphs 2.1 – 2.11 set out the needs of national networks and carefully differentiate between "improvements" and "new transport links". The difference between these categories is demonstrated by the Thresholds Order. The Application comprises a new transport link because the pre-existing highway will not remain in situ but will be differently aligned, elevated, widened, and include a new bridge crossing. In this respect, in particular, by paragraph 2.27:

> *In some cases, to meet the need set out in section 2.1 to 2.11, it will not be sufficient to simply expand capacity on the existing network. In those circumstances new road alignments and corresponding links, including alignments which cross a river or estuary, may be needed to support increased capacity and connectivity.*

58. Therefore, the Scheme plays a supporting role to increased capacity and connectivity of the pre-existing, but non-SRN, situation. That is, the Scheme's provision for additional capacity and connectivity is in addition to part of the national road network and not in addition to the SRN. This is also different to the "critical" need to improve SRNs, to the "vital" need to improve the national network, and to the "compelling" need to develop the national road network. That is, the degree of need for the *new* build

Scheme cannot be equivalent to an *improvement* of an *existing* part of the national network. Instead, the Scheme is needed to *support* capacity and connectivity (in line with the Direction reasons noting a "connection"). There is, therefore, not a vital, critical or compelling need for the Scheme contended for by SCC but rather a 'need' alone, and a need that is supported by paragraph 2.27 of the NPSNN.

59. In this respect, that degree of need for the Scheme is not vital, critical or compelling but, in being a need alone, instead aligns within paragraph 2.7:

> *There is also* <u>*a need*</u> *to improve the integration between the transport modes, including the linkages to ports and airports. Improved integration can reduce end-to-end journey times and provide users of the networks with a wider range of transport choices.* (Emphasis added)

60. For the reasons given by the SoS for the Direction, the Scheme will improve integration and provide a wider choice for users. However, such a need cannot rely on the NPSNN to elevate it, by degree, to a level of a "compelling" or "critical" or "vital" need, as opposed to it being merely needed *per se*.

61. By paragraph 3.2, the Government recognises that for development of the national road to be sustainable it should be designed to minimise social and environmental impacts and improve quality of life. In delivering new schemes, the Government expects applicants to avoid and mitigate environmental and social impacts in line with the principles set out in the NPPF and the Government's planning guidance. By paragraph 3.4, whilst applicants should deliver developments in accordance with Government policy and in an environmentally sensitive way, including considering opportunities to deliver environmental benefits, some adverse local effects of development may remain.

DECISION MAKING APPROACH

62. By paragraph 4.2, *subject to* the detailed policies and protections in the NPSNN, and the legal constraints set out in the Planning Act, there is a presumption in favour of granting development consent for *national networks* NSIPs that fall within the need for infrastructure established in this NPS. The statutory framework for deciding NSIP applications where there is a relevant designated NPS is set out in Section 104 of the PA 2008.

63. Section 104(3) requires the SoS to decide the application in accordance with any relevant national policy statement, except to the extent that one or more of subsections (4) to (8) applies. Subsection (6) states that this subsection applies if the Secretary of State is satisfied that deciding the application in accordance with any relevant national policy statement would be unlawful by virtue of any enactment. Subsection (8) states that this subsection applies if the SoS is satisfied that any condition prescribed for deciding an application otherwise than in accordance with a NPS is met.

64. The legal statutory constraints of the PA 2008 include, in this matter, the requirements of section 122: (Emphasis added)

    1) *An order granting development consent may include provision authorising the compulsory acquisition of land* <u>*only if*</u> *the Secretary of State is satisfied that the conditions in subsections (2) and (3) are met.*
    2) *The condition is that the land —*
        a) *is required for the development to which the development consent relates,*
        b) *is required to facilitate or is incidental to that development, …*
    3) *The condition is that there is a compelling case in the public interest for the land to be acquired compulsorily.*

65. (Subject to financing of the Scheme), the evidence of Mr Dewey shows that section 122(2)(a) and (b) cannot be satisfied in relation to Plots 3-58, 3-32, 5-10, 5-14, 5-31, 3-57 and 5-28 are unjustified. Therefore, section 122(2)(a) and (b) cannot be satisfied.

66. Section 122(3) cannot be satisfied because there is no evidence that SCC can demonstrate that there is a reasonable prospect of the requisite funds becoming available to finance land acquisition necessary to deliver the land necessary for the Scheme.

PLANNING ACT 2008 GUIDANCE

"Planning Act 2008: Guidance related to procedures for the compulsory acquisition of land" (September 2013) and Guidance on Compulsory Purchase Process and The Crichel Down Rules (February 2018)

67. The Scheme requires land including parts of the Land to be acquired against the will of the current owners. SCC relies on section 122 of the PA 2008.

68. The Secretary of State has published Guidance on Compulsory Purchase Process and The Crichel Down Rules (February 2018). By paragraph 8, that Guidance covers the power of compulsory purchase under a development consent order under the Planning Act 2008 for a Nationally Significant Infrastructure Project. It directs that the Secretary of State's Guidance on the "Planning Act 2008: Guidance related to procedures for the compulsory acquisition of land" (September 2013). Paragraph 6 provides:

> *6. Section 122 of the Planning Act provides that a development consent order may only authorise compulsory acquisition if the Secretary of State is satisfied that:*
> - *the land is required for the development to which the consent relates, or is required to facilitate, or is incidental to, the development, or is replacement land given in exchange under section 131 or 132, and*
> - *there is a compelling case in the public interest <u>for</u> the compulsory acquisition.*

NO MORE LAND THAN IS REASONABLY REQUIRED CAN BE ACQUIRED

69. In this respect, by paragraph 9: (Emphasis added)

> *The applicant must have a <u>clear idea</u> of how they intend to use the land which it is proposed to acquire…*

70. Paragraph 16 further states that: "where the Secretary of State is not persuaded that all of the land which the applicant wishes to acquire compulsorily has been shown to be necessary for the purposes of the scheme". Therefore, he should here not include the unjustified Plots in the land envisaged to be acquired because it is not shown to be necessary to acquire.

71. As with the discrete requirement of section 122(3) to demonstrate a compelling case in the public interest *for* compulsory acquisition, the requirement in paragraph 6 to show such a compelling case *for acquisition* is different to 'need' per se and cannot be short circuited by the separate existence of 'need' for the NSIP itself.

72. Paragraph 11 amplifies the provisions of section 122. In essence, to satisfy section 122(2)(i), the land to be acquired must be *no more than* is reasonably required for the purposes of the development.

73. In this matter, for the reasons given by Mr Dewey in his evidence, SCC has no idea how it intends to use Plots 3-58 and 5-37; and the acquisition by SCC of rights in

relation to Plots 3-32; 5-10; 5-14; and 5-31 is unjustified and constitutes permanent (but also unjustified) acquisition of those Plots also. These latter plots will remain sterilised from use by Lings due to the subsisting envisaged access right by SCC.

74. Plot 3-57 is not contained in Schedule 1 to the draft DCO and its acquisition remains unjustified.

75. Plot 5-28 is not shown on Sheet 2 of the Rights of Way and Access Plan and its acquisition remains unjustified.

76. Consequently, applying paragraph 16 of the September 2013 Guidance, the Secretary of State is respectfully requested to remove from acquisition the Plots referred to above.

RESOURCES OF THE SUFFOLK COUNTY COUNCIL AND SCHEME DELIVERY

77. Paragraph 6.7.1 of the Design Report (Document 7.5) summarises that the bridge cost as £91.7m and the balance of funds required after the DfT grant is accounted for must be met by SCC. Paragraph 6.7.2 recognises that the Scheme "is constrained by the available funding …[and] this requires an innovative and well considered solution". The Design Report does not envisage any further funds being made available at all.

78. The Scheme must be funded if it is to be delivered. Funding must be reasonably available for both the purpose of implementation and the purpose of acquisition.

79. However, here, there is evidence of *both*:

    a) A shortfall in the authorised funding of the Scheme itself by some £8.3m; and
    b) A shortfall in the authorised and available funding for necessary land acquisition of some £8m.

    The evidence reasonably shows that it is also reasonably foreseeable that there is <u>no</u> prospect of funding beyond £91.7m. Conversely, there is no evidence of a reasonable prospect that funds for either shortfall will be available.

80. This is because:

    a) Whilst it has authorised £10m, SCC cannot demonstrate that, in relation to the requirement of DfT that in addition to its capped grant of £75.39m SCC must itself fund 20% of the Scheme Total Cost of £91.3m, how it will fund the £8.3m balance of the 20% in addition to the £10m authorised in 2016; and
    b) SCC has not *authorised* a Scheme Total Cost *beyond* £91.3m whereas at the same time SCC "acknowledges" in its 19th June 2018 Minute that there is evidence of an existing shortfall of a further necessary £8m for land acquisition, and also knows that the authorised sum of £3.6m for that purpose was exhausted on 16th June 2016 when Plots 1-06 and 2-07 were acquired by SCC. Thus, from June

2016, there remain no funds for necessary land acquisitions including of the Land Plots. Therefore, SCC cannot demonstrate how it will fund necessary acquisitions.

81. SCC has contended in its OBC, paragraph 4.3.1, that the 20% local contribution would come from a combination of sources in the listed bullet points. However, it cannot be as:

a) Contrary to bullets 1 to 2, rates are accounted for and appear unavailable;

b) Contrary to bullet 3, future arrangements for business rates retention are speculative and cannot be relied upon;

c) Contrary to bullet 4, SCC recognises the inherent uncertainty of local devolution proposals and this deal has been "withdrawn". See **Appendix I**, page 8, bullet 3, footnote 17, and Appendix 2 of Briefing Paper 07029 (4th May 2018); and

d) Contrary to bullets 5 and 6, the Scheme cannot be reasonably ensured funding by other means including:

i) CIL, because WDC has a discretion to apply CIL and its own local priorities, and the Appendix to emerging Local Plan cites this as 0%);

ii) pooled planning obligations (see Appendix to emerging Local Plan cites this as 0%)); or by

iii) New Anglia Local Enterprise Partnership, as cash held by it is "reduced".

82. Contrary to the contention, in paragraph 4.3.1, that:

a) SCC "will underwrite" the 20% he "local contribution", there is no evidence of the details of the asserted "local funding mechanism" for reasonably ensuring that aspiration; and

b) SCC "is … prepared to enter into credit arrangements", there is no evidence of the details of the asserted "credit arrangement" for reasonably ensuring that aspiration.

Consequently, SCC cannot presently show that there is a reasonable prospect of the requisite funds for acquisition becoming available or that adequate funding is likely to become available to enable the acquisition, or that SCC has any additional funds beyond the authorised £10m and the DfT grant of £75.39m.

83. There also can be no funds available for the Application Scheme from tolling or charging for bridge use because no proposal has been made by SCC in its draft DCO under paragraphs 3.26-3.27 of NPSNN for the Scheme.

84. In respect of funding, section 122(3) of the PA 2008 requires there to be a compelling case in the public interest for the compulsory acquisition of land. The establishment of whether there can be a compelling case in the public interest for compulsory acquisition includes a requirement that the scheme can be delivered and compensation paid.

85. Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009, SI 2264, also requires that a Funding Statement indicate how the DCO will be funded: (Emphasis added)

> *(h) if the proposed order would authorise the compulsory acquisition of land or an interest in land or right over land, a statement of reasons and a statement <u>to indicate how</u> an order that contains the authorisation of compulsory acquisition <u>is proposed to be funded</u>…*

86. In this respect, "Planning Act 2008: Guidance related to procedures for the compulsory acquisition of land" (September 2013) further provides for resources for both acquisition pursuant to paragraph 6 and the consideration of whether there is or is not a compelling case for acquisition in the public interest, whether there is a reasonable prospect of the actual delivery of the scheme for which acquisition is sought because, if not, there will be no need to execute such a draconian measure as compulsory acquisition. In this respect, by paragraph 9: (Emphasis added)

> *9. The applicant … should also be able to demonstrate that there <u>is a reasonable prospect of the requisite funds for acquisition becoming available</u>. Otherwise, it will be difficult to show conclusively that the compulsory acquisition of land meets the two conditions in section 122 (see paragraphs 11-13 below)…*
>
> *17. Any application for a consent order authorising compulsory acquisition must be accompanied by a statement <u>explaining how it will be funded</u>. This statement should provide as much information as possible about the resource implications of both <u>acquiring</u> the land <u>and</u> <u>implementing</u> the project for which the land is required. It may be that the project is not intended to be independently financially viable, or that the details cannot be finalised until there is certainty about the assembly of the necessary land. <u>In such instances</u>, the applicant should provide an indication of how any potential shortfalls are intended to be met. <u>This should include the degree to which other bodies (public or private sector) have agreed to make financial contributions or to underwrite the scheme, and on what basis such contributions or underwriting is to be made</u>.*
>
> *18. <u>The timing of the availability of the funding is also likely to be a relevant factor.</u> Regulation 3(2) of the Infrastructure Planning (Miscellaneous Prescribed Provisions) Regulations 2010 allows for five years within which any notice to treat must be served, beginning on the date on which the order granting development consent is made, though the Secretary of State does have the discretion to make a different provision in an order granting development consent. <u>Applicants should be able to demonstrate that adequate funding is likely to be available to enable the compulsory acquisition within the statutory period following the order being made</u>, and that the resource implications of a possible acquisition resulting from a blight notice have been taken account of.*

87. The absence of a reasonable prospect of all of the requisite funds becoming available makes it here difficult to show conclusively that, at this time, the acquisition of land can be lawfully justified.

CONSIDERATION OF THE FUNDING OF THE SCHEME

88. The evidence of the absence of adequate funds being or becoming available, or there being no reasonable prospect of such funding becoming available, is as follows.

89. DfT has already agreed to finance the Scheme in the sum of £75.39m. The DfT has done so on condition that SCC itself supply the balance of 20% of the funds necessary to establish the Scheme Total Cost of £91.7m set out in Table 4-2 of the Funding Statement (Version 7).

90. The genesis of the Funding Statement is as follows and appropriate scrutiny in the compulsory acquisition context of the underlying context discloses a mismatch between assertions in that Statement and the correct facts.

Scope of Funding

91. In December 2015, Suffolk County Council drafted and considered an Outline Business Case (Draft Version 7) by which to fund proposals for a new bridge crossing.

92. On 22nd December 2015, the Section 151 Officer of the SCC considered the Outline Business Case (Draft Version 7) ("the OBC"). **[See Document 7.4, page i].** He said this: (Emphasis added)

> *the Suffolk County Council has the intention and the means to deliver this scheme <u>on the basis of its proposed funding contribution</u>, on the understanding that no further increase in Government funding will be considered beyond the contribution requested...[and] the Council can only accept responsibility for that which is within our gift to deliver…*

93. The OBC explains that the "proposed funding contribution" by SCC means the local contribution of 20% of £91.7m.

94. Page 103 identified "Budgets/Funding Cover" and 6 categories of sources from which the "20% local contribution would come". Paragraph 4.3.1 said this:

> *It is likely that the scheme will be funded from public finances, and it is <u>not clear</u> at this stage whether any private financial contribution will be available …*
> *The largest contribution to the scheme costs would be provided by the [DfT]. <u>A local contribution, underwritten by Suffolk County Council</u>, will account for 20% of the <u>scheme costs [i.e. £18.3m of £91,733,270].</u> This is confirmed in a letter of intent, written by the Council's Section 151 officer … <u>In addition to underwriting the 20% contribution, the letter also confirms that the Council will underwrite any potential increase in scheme costs above those set out below</u>.*
> *The exact composition of this local contribution has not yet been finalised, given the uncertainty around available funding mechanisms, ,.. such as the potential devolution infrastructure fund which would be available to NALEP and Suffolk County Council…*
> *In view of the uncertainties around the sources of the local contribution, Suffolk County Council will underwrite the cost [i.e. the sum £18.3m, being the local contribution to the scheme cost].*
> *The Council is also prepared to enter into credit arrangements under the prudential borrowing powers from the Local Government Act 2003…*

In fact, the letter of intent does not state that SCC "*the Council will underwrite any potential increase in scheme costs above those set out below".*

95. On 23rd December 2015, the SCC partnership considered the OBC (Draft Version 7). **[See Document 7.4, page i].**
96. On 24th December 2015, the SCC considered OBC (Version 7). **[See Document 7.4, page i].**
97. On 29th December 2015, the DfT considered the OBC (Version 7). **[See Document 7.4, page i]** pursuant to an application for £75.39m from The Local Growth Fund [See paragraph 3.2.2 of the Funding Statement **[Document 4.2]**].
98. The OBC has not been expressly revised since but bears a "Mouchel 2018" footer indicating unidentified subsequent changes to the OBC not recorded on the Version numbers. **[See Document 7.4, page i].**
99. On 23rd March 2016, the SCC bid for £75.39m from The Local Growth Fund was approved by the DfT on the basis of the OBC (Version 7), with the Scheme being given programme entry status and an award of provisional funding (with a fixed maximum DfT contribution). [See paragraphs 3.2.3-4 of the Funding Statement **[Document 4.2, Appendix A]**]. Condition ii of the offer required that DfT reserved the right to reconsider the funding decision "if there are any changes to the overall cost" of the scheme which [DfT] considers to be material".
100. On 17th May 2016, SCC Cabinet was asked to approve "the expenditure of up to £10m revenue funding and *up to £10m in capital funding* over the financial years 2016/17, 2017/18 and 2019/20 to develop each project to a point where a final business case can be submitted to Government". The reason for this was "so that statutory consents can be obtained". Paragraph 20 explained that the "sources of local contribution *have yet to be confirmed* given the uncertainties around local funding streams that may be available within any devolution settlement" and "In view of the uncertainties around all these potential sources of funding it is likely that the Council would be required to guarantee the local contribution at the time of submission of the final business case". **[Document 4.2, Appendix B]**].
101. Paragraph 25 said this: (Emphasis added)

    The revenue funding is required to carry out intensive work associated with acquiring the necessary consents … <u>Capital funding is required to develop and finalise the engineering designs and to purchase land</u> where this can be negotiated in advance of any compulsory purchase and following compulsory purchase. The capital investment can be considered <u>as part of the local contribution</u> to the overall scheme costs.

102. Paragraph 43 provided for Scheme Design, Land Purchase, and Procurement.

103. The SCC Cabinet was asked to approve expenditure of significant sums of money. It approved what was asked of it.

104. On 16th June 2017, the sum of £3.75m was used to acquire Plots 1-06 and 2-07 on the DCO Land plans. **[see Lings' Appendix D]**. That acquisition consumed all of the authorised sum of £3,630,000 for land acquisition in Table 4-2 of the OBC and left a shortfall of £120,000. As Mr Dewey's evidence noted at paragraph 7.35, this left plots in the ownership of some 21 other landowners remaining to be acquired if the Scheme was to be delivered. The landowners include Lings.

The Financial Situation of SCC

105. On 8th February 2018, the SCC "Revenue Budget 2018-2019 and Capital Programme 2018-2021" provided for Decisions including the adequacy of reserves. **[see Lings' Appendix J]**. Paragraph 10 noted that SCC faced "unprecedented financial challenges" and that "very significant" savings would be required and that "the Council should be under no illusion that the future outlook continues to be extremely challenging" (see paragraphs 10-12). Chart 1: "Forecast Budget Gap 2018-22" shows that the "Forecast Spend" will exceed the "Forecast Reserves" between 2018 and 2022.

106. In this context, paragraphs 37-41 address Capital Programme and paragraph 37 expressly provides that the "capital financing strategy going forward will continue to limit new borrowing only to those schemes which are either invest to save schemes or where it is absolutely essential to the delivery of the Administration's key priorities". The summary capital programme is shown in Table 7 and includes two river crossings: at Lake Lothing in Lowestoft and at Upper Orwell in Ipswich. Table 7 provides details of funding of the capital programme and also the *extent* of revenue and any borrowing. Paragraph 42 concludes that "further savings of £31m will need to be identified to balance the budget through to 2021-22". This section referred to Appendix C.

107. Appendix B addressed again the Capital Programme at paragraphs 30-34 and explained that this "is largely funded through grants and borrowings" whilst paragraph 31 explained that the two river crossings "will require significant project management to ensure costs are controlled and projects are delivered on time". Paragraph 33 reinforced that the capital financing strategy for the foreseeable future is to "continue to limit new borrowing only to those schemes which are either invest-to-save schemes or where it is essential to the delivery of the Administration's key priorities, for example new school places and developing Suffolk's infrastructure". Paragraphs 39-47 addressed the limited nature of Reserves and paragraph 45 explained that the current 1 prudential "minimum" balance for the reserve is £4.8m.

108. Appendix C, Part B, pages 7-8, paragraphs 1-3 and Table 1 on page 8, provide for the "Capital Programme for 2018-21 and Minimum Revenue Provision Policy". Within Part B of Appendix C, paragraph 1 states: "Appendix C, Annex E, shows the proposed capital programme for 2018-21 and *how it will be financed*". Paragraph 2 states: "The Council has received capital grant settlements for most of the services show in Table 1 and the programme for 2018-21 is based on those allocations". Paragraph 3 restated the capital financing strategy being to "limit new borrowing" only to "invest-to-save" schemes or where "absolutely essential" to delivery of the Administration's key priorities. Within Part B, page 8, Table 1 identifies the DfT funding under "Ring Fenced Grants" as £26.4m in 2019-20, and £88.4m for 2020-21. On pages 8-9, paragraphs 10-12, "Strategic Development", the report address the programme to deliver transport infrastructure. Paragraph 11 says this about funding: (Emphasis added)

> *The programme also includes £1.5m for the initial design and planning costs for the new river crossings in Ipswich and Lowestoft. This is funded from the £10m borrowing agreed by Cabinet in May 2016. The first stage of construction will be covered by a government grant. The [DfT] are contributing a total of £154.9m to the projects which are expected to be complete in 2022 for the Lake Lothing third river crossing … <u>It is there assumed that no further Council funding will be required in this three-year budget period</u>. <u>However</u>, the financing of the projects <u>assumes</u> other contributions in 2022-23 and 2024 of £16.9m. If the bids are unsuccessful or <u>if the scheme overspends the Council may need to contribute additional funding in the future</u>.*

109. Paragraph 32 explained how the Local Government Act 2003 requires the Council to have regard to the DCLG guidance on Minimum Revenue Provision most recently issued in 2012 to ensure that debt is repaid over a period in line with which the capital expenditure provides benefits. Within Part C, Treasury Management, page 16, the Borrowing Strategy was addressed and paragraph 18 explained the Operational Boundary on External Debt and its Authorised Limit, being the affordable borrowing limit determined in compliance with the Local Government Act 2003. Paragraphs 20-21 set out the Council's main objective and noted the significant reductions in local government financing. Paragraph 27 noted that "very low investment levels are expected to be maintained in 2018-19 as revenues for the Council are expected to fall and cash held on behalf of third parties (e.g. New Anglia Local Enterprise Partnership) is reduced".

110. Annex A provides information on the Update on the Economy. Annex E provides a table showing Scheme Specific Funding and Other Funding, including for Strategic Development. This included: the "Ring-fenced Government Grants of £114,800,000; Other External Contributions of £3,240,000; and "Non Ring Fenced Government Grants" of £16,254,000; and also "Other Funding" of "Borrowing" of £4,000,000.

111. No other resources were identified as available or prospectively available for financing of Strategic Development.

112. Annex G provides a Summary Subjective Analysis, by Directorate, 2018-19. Page 2 shows "Strategic Development". The Net Budget for this for that period was £3,915,000.

113. On 31st March 2018, the SCC financial reserves are recorded in the SCC Statement of Accounts 2017-2018 **[see Lings' Appendix K]**.

114. Table 4: Balance Sheet as at 31 March 2018 summarised the then financial position of the SCC and identified Useable Reserves of £193.938m. Paragraph 4.4.5 explained that "useable reserves are cash reserves that can be used to fund the activities of the authority". Table 5: Useable Reserves summarised the constituents of the Useable Reserved. Paragraph 4.4.7 noted that "General Reserves *are ring-fenced for each directorate and serves reserves are allocated for a defined future use*".

Authorisation of the Application for the DCO and its financial basis

115. On 19th June 2018, the SCC Cabinet considered a report on the Lake Lothing Third Crossing. See Appendix C to the Funding Statement **[Document 4.2].** Paragraphs 7(c), and 8 to 11 of Appendix C addressed "Finance and assets what are the resource and risk implications?" [sic]. Paragraphs 8-9 addressed an upward pressure of £8m due to land acquisitions to the then date, envisaged "value engineering" by which to "manage this budget pressure", whilst the Planning Inspectorate sought comfort that "the bridge will be funded in <u>all</u> scenarios" (Emphasis added).

116. The report then said this: (Emphasis added)

> *Cabinet should therefore note that there is <u>no requirement</u> to make an additional budget provision <u>at this stage</u> and that Cabinet will have <u>another opportunity to look at</u> the County Council's <u>capital priorities</u> with the Head of Finance (Section 151 Officer) reports to Cabinet in Autumn 2018…*

117. Lings notes that the report envisaged a further opportunity in the Autumn of 2018 to consider SCC "capital priorities". In law, and fact, for the purposes of the Planning Act 2008, and the Secretary of State's Guidance (September 2013), paragraphs 6, and 17-18, there was and remains a requirement to make additional budget provision so that it can be said that there is a reasonable prospect of the funds for acquisition, and for implementation, becoming available.

118. Paragraph 10 of the report then requested that the Cabinet "acknowledge that the further funding of £8m would be made available if it is needed".

119. Acknowledgement of need is different to authorisation to meet a need.

120. The report itself evidences that no actual:

a) authorisation by which it could be established how the compulsory acquisition will be funded, as opposed to it evidencing that no further funds at all would be considered (or authorised at all) until Autumn 2018;

b) demonstration of how, at that time, the identified shortfall for land acquisition of some £8m could be made available.

Instead, the report invited the Cabinet to look again in Autumn 2019 at capital priorities in due course and could not prejudge the outcome of that further opportunity by Cabinet at this time.

121. The DCLG Guidance, paragraph 18, addresses the different circumstances of the timing of the availability of funding (as opposed to the availability of funding), and, in circumstances where there is likely to be available funding, then the timing of that availability falls to be considered and the Applicant is then required to demonstrate that adequate funds are likely to be available within the statutory period following confirmation of the DCO. However, in error, the report envisaged that demonstration of the reasonable availability of adequate funds by the Cabinet be deferred to a date after the close of the DCO hearing in Autumn 2019.

122. In light of paragraphs 6 and 17-18 of the Guidance, the Examining Authority and Secretary of State cannot be in a better position than the Cabinet to know whether adequate funding is, or is not, likely to be available, or whether there is a reasonable prospect of adequate funds being available within the relevant period. The Cabinet and SCC do not presently know whether such funds can be available.

123. With the report in mind, the Cabinet considered the decisions asked of them to be made. The (confirmed) Minutes of that meeting state that the Cabinet considered, under Item 9, Decisions 2 and 3, and whether to resolve to "authorise the Interim Director of Growth, Highways and Infrastructure, in consultation with the Leader of the Council and the Cabinet Member for Finance and Assets, to finalise the submission and apply for a Development Consent Order for the finalised Lake Lothing Third Crossing Scheme by the end of Summer 2018**". [Lings' Appendix L]**.

124. The Minutes record a discussion about whether the authorised Scheme Cost and the then currently *authorised contribution* by the County Council of 20% of the Total Cost (see below) remained adequate. There was a discussion by the Cabinet that included the "possible additional uplift in land value" from about £3.7m initially, plus another £7.6m[1]", and that the basis for that increase included "a second-hand car dealership"

[1] The figure of £7.6m is the basis for the subsequent figure of £8m appearing in SCC documentation.

now needing to be acquired in whole as a result of maximising the alignment of the proposed bridge. In addition, consideration was given to fixing bridge steel costs (as a matter of value engineering). There was no discussion about the SCC Cabinet authorising any increases in the Total Costs, the land acquisition costs, or of raising the 20%, nor of the need for other resources nor any other sources of resources. Indeed, the report did not *seek* authorisation from the Cabinet by which to raise the level of the authorised cost of the Scheme above £91.3m, nor in particular, of the land acquisition sum above £3.63m. The report also did not propose *how* any shortfall in either the necessary land acquisition sum or the 20% sum be made up by SCC.

125. In particular, paragraph 10 of the report noted that: (Emphasis added)

> *Cabinet will make a final decision on any additional funding that may be required prior to the award of the stage 2 construction contract in Autumn 2019.*

126. Consequently, the SCC Cabinet resolved to make Decision 2: (Emphasis added)

> *<u>Acknowledged</u> the current expenditure projections in paragraphs 8-11 and asked that the Assistant Director of Infrastructure and Waste manage the project to <u>contain</u> the requirement for additional funds and <u>report back</u> to Cabinet in the Autumn of 2019 with a definition budget requirement.*

127. The SCC Cabinet then resolved to make Decisions 2 and 3. The scope of:

   a) Decision 2 extends only to "acknowledging" current expenditure, actually noting a *deferral* of a decision in relation to increasing the level of authorised finance above £91.7m, and does not in fact authorise any additional expenditure;

   b) Decision 3 does not in fact extend beyond finalisation of submissions and the making of the DCO Application.

128. The evidence shows that the SCC Cabinet expressly deferred making any positive decision on whether to authorise additional funds until Autumn 2019. There is no evidence that the County Council updated its Outline Business Case (Document 7.4) or authorised other than Decisions 2 and 3 before it applied for the DCO in June 2018.

The Autumn 2018 Cancellation of the Upper Orwell Crossings

129. In line with the report of June 2018, the SCC Cabinet reconvened in the Autumn of 2018, on 9th October 2018, to consider its priorities and considered how to progress one of the two river crossings in its Strategic Development Capital Programme. The report of 9th October 2018 to the SCC Cabinet on the "Future of the Upper Orwell Crossings project" asked the Cabinet to "seek further external resources" and to explore the availability of additional funding for that project. **[Lings' Appendix M]**. The reason for the recommendation was: (Emphasis added)

> *5. The Council does not have enough capital resources to fill the funding gap between current project cost estimate and the [DfT] funding of £77.546m confirmed*

in 2016. Funding for the project comprised the DfT funding together with a local contribution of £19.103m; the local contribution was underwritten by the Council with the expectation of contribution from other parties.
What are the key issues to consider?
6. Current projected costs for delivery of the project exceed those in the Outline Business Case...
Funding
48. As part of a review earlier this year, four potential avenues of funding were identified to meet the funding gap in the project:
a) Government funds: …
b) Local sources: …
c) Private finance: …
d) Borrowing: Whilst the Council has the ability to borrow money for capital projects, the amount of borrowing possible is extremely limited as it has to be repaid from the already overstretched revenue budget …

130. The SCC Cabinet considered the report on 9th October 2018 and at Item 36 addressed the Upper Orwell Crossings Project. It considered that "further external resources" be sought to fund the Crossing. In doing so comments of Councillors included that there was "so much pressure for Adult Social Care and Children's Services" that was "more important" and that "money could not be taken from reserves and other means to fund the project needed to be found in order not to compromise the most vulnerable people for the sake of the bridges". At Item 38, the Cabinet agreed to award the contract for the Lake Lothing Third Crossing. **[Lings' Appendix N]**.

131. At Item 36, the Cabinet decided that the Interim Corporate Director for Growth Highways and Infrastructure would report in principle to the December Cabinet on the outcome of funding discussions so a decision could be made on the future of the project. No report was made to the December Cabinet **[Lings' Appendix N]**.

THE GAP IN THE FUNDING REQUIRED FOR DELIVERY OF THE SCHEME

132. The current position (at *January 2019*) remains that the County Council has authorised alone provision of 20% of the Total Cost of the Scheme, being some £18.3m, whilst at the same time the SCC Cabinet recognises that its current *authorised* funds results in a *current* shortfall:
    a) Of some £8.3m in relation to the SCC local contribution; and
    b) Of some £7.6m in relation to the SCC land acquisition costs.

SCC DOCUMENTS IN SUPPORT OF THE DCO APPLICATION

133. In support of its Application, SCC has provided, in particular, four documents:
    a) the Case for the Scheme (June 2018);
    b) an Outline Business Case (Version 7.4, December 2015);
    c) the letter dated 22nd December 2015 from the Section 151 Officer; and
    d) a Funding Statement (June 2018).

The Case for the Scheme

134. The County Council has provided a "Case for the Scheme" (June 2018) (Document 7.1). This includes, at paragraph 2.3.1, "Compulsory Acquisition". Paragraph 2.3.1 states that "Land is required to be compulsorily acquired for the purpose of delivering the Scheme".

The Outline Business Case

135. SCC has provided an Outline Business Case (Document 7.4) (June 2018). This includes: Section 3, "The Economic Case"; Section 4 "The Financial Case"; and Section 5, "The Commercial Case". There is nothing to suggest that his has been updated by January 2019 in line with the DfT letter of 23rd March 2016, Conditions vi and vii.

136. Table 2-3 of the Outline Business Case shows 3 options of which the "Central Bridge Option" comprises the application proposals, is identified as the Preferred Scheme, and is anticipated to cost £79m. Paragraph 2.13.5 explains the genesis of the costs as deriving from Section 4. See also paragraph 3.4.1 where "all costs associated with scheme preparation and construction" have been included and shown in Table 3-1. Those costs include an allowance for risk in the form of a quantified risk assessment ("QRA").

137. In Section 4, The Financial Case is set out. Paragraph 4.2 explains that the estimated capital cost of the Scheme (excluding future inflation, client costs and non-recoverable VAT) at 2015 Q4 prices would be £80,346,702. That sum derives from Table 4-2.

138. Table 4-2 summarises the financial constituents comprising the "Scheme Elements" to engender a "Total Cost" of the Scheme (but excluding QRA and Optimism Bias) of £54,801,000.

139. The Total Cost sum of £54,801,000 includes a sum of £3,630,000 for "Land". The sum of £3,630,000 and with this sum being equally divided and spent in 2016-2017 and 2017-2018, with a £0 sum shown for subsequent years.

140. That Total Sum has then been made subject to Quantified Risk (P85 Value) ("QRA"). The resulting adjusted Total Cost (including QRA, but excluding Optimism Bias) would be some £80,346,702.

141. With further adjustments to the sum of £80,346,702 for inflation, the Total Scheme Cost is stated as £91,733,270. Paragraph 4.2.4 and Footnote 27 explain that the adjustment for inflation concerns "price inflation" (i.e. building costs and not land acquisition).

142. Paragraph 4.3.2 Budgetary Impact, explains and asserts that "of an estimated scheme cost of £91.73m, a fixed sum of £73.39m is being sought from Department of Transport. The remaining £18.35m will be funded by the *local contribution*". Table 4-4 summarises this.

143. Whole Life costs are considered separately under paragraph 4.4 and have also been factored in (see paragraph 4.4.2).

144. Paragraph 4.3, Budgets/Funding Cover, then sets out SCC's case for funding of the Scheme: (Emphasis added)

> *It is likely that the scheme will be funded from public finances, and it is <u>not clear</u> at this stage whether any private financial contribution will be available …*
> *The largest contribution to the scheme costs would be provided by the [DfT]. A local contribution, underwritten by Suffolk County Council, will account for 20% of the scheme costs [i.e. £18.3m of £91,733,270]. This is confirmed in a letter of intent, written by the Council's Section 151 officer … <u>In addition to underwriting the 20% contribution, the letter also confirms that the Council will underwrite any potential increase in scheme costs above those set out below</u>.*
> *The exact composition of this local contribution has not yet been finalised, given the uncertainty around available funding mechanisms, ,.. such as the potential devolution infrastructure fund which would be available to NALEP and Suffolk County Council…*
> *In view of the uncertainties around the sources of the local contribution, Suffolk County Council will underwrite the cost [i.e. the sum £18.3m, being the local contribution to the scheme cost].*
> *The Council is also prepared to enter into credit arrangements under the prudential borrowing powers from the Local Government Act 2003…*

145. Lings notes, at this point, that:

a) in relation to the sum of the identified “scheme cost” of £91.73m, the Applicant itself is at this point in time not clear whether this would be forthcoming but relies on a range of contingent potentialities in relation to establishing the local contribution of £18.3m;

b) the letter dated 22nd December 2015 from the Section 151 Officer does not actually confirm that “*the Council will underwrite any potential increase in scheme costs above those set out below”* but both in fact addressed the Outline Business Case (of 2015) and states that: (Emphasis added)

> *the Suffolk County Council has the intention and the means to deliver this scheme on the basis of its proposed funding contribution, on the understanding that no further increase in Government funding will be considered beyond the contribution requested...[and] the Council can only accept responsibility for that which is within our gift to deliver…*

The reference in that letter to: ‘confirmation’ concerns stakeholder analysis and communications plan and not “any potential increase in scheme costs”; “proposed funding contribution” is to the 20% and to land costs of £3.63m.

c) The letter dated 23rd December 2015 from Suffolk County Council makes clear that the letter from the Section 151 Officer is *exclusively* concerned with the “local financial contribution and obligations” of the County, being to the 20%.

146. Section 5, The Commercial Case, asserts in paragraph 5.1 that the “scheme is commercially viable”.

147. Section 6, The Management Case, paragraph 6.1, bullet 7, explains and contends how the benefits set out in the economic case will be monitored and *realised*. Paragraph 6.3 confirms that the proposals are “a ‘stand-alone’ scheme, which can be delivered as designed and costs independently” but is also: “dependent upon the receipt of Government Funding, which *could* include the Local Majors Fund… If the value for money of the scheme cannot be demonstrated, it will not proceed past the gateway points…”.

148. Paragraph 6.6.1, Local Contribution Funding Approval, explains that: (Emphasis added)

> *The local funding contribution is discussed within the Financial Case. However, to confirm, Suffolk County Council’s Section 151 Officer has underwritten the local contribution. As a member of the Steering Group, the S151 Officer will also approve the release of local funding, when satisfied and appropriate to do so.*

149. The reference to the “Financial Case” leads back to Section 4. There is no evidence of asserted underwriting having been actually authorised by the Cabinet of the County Council *beyond* the “proposed funding contribution”.

150. It is clear that the scope of the proposed funding contribution is limited to: 20%; and, to that percentage of the scheme cost of £91.3m, being £18.3m, and no more.

The Funding Statement

151. The SCC Funding Statement (June 2018) describes, at paragraph 1.1.6, *how* the acquisition of the land necessary to build the Scheme proposals falls to be funded.

152. Section 4, Land Acquisition, applies the DCLG Guidance (2013) and also sets out "the anticipated outturn costs of the Scheme" including an allowance for the property costs estimate of the County Council. The reference to "outturn costs" reflects the phrase "outturn prices" in Table 4-2 of the Outline Business Case (i.e. the overall adjusted sum of £91,730,270).

153. In paragraph 3.1.1 of the Funding Statement, the Scheme Cost was estimated as £91.7m and properly recognised as follows: (Emphasis added)

> *4.2.2 The current cost estimate (see paragraph 3.1) includes an <u>allocated budget</u> to cover the total costs of the payment of compensation for the compulsory acquisition of land, interests in land and rights over land. The budget also covers costs associated with the exercise of powers of temporary possession and use of land during the construction period.*

154. Paragraphs 4.2.3 and 4.2.4 contend that land costs have been derived from analysis of recent comparables and also corroborated.

155. Paragraph 3.2 contends *how* the Scheme Cost of about £91.7m falls to be resourced:
    a) £75.39m of Department for Transport funding from "The Local Growth Fund" (paragraph 3.2.3-4) ; and
    b) £18.3m, being the balance of 20% of the £91.7m, desired to derive from "local partners", being the County Council and New Anglia Local Enterprise Partnership.

156. Paragraph 3.2.7 then contends:

> *As set out set out in Appendix M of the OBC (document reference 7.4), the local partners' (County Council and New Anglia Local Enterprise Partnership) have committed to funding 20% of the total cost of the Scheme. This is currently estimated to be £18.3m. Accordingly £10m has been earmarked from the Council's capital programme, with the remaining £8.3m anticipated to come from local contributions. If such monies cannot be drawn down from other sources, the County Council would seek to borrow the monies or draw on its reserves if required to do so to deliver the Scheme.*

157. The reference to borrowing or drawing on other reserves can only be an asserted summary of paragraph 4.3.1, page 103, of the Outline Business Case (December 2015**) [Document 7.4]**. In fact, that relevant parts of paragraph 4.3.1 state: (Emphasis added)

> *[T]he letter [in Appendix M] also confirms that the Council will underwrite any potential increases in scheme costs above those set out below …[see paragraphs 4.3.8-4.4]…*

In view of the uncertainties around the sources of the local contribution Suffolk County Council will underwrite this cost. The details of the local funding mechanism will be clarified as the scheme is developed.
The Council is also prepared to enter into credit arrangements under the prudential borrowing powers from the Local Government Act 2003.

158. It appears, therefore, that paragraph 3.2.7 of the Funding Statement has misrepresented paragraph 4.3.1 of the Outline Business Case (December 2015). At most, the County Council in December 2015 confirmed that it:
    a) would underwrite the 20% local contribution (and no more); and
    b) be "prepared to enter into credit arrangements" but this is different to there being a reasonable prospects that funds will be available and is also not an authorised commitment that it "would seek to borrow".
159. Section 3 then concluded, at paragraph 3.2.9, by asserting "that the further funding of £8m *would be made available if it is needed*, but [the Cabinet] deferred any final decision on *any* additional funding until Autumn 2019, by which time the Applicant expects to have awarded a stage 2 construction contract … and to be able to make a more accurate cost projection, as part of its preparation of a FBC to be submitted to the DfT". Paragraph 3.2.9 meshes the wording of paragraph 10 of the report of 19th June 2018 with a summary of Decision 2 of that date but, in so meshing, creates an impression different to the reality of the two discrete documents: a report; Minutes.
160. In fact, paragraph 3.2.9 misrepresents the true situation because Decision 2 of the 19th June 2018 did not actually authorise the further availability of any funding whereas paragraph 3.2.9 creates an impression of fact, Decision 2 did authorise "further funding". It did not. Decision 2 did not authorise any further funding. **See Lings' Appendix L**.

CURRENT SHORTFALL IN SCHEME FUNDING AND TABLE 4-2

161. At its highest, as at January 2019, the SCC Cabinet has:
    a) Actually authorised underwriting of 20% of the £91.3m (representing the Total Cost of the Scheme in Table 4-2) but no more (DfT has confirmed provision of £75.39m funding from "The Local Growth Fund" by which that total sum is made up);
    b) Deferred consideration of whether or not to provide further funds until at least Autumn 2019 when a decision will then be considered about capital priorities; and
    c) Not authorised expenditure on land acquisition *beyond* £3.6m shown in Table 4-2 of the Outline Business Case, this being now spent in about June 2016 on Plots 1-06 and 2-07.

162. At the same time, as recently as 19th June 2018, on its own evidence, the SCC Cabinet has accepted in its report and Minutes of that date, that it has a £7.6m gap over and above the £91.3m authorised in Table 4-2.

163. Further, there is evidence of some 21 properties needing to be acquired at this time to enable the delivery of the Scheme. See paragraph 7.35 of Mr Dewey's Report [**see Lings' Appendix D**; and the Applicant's Negotiation Tracker Document.

164. It follows that, in the current absence of the demonstrable *absence* of available, or of likely available, funds at this time and, as the Planning Inspectorate noted, for "all" scenarios, the Scheme cannot be delivered at this time, however laudable a scheme it may be.

APPENDICES

APPENDIX A – Land Title of Lings

APPENDIX B- the evidence of Paul Barkshire

APPENDIX C – the evidence of Mr Arden

APPENDIX D – the evidence of Mr Dewey

APPENDIX E – CIL Charging Schedule

APPENDIX F – CIL Regulation 123 List

APPENDIX G – WDC Emerging Local Plan

APPENDIX H - Legal Framework

APPENDIX I - Devolution to local government in England

APPENDIX J – SCC's Revenue Budget 2018-2019 and Capital Programme 2018-2021

APPENDIX K – SCC's Statement of Accounts 2017-2018

APPENDIX L – SCC's confirmed Minutes 19th June 2018 Cabinet Meeting

APPENDIX M – SCC'S 9th October 2018 Cabinet Report "Future of the Upper Orwell Crossings project"

APPENDIX N – SCC's confirmed Minutes 9th October 2018 Cabinet Report

APPENDIX H – LEGAL FRAMEWORK

THE PLANNING ACT 2008

165. By section 30 of the Planning Act 2008 ("PA 2008"), consent ("development consent") is required for development to the extent that the development is or forms part of a nationally significant infrastructure project. By section 35, the Secretary of State may give a direction for development to be treated as development for which development consent is required and has done so here.

166. By section 120(3), an order granting development consent "may make provision *relating to*, or to matters ancillary to, the development for which consent is granted". By subsection (4), particular provisions may include, by paragraph 1 of Schedule 5, "The acquisition of land, compulsorily or by agreement."

167. By section 122: (Emphasis added)

    1) *An order granting development consent may include provision authorising the compulsory acquisition of land only if the Secretary of State is satisfied that the conditions in subsections (2) and (3) are met.*
    2) *The condition is that the land —*
       (a) is required for the development to which the development consent relates,
       (b) is required to facilitate or is incidental to that development, …
    3) *The condition is that there is a compelling case in the public interest for the land to be acquired compulsorily.*

168. Section 126 applies in relation to an order granting development consent which includes provision authorising the compulsory acquisition of land. By section 126(4), a compensation provision is a provision of or made under an Act which relates to compensation for the compulsory acquisition of land.

169. Section 125(1) applies if an order granting development consent includes provision authorising the compulsory acquisition of land. That section applies: Part 1 of the Compulsory Purchase Act 1965 applies to the compulsory acquisition of land under a DCO as it applies to a purchase to which Part 2 of the Acquisition of Land Act 1981 applies, and as the DCO were a compulsory order under that Act.

170. Compulsory acquisition by public authorities for public purposes has always been in this country entirely a creature of statute: see *Rugby Joint Water Board v Shaw-Fox [1973] AC 202* , 214. The courts have been astute to impose a strict construction on statutes expropriating private property, and to ensure that rights of compulsory acquisition granted for a specified purpose may not be used for a different or collateral purpose: see Taggart, "Expropriation, Public Purpose and the Constitution", in *The Golden Metwand and the Crooked Cord: Essays on Public Law in Honour of Sir William Wade* , (1998) ed Forsyth & Hare, p 91.

171. In *Prest v Secretary of State for Wales* (1982) 81 LGR 193 , 198 Lord Denning MR said:

> *I regard it as a principle of our constitutional law that no citizen is to be deprived of his land by any public authority against his will, unless it is expressly authorised by Parliament and the public interest decisively so demands …"*

and Watkins LJ said, at pp 211–212:

> *"The taking of a person's land against his will is a serious invasion of his proprietary rights. The use of statutory authority for the destruction of those rights requires to be most carefully scrutinised. The courts must be vigilant to see to it that that authority is not abused. It must not be used unless it is clear that the Secretary of State has allowed those rights to be violated by a decision based upon the right legal principles, adequate evidence and proper consideration of the factor which sways his mind into confirmation of the order sought."*

172. Recently, in the High Court of Australia, French CJ said in R & R Fazzolari Pty Ltd v Parramatta City Council [2009] HCA 12 , paras 40, 42, 43: (Emphasis added)

> *"40. Private property rights, although subject to compulsory acquisition by statute, have long been hedged about by the common law with protections. These protections are not absolute but take the form of interpretative approaches where statutes are said to affect such rights."*
> *"42. The <u>attribution</u> by Blackstone, <u>of caution</u> to the legislature <u>in exercising</u> its power over private property, <u>is reflected in what has been called a presumption, in the interpretation of statutes, against an intention to interfere with vested property rights</u> …*
> *43. The terminology of 'presumption' is linked to that of 'legislative intention'. As a practical matter it means that, <u>where a statute is capable of more than one construction, that construction will be chosen which interferes least with private property rights</u>."*

173. In *Galloway v Mayor and Commonalty of London (1866) LR 1 HL 34* , 43, Lord Cranworth LC said that persons authorised to take the land of others "cannot be allowed to exercise the powers conferred on them for *any* collateral object; that is, for any purposes except those for which the legislature has invested them with extraordinary powers". In *Clunies-Ross v Commonwealth of Australia* (1984) 155 CLR 193, 199 the High Court of Australia said that the statutory power to acquire land for a public purpose could not be used to "advance or achieve some more remote public purpose, however laudable". See also *Municipal Council of Sydney v Campbell [1925] AC 338* , 343.

174. The foregoing approaches were endorsed by the Supreme Court in *R(oao Sainsbury's Supermarkets Ltd) v Wolverhampton City Council* [2011] 1 AC 437 at paragraphs 9-11 and 38-39 in its application to the powers of acquisition under section 226 of the Town and Country Planning Act 1990 and to which the Acquisition of Land Act 1981 also applies by operation of subsection (7).

The electronic official copy of the register follows this message.

Please note that this is the only official copy we will issue. We will not issue a paper official copy.

Official copy of register of title

Title number SK245554 | **Edition date 22.02.2018**

This official copy shows the entries on the register of title on 06 SEP 2018 at 12:06:44.

This date must be quoted as the "search from date" in any official search application based on this copy.

The date at the beginning of an entry is the date on which the entry was made in the register.

Issued on 06 Sep 2018.

Under s.67 of the Land Registration Act 2002, this copy is admissible in evidence to the same extent as the original.

This title is dealt with by HM Land Registry, Kingston Upon Hull Office.

A: Property Register

This register describes the land and estate comprised in the title.

SUFFOLK : WAVENEY

1 (09.06.1994) The Freehold land shown edged with red on the plan of the above Title filed at the Registry and being land on the east side of Riverside Road, Lowestoft.

2 (09.06.1994) The land has the benefit of the rights granted by a Deed dated 14 February 1944 made between (1) The London and North Eastern Railway Company (Company) and (2) The Co-Operative Wholesale Society Limited (Society).

¬NOTE: Copy filed under SK140578.

3 (03.11.2003) The land has the benefit of the rights granted by but is subject to the rights reserved by the Transfer dated 18 September 2003 referred to in the Charges Register.

4 (03.11.2003) The Transfer dated 18 September 2003 referred to in the Charges Register contains a provision as to light or air and a provision excluding the operation of Section 62 of the Law of Property Act 1925 as therein mentioned.

5 (26.04.2005) The land edged and numbered in green on the title plan has been removed from this title and registered under the title number or numbers shown in green on the said plan.

B: Proprietorship Register

This register specifies the class of title and identifies the owner. It contains any entries that affect the right of disposal.

Title absolute

1 (03.11.2003) PROPRIETOR: PFK LING LIMITED (Co. Regn. No. 00710435) of Redenhall Road, Harleston, Norfolk IP20 9ER.

2 (03.11.2003) The price stated to have been paid on 18 September 2003 was £320,000 plus £56,000 VAT.

3 (03.11.2003) RESTRICTION: No Transfer of the registered estate by the

B: Proprietorship Register continued

proprietor of the registered estate or by the proprietor of any registered charge is to be registered without a certificate signed by a solicitor that the provisions of clause 13.6 (e) of the Transfer dated 18 September 2003 referred to in the Charges Register have been complied with.

C: Charges Register

This register contains any charges and other matters that affect the land.

1 (09.06.1994) A Deed dated 26 February 1896 made between (1) Archibald White Maconochie and others (the Owners) and (2) The Great Eastern Railway Company (the Company) contains covenants details of which are set out in the schedule of restrictive covenants hereto.

2 (09.06.1994) A Conveyance of the land in this title and other land dated 15 November 1915 made between (1) Archibald White Maconochie and Harriett Richardson Maconochie (Vendors) and (2) Maconochie Brothers Limited (Purchasers) contains covenants details of which are set out in the schedule of restrictive covenants hereto.

3 (09.06.1994) A Conveyance of the land in this title and other land dated 28 February 1929 made between (1) Maconochie Brothers Limited (Vendors) and (2) The Co-Operative Wholesale Society Limited (Purchasers) contains covenants details of which are set out in the schedule of restrictive covenants hereto.

4 (03.11.2003) A Transfer of the land in this title dated 18 September 2003 made between (1) East of England Development Agency and (2) PFK Ling Limited contains restrictive covenants.

¬NOTE: Original filed.

5 (03.11.2003) Equitable charge in favour of East of England Development Agency contained in the Transfer dated 18 September 2003 referred to above.

6 (03.09.2013) REGISTERED CHARGE dated 19 August 2013 affecting also title SK259805.

7 (03.09.2013) Proprietor: BARCLAYS BANK PLC (Co. Regn. No. 1026167) of Lending Operations, P.O. Box 299, Birmingham B1 3PF.

8 (04.10.2013) The parts of the land affected thereby are subject to the leases set out in the schedule of leases hereto.
The leases grant and reserve easements as therein mentioned.

Schedule of restrictive covenants

1 The following are details of the covenants contained in the Conveyance dated 26 February 1896 referred to in the Charges Register:-

The Company for themselves their successors and assigns did thereby covenant and release with and to the owners their heirs and assigns as follows:-

If the owners their heirs or assigns should at any time or times thereafter construct a Quay or Wharf along the line marked "Proposed line of Quay" on the said plan or any part thereof or in any other position on the said piece of land coloured green on the said plan or should in connection therewith or otherwise fill up that portion of the foreshore of Lake Lothing and the Kirkley Ham which was behind such line of quay and was coloured green on the said plan or any part thereof or intercept or diminish the present flow of tidal water over the same the owners their heirs or assigns should (concurrently or as nearly concurrently as might be practicable with the construction and execution of such works) deepen dredge or excavate the foreshore in front of the quay or wharf so constructed or such portion thereof as the owners their heirs or assigns might think fit (but not including any portion of the land coloured red in the said plan) to such an extent and in such manner as that the space which was occupied by the

Schedule of restrictive covenants continued

soil removed should be at least equal in cubic capcity to the water which at the ordinary high water mark would be displaced by the said quay or wharf or other works of the owners and should from time to time and at all times thereafter keep the said foreshore deepened dredged and excavated as occasion should require to the intent that the additional water capacity to be provided as aforesaid should at all times thereafter be preserved and maintained.

The Owners their heirs and assigns should not nor would at any time thereafter construct any works whatever upon the land shewn by the colour yellow on the said plan (save and except that they should be at liberty to construct and use any temporary works that might be necesssary for the purposes of excavation or otherwise in and about the construction and maintenance of the said embankment and quay whilst the same was under construction or repair) and should not nor would fill up any portion of the foreshore coloured green in the said plan without (concurrently so far as practicable with the execution of such works) excavating part of the foreshore coloured yellow in the said plan to such extent as would provide the additional water capacity mentioned in the preceding clause of now abstracting presents and should not nor would at any time thereafter permit or suffer any works executed by them on the said foreshore coloured green and brown edged with green in the said plan or any excavations made by them in the said foreshore coloured yellow in the said plan to become a nuisance or danger to the Harbour Navigation or Works vested in the Company or to any vessels coming to or going from or lying at the said intended quay or wharves And the owners thereby charged the obligations on their part in that clauses contained upon the said pieces of land coloured green and yellow in the said plan to the intent that such obligations might bind in perpetuity the said lands and all persons claiming or to claim (whether immediately or derivatively) through or under the owners any estate or interest therein.

¬NOTE: Copy plan filed under SK140578.

2 The following are details of the covenants contained in the Conveyance dated 15 November 1915 referred to in the Charges Register:-

"The purchasers do hereby for themselves their successors and assigns and to the intent and so as to bind not only themselves but so far as practicable all future owners and tenants of the land and premises hereby assured or any part thereof and to bind such land and premises into whosesoever hands the same may come covenant with the vendors and as a separate covenant with each of them the vendors his or her heirs and assigns that the purchaser his successors and assigns will at all times hereafter perform and observe the stipulations mentioned in the Second Schedule hereto.

THE SECOND SCHEDULE

....

2. The purchasers shall on demand pay to the vendors a proportionate part according to the frontage of their purchase of the cost of any sewer which the vemdors may make along the several roads according to the requirements of the corporation or any Sanitary Authority and the purchasers and their tenants shall have free use of the same if made and shall connect the dwellinghouse to be erected on their property with such sewers when so made as and when required by the vendors surveyor under whose direction and to whose satisfaction the drains are to be connected and the purchasers shall give not less than two days notice of their intention of effecting such junction and shall pay the vendors surveyor a feet of ten shillings and six pence for his attendance. And until the Local Authority shall take over the roads and sewers the purchasers shall pay their proportion accpording to the extent of their frontage of the cost of repairing and maintaining the same.

3. No public house hotel tavern inn or beershop shall be erected on the premises and no noxious noisome or offensive trade or business shall be carried on thereon.

Schedule of restrictive covenants continued

4. The purchasers shall not excavate and gravel sand clay chalk stone earth or material of any kind whatsoever frofm the property except where necessary for building purposes or quay formations or levelling the smae or for sinking a well.

5. No booths shows swings or roundabouts shall be erected made placed or used or be allowed to remain upon the premises.

6. The front of any quay to be erected on the premises shall range and be in line with the quay line marked in the plan hereto annexed."

NOTE: The quay line referred to is the mean high and low water mark between points A B and C on the filed plan so far as it affects the land in this title.

3 The following are details of the covenants contained in the Conveyance dated 28 February 1929 referred to in the Charges Register:-

"The purchasers for themselves their successors and assigns to the intent and so as to bind not only themselves but so far as practicable all future owners and tenants of the land and premises hereby assured or any part thereof used to bind such land and premises into whosoever hands the same may come hereby COVENANT with the vendors that the purchasers their successors and assigns shall at all times observe and perform all the stipulations mentioned in the schedule hereto so far as the same relate to or affect or are to be observed and performed in respect of the land and premises hereby conveyed or any part thereof and to at all times keep the vendors their successors and assigns effectually indemnified against all actions proceedings costs damages expenses claims and demands whatsoever by reason or on account of the breach nonobservance or nonperformance of the said obligations restrictions and stipulations or any of them.

THE SCHEDULE above referred to

....

2. The purchasers shall on demand pay to the vendors a proportionate part according to the frontage of their purchase of the cost of any sewer which the vendors may make along the several roads accroding to the requirements of the Corporation or any Sanitary Authority and the Purchasers and their tenants shall have free use of the same if made and shall connect the dwellinghouse to be erected on their property with such sewers when so made as and when required by the vendors surveyor under whose direction and to whose satisfaction the claims are to be connected and the purchasers shall give not less than two days notice of their intention of effecting such junction and shall pay the vendors surveyor a fee of ten shillings and six pence for his attendance And until the Local Authority shall take over the roads and sewers the purchasers shall pay their proportion according to the extent of their frontage of the cost of repairing and maintaining the same.

3. No Public House Hotel Tavern Inn or Beershop shall be erected on the premises and no noxious noisome or offensive trade or business shall be carried on thereon.

4. The purchasers shall not excavate any gravel sand clay chalk stone earth or material of any kind whatsoever from the property except where necessary for building purposes or quay formations or levelling the same or for sinking a well.

5. No booths shows swings or roundabouts shall be erected made placed or used or be allowed to remain on the premises.

6. The front of any quay to be erected on the premises shall range and be in line with the quay line marked on the said plan."

NOTE: The quay line referred to is the mean high and low water mark between points A B and C on the filed plan.

Schedule of notices of leases

1	04.10.2013 Edged and Numbered 1 in Blue	Dingles Motor Group Limited, Riverside Road	29.08.2013 10 years from 29.8.2013 to 28.8.2013	SK349065
2	22.02.2018 Edged and Numbered 2 in Blue	Enterprise Rent-A-Car UK	16.02.2018 20 years from and including 01.03.2013	SK383899
	NOTE: The lease contains an option to purchase the reversionary estate upon the terms therein mentioned.			

End of register

The electronic official copy of the register follows this message.

Please note that this is the only official copy we will issue. We will not issue a paper official copy.

Official copy of register of title

Title number SK259805 | Edition date 31.10.2017

This official copy shows the entries on the register of title on 07 SEP 2018 at 10:48:12.

This date must be quoted as the "search from date" in any official search application based on this copy.

The date at the beginning of an entry is the date on which the entry was made in the register.

Issued on 07 Sep 2018.

Under s.67 of the Land Registration Act 2002, this copy is admissible in evidence to the same extent as the original.

This title is dealt with by HM Land Registry, Kingston Upon Hull Office.

A: Property Register

This register describes the land and estate comprised in the title.

SUFFOLK : WAVENEY

1 (09.06.1994) The Freehold land shown edged with red on the plan of the above Title filed at the Registry and being Land at Riverside Business Park, Riverside Road, Lowestoft.

2 (03.11.2003) The land has the benefit of the rights reserved by a Transfer of land adjoining the south and west boundary of the land in this title dated 18 September 2003 made between (1) East of England Development Agency and (2) PFK Ling Limited.

¬NOTE: Copy filed under SK245554.

3 (14.01.2005) The land has the benefit of the rights granted by but is subject to the rights reserved by the Transfer dated 1 December 2004 referred to in the Charges Register.

4 (14.01.2005) The Transfer dated 1 December 2004 referred to in the Charges Register contains a provision as to light or air and a provision excluding the operation of Section 62 of the Law of Property Act 1925 as therein mentioned.

B: Proprietorship Register

This register specifies the class of title and identifies the owner. It contains any entries that affect the right of disposal.

Title absolute

1 (14.01.2005) PROPRIETOR: PFK LING LIMITED (Co. Regn. No. 00710435) of Redenhall Road, Harleston, Norfolk IP20 9ER.

2 (14.01.2005) The value as at 14 January 2005 was stated to be under £100,000.

C: Charges Register

This register contains any charges and other matters that affect the land.

1 (09.06.1994) A Deed dated 26 February 1896 made between (1) Archibald White Maconochie and others (the Owners) and (2) The Great Eastern Railway Company (the Company) contains covenants details of which are set out in the schedule of restrictive covenants hereto.

2 (09.06.1994) A Conveyance of the land in this title and other land dated 15 November 1915 made between (1) Archibald White Maconochie and Harriett Richardson Maconochie (Vendors) and (2) Maconochie Brothers Limited (Purchasers) contains covenants details of which are set out in the schedule of restrictive covenants hereto.

3 (09.06.1994) A Conveyance of the land in this title and other land dated 28 February 1929 made between (1) Maconochie Brothers Limited (Vendors) and (2) The Co-Operative Wholesale Society Limited (Purchasers) contains covenants details of which are set out in the schedule of restrictive covenants hereto.

4 (14.01.2005) A Transfer of the land in this title dated 1 December 2004 made between (1) East of England Development Agency and (2) PFK Ling Limited contains restrictive covenants.

¬NOTE: Original filed.

5 (03.09.2013) REGISTERED CHARGE dated 19 August 2013 affecting also title SK245554.

6 (03.09.2013) Proprietor: BARCLAYS BANK PLC (Co. Regn. No. 1026167) of Lending Operations, P.O. Box 299, Birmingham B1 3PF.

Schedule of restrictive covenants

1 The following are details of the covenants contained in the Conveyance dated 26 February 1896 referred to in the Charges Register:-

The Company for themselves their successors and assigns did thereby covenant and release with and to the owners their heirs and assigns as follows:-

If the owners their heirs or assigns should at any time or times thereafter construct a Quay or Wharf along the line marked "Proposed line of Quay" on the said plan or any part thereof or in any other position on the said piece of land coloured green on the said plan or should in connection therewith or otherwise fill up that portion of the foreshore of Lake Lothing and the Kirkley Ham which was behind such line of quay and was coloured green on the said plan or any part thereof or intercept or diminish the present flow of tidal water over the same the owners their heirs or assigns should (concurrently or as nearly concurrently as might be practicable with the construction and execution of such works) deepen dredge or excavate the foreshore in front of the quay or wharf so constructed or such portion thereof as the owners their heirs or assigns might think fit (but not including any portion of the land coloured red in the said plan) to such an extent and in such manner as that the space which was occupied by the soil removed should be at least equal in cubic capcity to the water which at the ordinary high water mark would be displaced by the said quay or wharf or other works of the owners and should from time to time and at all times thereafter keep the said foreshore deepened dredged and excavated as occasion should require to the intent that the additional water capacity to be provided as aforesaid should at all times thereafter be preserved and maintained.

The Owners their heirs and assigns should not nor would at any time thereafter construct any works whatever upon the land shewn by the colour yellow on the said plan (save and except that they should be at liberty to construct and use any temporary works that might be necesssary for the purposes of excavation or otherwise in and about the construction and maintenance of the said embankment and quay whilst the same was under construction or repair) and should not nor would fill up any portion of the foreshore coloured green in the said plan without (concurrently so far as practicable with the execution of such works)

Schedule of restrictive covenants continued

excavating part of the foreshore coloured yellow in the said plan to such extent as would provide the additional water capacity mentioned in the preceding clause of now abstracting presents and should not nor would at any time thereafter permit or suffer any works executed by them on the said foreshore coloured green and brown edged with green in the said plan or any excavations made by them in the said foreshore coloured yellow in the said plan to become a nuisance or danger to the Harbour Navigation or Works vested in the Company or to any vessels coming to or going from or lying at the said intended quay or wharves And the owners thereby charged the obligations on their part in that clauses contained upon the said pieces of land coloured green and yellow in the said plan to the intent that such obligations might bind in perpetuity the said lands and all persons claiming or to claim (whether immediately or derivatively) through or under the owners any estate or interest therein.

¬NOTE: Copy plan filed under SK140578.

2 The following are details of the covenants contained in the Conveyance dated 15 November 1915 referred to in the Charges Register:-

"The purchasers do hereby for themselves their successors and assigns and to the intent and so as to bind not only themselves but so far as practicable all future owners and tenants of the land and premises hereby assured or any part thereof and to bind such land and premises into whosesoever hands the same may come covenant with the vendors and as a separate covenant with each of them the vendors his or her heirs and assigns that the purchaser his successors and assigns will at all times hereafter perform and observe the stipulations mentioned in the Second Schedule hereto.

THE SECOND SCHEDULE

....

2. The purchasers shall on demand pay to the vendors a proportionate part according to the frontage of their purchase of the cost of any sewer which the vemdors may make along the several roads according to the requirements of the corporation or any Sanitary Authority and the purchasers and their tenants shall have free use of the same if made and shall connect the dwellinghouse to be erected on their property with such sewers when so made as and when required by the vendors surveyor under whose direction and to whose satisfaction the drains are to be connected and the purchasers shall give not less than two days notice of their intention of effecting such junction and shall pay the vendors surveyor a feet of ten shillings and six pence for his attendance. And until the Local Authority shall take over the roads and sewers the purchasers shall pay their proportion accpording to the extent of their frontage of the cost of repairing and maintaining the same.

3. No public house hotel tavern inn or beershop shall be erected on the premises and no noxious noisome or offensive trade or business shall be carried on thereon.

4. The purchasers shall not excavate and gravel sand clay chalk stone earth or material of any kind whatsoever frofm the property except where necessary for building purposes or quay formations or levelling the same or for sinking a well.

5. No booths shows swings or roundabouts shall be erected made placed or used or be allowed to remain upon the premises.

6. The front of any quay to be erected on the premises shall range and be in line with the quay line marked in the plan hereto annexed."

NOTE: The quay line referred to is the mean high and low water mark between points A B and C on the title plan.

3 The following are details of the covenants contained in the Conveyance dated 28 February 1929 referred to in the Charges Register:-

Schedule of restrictive covenants continued

"The purchasers for themselves their successors and assigns to the intent and so as to bind not only themselves but so far as practicable all future owners and tenants of the land and premises hereby assured or any part thereof used to bind such land and premises into whosoever hands the same may come hereby COVENANT with the vendors that the purchasers their successors and assigns shall at all times observe and perform all the stipulations mentioned in the schedule hereto so far as the same relate to or affect or are to be observed and performed in respect of the land and premises hereby conveyed or any part thereof and to at all times keep the vendors their successors and assigns effectually indemnified against all actions proceedings costs damages expenses claims and demands whatsoever by reason or on account of the breach nonobservance or nonperformance of the said obligations restrictions and stipulations or any of them.

THE SCHEDULE above referred to

....

2. The purchasers shall on demand pay to the vendors a proportionate part according to the frontage of their purchase of the cost of any sewer which the vendors may make along the several roads accroding to the requirements of the Corporation or any Sanitary Authority and the Purchasers and their tenants shall have free use of the same if made and shall connect the dwellinghouse to be erected on their property with such sewers when so made as and when required by the vendors surveyor under whose direction and to whose satisfaction the claims are to be connected and the purchasers shall give not less than two days notice of their intention of effecting such junction and shall pay the vendors surveyor a fee of ten shillings and six pence for his attendance And until the Local Authority shall take over the roads and sewers the purchasers shall pay their proportion according to the extent of their frontage of the cost of repairing and maintaining the same.

3. No Public House Hotel Tavern Inn or Beershop shall be erected on the premises and no noxious noisome or offensive trade or business shall be carried on thereon.

4. The purchasers shall not excavate any gravel sand clay chalk stone earth or material of any kind whatsoever from the property except where necessary for building purposes or quay formations or levelling the same or for sinking a well.

5. No booths shows swings or roundabouts shall be erected made placed or used or be allowed to remain on the premises.

6. The front of any quay to be erected on the premises shall range and be in line with the quay line marked on the said plan."

NOTE: The quay line referred to is the mean high and low water mark between points A B and C on the title plan.

End of register

These are the notes referred to on the following official copy

The electronic official copy of the title plan follows this message.

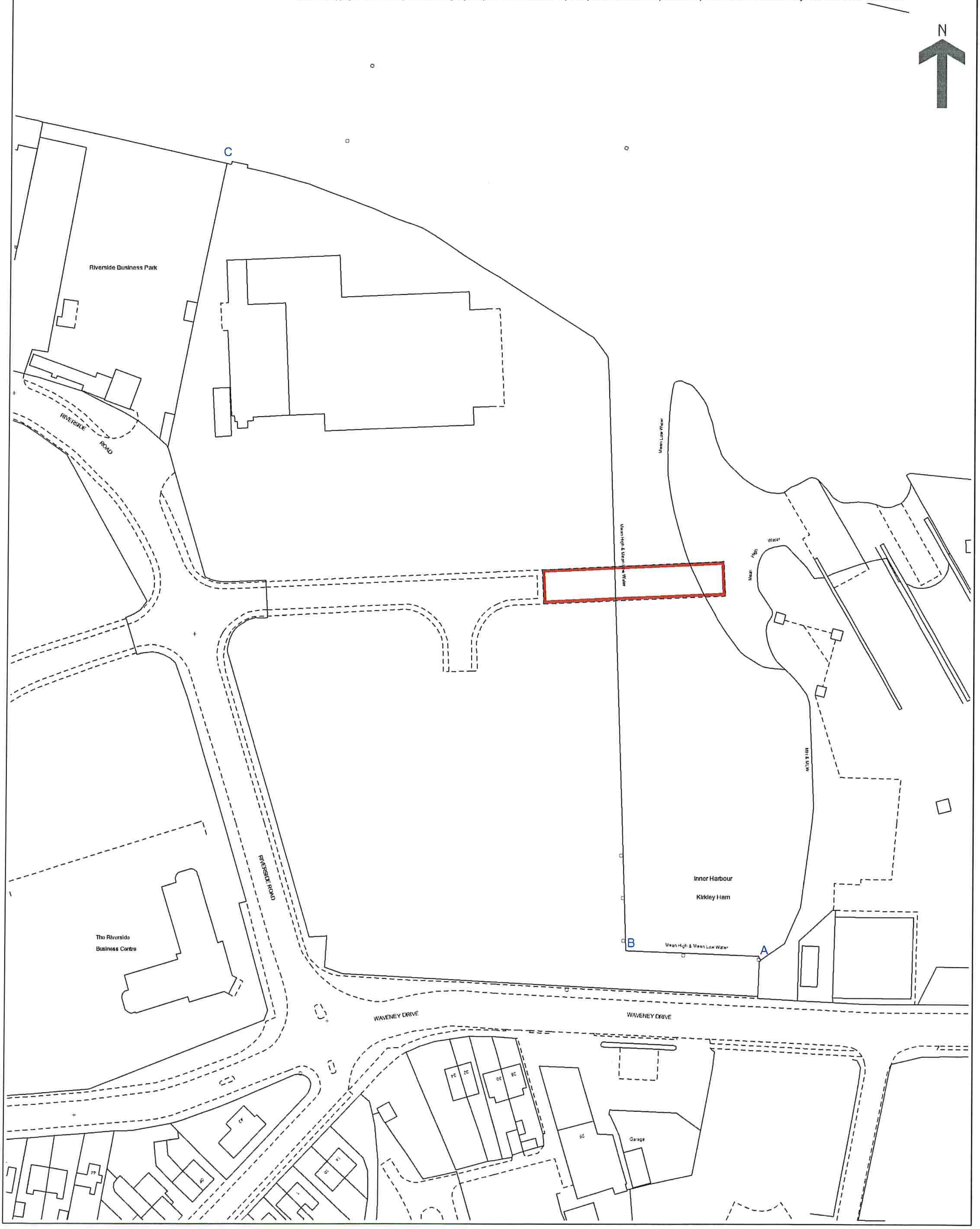
Please note that this is the only official copy we will issue. We will not issue a paper official copy.

This official copy was delivered electronically and when printed will not be to scale. You can obtain a paper official copy by ordering one from HM Land Registry.

This official copy is issued on 07 September 2018 shows the state of this title plan on 07 September 2018 at 10:48:13. It is admissible in evidence to the same extent as the original (s.67 Land Registration Act 2002). This title plan shows the general position, not the exact line, of the boundaries. It may be subject to distortions in scale. Measurements scaled from this plan may not match measurements between the same points on the ground.
This title is dealt with by the HM Land Registry, Kingston Upon Hull Office .

HM Land Registry
Official copy of title plan

Title number **SK259805**
Ordnance Survey map reference **TM5392NE**
Scale **1:1250**
Administrative area **Suffolk : Waveney**



This official copy is incomplete without the preceding notes page.

Lake Lothing Third River Crossing

Paul Barkshire Statement

1. I am a Director of PFK Ling Ltd ("Lings") with responsibility for Operations. I have been employed by Lings since 1978.

2. Lings is one of the main UK dealers for Honda, Honda Motorcycles, Hyundai, Mitsubishi Cars, Triumph, and Husqvarna Motorcycles. We deal in new and used motor vehicles and power equipment, vehicle servicing and repairs, the sale of spare parts for cars and motorbikes and the sale of related products.

3. Lings is a family owned business which started out as a wheelwright and blacksmith in 1874, moving into the motor trade in 1913. We became one of the first UK Honda dealers in the 1960s, adding Triumph Motorcycles to our portfolio in the early 1990s, and subsequently Mitsubishi Cars and Husqvarna Motorcycles in 2015 and Hyundai Cars in late 2016.

4. The Honda, Mitsubishi and Hyundai car dealerships are operated under franchise arrangements which are summarised in the statement produced by Colliers International. We also operate an online sales business for motoring and motorcycling accessories in particular.

5. We employ 110 people at five branches across East Anglia. Our head office and main retail outlet is located at Riverside Road in Lowestoft where we directly employs 44 staff. Lings have operated out of Lowestoft for approximately 60 years, and from our present site since 2004.

The Site

6. PFK Ling Ltd are the freehold owners of our Site[1] the boundaries of which are defined by Riverside Road (to the west), Waveney Drive (to the south), Nexen Lift Truck's site (to the north) and Kirkley Ham to the east and which extends to approximately 6 acres (the "Site"). The boundary of the Site is as shown on the Land Registry title plans contained at Lings' Appendix 1 to our Written Representations.

[1] Registered under title numbers SK245554 and SK259805

7. The existing site layout is shown on the plan contained at Annex 1 to this statement. The plan is not fully up-to-date and should be cross-referenced with the aerial photograph at Annexe 2. The Site is occupied by three buildings (the largest of which accommodates our head office, showrooms, and servicing/repair workshops), hard standing, and at the northern end of the Site an area which, although laid out as a road with potential access onto Riverside Road, is currently blocked off and used for staff car parking.

8. Access to the Site is currently taken off Riverside Road, a lightly trafficked road which is itself accessed from a signal controlled junction off Waveney Drive. Riverside Road is also used by the large, articulated car transporters to deliver stock to the Site. The transporters unload in Riverside Road itself, and the cars drive directly into the Site. This arrangement can accommodate the occasions when two transporters arrive at the same time, and as the transporters do not enter the Site, reduces the risk of conflicts with internal site traffic and pedestrians.

9. The access into the Site leads to an internal roundabout junction, which in turn provides direct access to the different functional areas of the Site.

10. The land to the left of the roundabout is used for Car Rentals and second hand car sales and display. The building fronting Riverside Road is used as a show room for second hand cars. The other building is occupied by Enterprise Car under a 20 year lease. The hard standing provides display space that is shared between the used car and Enterprise operations.

11. Continuing eastwards across the roundabout, gives access to staff car parking (to the north of the Site) and to our workshop comprising the rear part of the main building, and to the rear of that, to our compound.

12. Turning right from the roundabout gives access to our showroom, office and workshop building (the “Main Building”) and to related display land fronting onto Riverside Road and Waveney Drive. Customer parking is located directly in front of the main building. The Site also incorporates the area of land between Kirkley Ham and Waveney Drive. This land is used for stock display and advertising.

The Main Building and related hard standing

13. The Site was purchased in 2003, the Main Building, a two storey building, was built to our designs in 2004 and we opened for business in 2005.

14. The second storey houses the business' back-offices, meeting rooms, retail storage facilities and a substantial display area for the sale of Motorcycle clothing and accessories.

15. The ground floor is used for a mixture of 'front of house', retail activities and 'back of house' servicing / body repair activities (including store rooms for stock and equipment and staff training rooms).

16. The 'front of house activities' are located in the southern part of the main building, which is oriented so that its glass curtain walls face south east and south west, thereby maximizing views into the building from Waveney Drive, Riverside Road and the hard standing within the Site.

17. Working from west to east, the western corner of the front of house projects outwards towards Riverside Road, and accommodates a Honda franchise. The southern angle of the front of house, projecting south towards Waveney Drive is occupied by the Hyundai franchise, while the eastern angle of the building (projecting south east towards Kirkley Ham), is occupied by a Mitsubishi franchise. The hard standings in front of each of these franchises is used for the display of that franchises' vehicles (in the absence of hard standing directly in front of the Mitsubishi franchise, it is allocated hard standing space fronting directly onto Waveney Drive directly south of the franchise).

18. It is a requirement of our franchisors that customers within their respective parts of the Main Building should not be able to see cars from another manufacturer while in the building. Hence, internal partitions block views, and the internal space between the Honda and Hyundai franchises is used for the display of motor bikes and related accessories, and the space between the Hyundai and Mitsubishi franchises is used as a customer coffee shop / marketing suite. It is equally important that each franchise has its own customer entrance and collection point. This means that customers access the Mitsubishi franchise and collect their new vehicles from the eastern side of the main building directly opposite the wharf, Hyundai customers from the south eastern façade, and Honda customers from the west/north-west of the main building. The coffee shop is accessed either through the building, or (particularly in the case of motor bike riders) from the eastern side of the building.

19. The 'back of house' activities are located in the northern half of the building which house workshops. The valeting area is on the north-western side of the building, while car servicing and MOTs take place in the workshop to the rear of the building

which houses a 'rolling road' for car testing and six car lifts. The original designs for the Main Building also allow for the workshop to be extended further northwards to accommodate a further seven car lifts.

20. Access to the valeting area and the car workshops is taken from the eastern arm of the site-internal roundabout, which gives on to a yard where cars which are being serviced are held, and beyond that, to a vehicle compound where cars awaiting repair and those waiting to be sold are stored and where wheel refurbishing and smart repairs (repairs to a car's paint work which are too minor for the car to be moved into the workshop) take place. At the rear of the compound are two electricity substations.

21. The access road to the east of the Main Building is used at its southern end for drop off points for Mitsubishi customers. At its northern end, it provides access to the 'back of house' facilities, and an area to store some materials used in the workshops.

22. The Site is located in an area that has a number of vehicle-related businesses including a Suzuki and Peugeot dealership on the corner of Waveney Drive and Tom Crisp Way, AR Motorcycles (Horn Hill) and Gooch Accident Repair Centre (Belvedere Road). This will help to increase footfall to the Site.

Description of Business

23. Our business comprises the on-Site sale of vehicles and accessories as well as fulfilling internet orders from stock held on the Site. The new car business is balanced by the used car sales, the car maintenance business and sale of accessories.

24. The Enterprise car rental business operates independently from a building on Site leased from Lings and which is co-located with our used car display. Aside from the rental income, the main advantage of this arrangement is that it increases footfall to its premises and the visibility of its stock.

25. We operate franchises for Honda, Mitsubishi and Hyundai. The brands are intended to be complementary, covering a spectrum of affordability, from the 'entry-level' Hyundai range (attracting a younger, family customer), through the mid-range Honda (which attracts a more mature and brand-loyal customer), to the more expensive Mitsubishi (aimed at the commercial market, with a particular niche in the

Hybrid market). This helps to maintain customer loyalty to the Site, as customers trade up between ranges.

26. A particularly important aspect of the new car business is securing repeat customers. Customer loyalty is encouraged through servicing agreements on cars sold from the Site (with servicing being carried out on-Site), through sales supported by fixed-term financing, at the end of which our customers can trade in their existing car for a new contract and car. Depending on the brand and finance product, the fixed terms range from three to five years.

27. The Site accommodates 200 display spaces. We estimate that on average each car displayed takes approximately 30 days to sell. The loss of any display space therefore represents a loss of sales and related profits.

28. Servicing and MOT-ing cars and motorbikes represent a separate income stream and introduces potential future customers for new cars. I estimate that each MOT takes approximately 40 minutes, and that we carry out on average 5-6 car MOTs / day with a further 3-4 motor bike MOTs/ day. On average we service 30-40 cars and motor bikes per day. The work involved in servicing and repairing vehicles is broad. To keep sunk costs down, we minimise the number of parts kept on site, and operate a 'just-in-time' stock strategy which has a knock-on impact in the number of deliveries to the Site. Where a part is required that we do not hold in stock, we will order it, and on average it will be delivered anywhere between one hour after ordering and 24 hours. Internet sales of car and motor bike accessories represent a further separate income stream.

29. We estimate that the total number of vehicle movements in and out of the Site on a daily basis average in the region of 431. These comprise daily (on average):

- 140 staff movements
- 187 customers two way movements to and from franchises (including test drives and collection of new vehicles)
- 70 customer drop off and collections to the MOT and Body-shop
- 2 deliveries/day from articulated car transporters (currently stopping in Riverside Road)
- 6 parts lorry deliveries (7.5t)
- 22 deliveries from transit vans (including just in time logistics) (up to 3.5t)
- 4 Collections for internet sales
- This excludes special events/weekends (approx 4 per year) where customer traffic increase 10 fold

30. In addition, there will be movements within the Site as stock is moved around the Site, and cars are moved from the storage areas to the workshops.

Employment

31. We directly employ 44 staff on Site, comprising 7 management, 12 sales staff, 17 administration support and 8 technicians. It takes between 3-5 years to train up an apprentice technician at an investment of approximately £30,000 per year. Once trained, a technician is a valuable asset, and if attracted elsewhere, is difficult, and expensive to replace.

The CPO land

32. The DCO scheme proposes permanent and temporary acquisition of our Site and rights over our Site. The loss of land and rights will result in a significant loss of vehicle display space, the permanent loss of our second hand car show room, the permanent loss of Enterprise and will require the complete reconfiguration of our Site including significant changes to the internal layout of the Main Building.

33. With reference to the Plot Numbers on the Land Plans (as used in the Book of Reference) I have set out below the way we are currently using the land.

<u>Permanent acquisition of land</u>

Plot Number on Land Plans	Current Use of Land
5-13	Vehicle display and access to Site
5-11	Second hand car sales building
5-29	Part of existing access to Site
5-37	Enterprise building and associated parking areas
3-31	Part of unused access road
3-49	Vehicle storage area
3-58	Enterprise building and associated parking areas

<u>Permanent acquisition of rights over land</u>

Plot Number on Land Plans	Current Use of Land
5-10	Second hand car sales building
5-14	Used for the display of vehicles. The land also contains prominent totem signs for each of the franchises and Enterprise. The land is also used for temporary advertisements when we have promotions
5-31	Used for the display of vehicles. It contains a number of flag advertisements. The roadway to the east is used to access valet areas and a plant room
3-32	Part of unused access road
3-50	Vehicle storage area

Temporary possession of land

Plot Number on Land Plans	Current Use of Land
5-28	Second hand car sales building
3-57	Part of unused access road currently used for staff parking

Our Site post CPO

34. We have been in discussions with Suffolk County Council about the impacts of the CPO on our Site. If the bridge is constructed, it will require our existing access to be permanently stopped up and a new access provided on Waveney Road.

35. With Suffolk County Council we have considered a number of options for the new access. Initially it was proposed that the customer access would turn left in front the Main Building and transporters would pull onto a new road in front of the quay (PINS reference APP-015: 2.2 General Arrangement Plans (Sheet 2 of 2)). This caused safety concerns with conflict between vehicles reversing off the transporters and cars driving into the Site. It also caused operational issues and the loss of display and advertisement space in front of the quay.

36. SCC provided a revised access design in October 2018 which omitted the transporter route in front of the quay and instead proposed to route transporters to the east of the Main Building and customers in front of the Main Building. We did not consider the left turn within the Site in front of the Main Building to work for operational reasons and Suffolk County Council confirmed in December 2018 that transport modelling demonstrated deterioration in the performance in the southern roundabout and therefore the option could not be taken forward.

37. A meeting was held with Suffolk County Council in December 2018 where it was agreed that further work should be undertaken to explore the possibility of providing a two-way access to the east of the Main Building. I have recently been provided with the drawings at Annexe 3 and 4 which show how this access would work.

38. While I consider the proposed access shown at Annexe 3 and 4 to the east of the Main Building to be the least worst option to date, I remain concerned about the impact that this route will have both on on-site operations and on our customers' experience when visiting Lings.

39. The land to the east of the Main Building and the quay is narrow. The east of the building provides access into our plant room, valet bay, motorcycle workshop, Mitsubishi showroom and coffee shop entrance. Staff and vehicles need to access

and egress through these access points which I am concerned will lead to conflict with vehicles entering the Site causing a safety hazard.

40. The new access will also require a new layout within the Site for access roads, staff and customer parking and display areas. Careful consideration would need to be given to how the layout would work to provide customer parking, staff parking, appropriate display space for the new vehicles (taking account of the franchise requirements) and appropriate display space for second hand vehicles.

41. As the Site is currently laid out, it provides compound and work in progress areas where vehicles can be stored and worked on in away from public/customer areas. With an access to the east of the Main Building customers will have to drive 360 degrees around the Main Building to get to its entrance which means it will not be possible to provide any behind the scenes areas out of sight of customers. This will invariably create a less favourable impression on the business to customers.

42. I have also read Suffolk County Council's response to our Relevant Representation. I note that Suffolk County Council claim that because only 8.5% of our land is being taken permanently we should still be able to operate successfully. While the land take may be relatively small, it will result in the reconfiguration of our Site and in much more than a loss of 8.5% of useable space. The need to provide extensive access routes throughout the Site will result in less useable space. Significantly, we previously did not need to make space for car transporters to turn and unload within the Site but this will now be necessary. It is unclear how we can use the areas of land over which the Council will require permanent rights; we certainly will not be able to use this for permanent displays and advertisements.

43. I am also concerned about the quality of the display space that will be left. Due to the elevation of the bridge and crash barriers we do not believe that people travelling south over the bridge will be able to view displayed vehicles on the western side of the Site. The result of this is that only the relatively narrow southern perimeter of the Site will provide good roadside display space. The quality of this space will be diminished because vehicles will be displayed further from Waveney Drive due to the land that is being permanently acquired.

Commercial Shock

44. In December 2013 there was a tidal surge which flooded[2] our Site. Immediately afterwards we operated from the Site on a skeleton basis for a period of 12 months.

[2] Annexe 5

During this time we were unable to provide existing customers with the level of service they had come to expect from Lings. As a result we lost business to competitors.

45. As a business we are particularly sensitive to disturbance to our operations. This is partly due to our franchisors' strict requirements. Following the flood, we had to redesign the internal layout of our main building ensuring that proper separation between the franchises was provided and we were required to provide particular methods of construction for the partitions and floors. Once we had designed the internal layout we had to obtain approval from the relevant boards with some site inspections. This makes us vulnerable to increased costs and delay where our existing operations are affected.

46. Immediately after the flood, we expected disruption to the business for a period of one year to 18 months. In reality we found that the impact lasted five years. Before the flood, we generated an annual net six figure profit. Since 2014 we have recorded losses. Our business is now finally on an upward curve and it is expecting to generate profits in the next financial year.

47. The flood demonstrates our sensitivity to commercial shock. We are see analogies between the impact of the flood and the DCO scheme. We expect traffic disruption in the area to reduce passing and repeat trade. We expect the external reconfiguration works to the Site to create a similar customer experience to the flood resulting in loss of clients. We expect to have to reconfigure the internal layout of the Main Building which will require a new design process and approval from our franchisors. We are concerned that we will not be able to deliver a design which will meet their strict requirements and will result in the loss of a franchise.

48. We believe the flood demonstrates that there is a lag in the effects of commercial shock on our business. We expect to feel the negative effects of the reconfiguration of our Site for years after the bridge has been completed.

49. We are also a business that will be particularly susceptible to effects of construction works. The dust caused by construction works will mean that we will have to carefully locate our vehicles during construction and we will have to repeatedly clean them everyday. We hope that SCC will take steps to dampen the construction works and compensate us for the additional cleaning we will need to undertake but to date, we have not receive any reassurances.

50. As Mr Dewey explains in his statement, if the Scheme is approved and the bridge built we will be entitled to considerable compensation to mitigate our losses. We understand from Mr Dewey that Suffolk County Council does not have adequate funding to pay this compensation and this causes us significant concern.

Conclusions

51. While we support the provision of a third crossing over Lake Lothing, we have concerns about the impact of the Scheme on our business. We are concerned that until recently the Council has not properly acknowledged or assessed the impact the scheme will have on our ability to operate. It has not understood our unique sensitivity to disruption to our business operations. We do not believe it has properly assessed the lost retail/display space within our Site. We remain very concerned that the Council cannot secure the funding to adequately compensate us against the impacts of the Scheme. However, we feel that positive progress has been made since the preliminary meeting and we remain hopefully that the County Council will work with us to put in place a strategy to minimise the impact on our business operations.

Annex 1 – Existing Site Layout

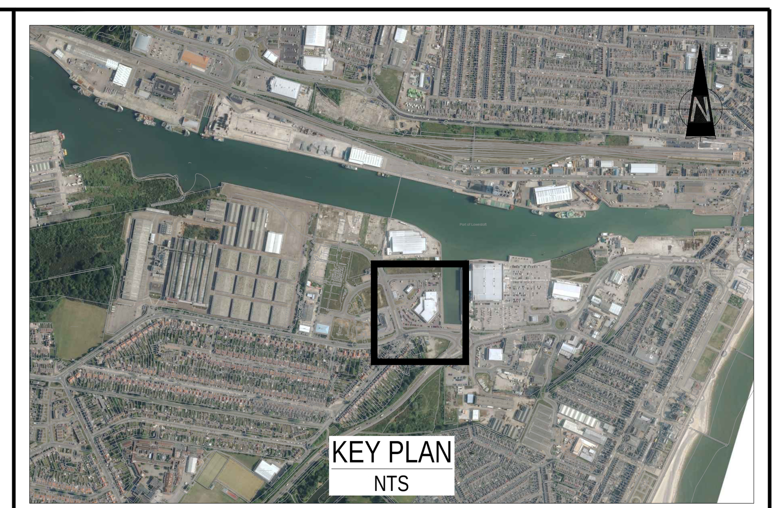
Annexe 2 – Aerial Photograph

Annex 3 – MOTORLINGS SINGLE ACCESS / EGRESS 1069948-SCC-HGN-LL-DR-KK-0020

Annexe 4 - MOTORLINGS SINGLE ACCESS / EGRESS SWEPT PATH ANALYSIS 1069948-SCC-HGN-LL-DR-KK-0020

Annexe 5 – Flood article

N
KEY
NOTE:
ALL LEVELS ARE PROVISIONAL AND TO BE AGREED BY ENGINEER
ALL EXTERNAL DRAINAGE TO BE TO ENGINEERS DESIGN AND SPECIFICATION
Paving slab retaining wall
Concrete & brickwork retaining wall
Proposed Level
Existing Level
Proposed Level with Co-ordinates
Proposed Co-ordinates
S/S Bollard (15 No)
Landscaping
Bitumen Bound Gravel Surfacing
Brindle Block Paving
Buff Block Paving
Black Block Paving
All other areas Tarmac Surfacing
C/L MH DATUM
X=000 Y=000
BUILDING 2 WORKSHOP & SALES
FFL 2.700m
BUILDING 1
FFL 2.550m
FUTURE EXTENSION
Visitor Parking 5 No
Vehicles Waiting 18 No
Staff Parking 14 No
Vehicles Waiting 20 No
Cycles
Sub-Station
Display Cars
Display / Seating Area
Visitor Bike Parking
Visitor Car Parking
Disabled
FOR ENTRANCE DETAILS REFER TO SEPARATE DRAWING
2100mm high security fence
Pedestrian access to be advised by client
Hatched area denotes land take by Suffolk County Council
Form new access to be agreed with SCC Highways
Existing newly planted hedge to be removed & re-planted with new
Line of existing fence
No customer vehicles beyond this point
1000mm high bollards
Mooring Point
RIVERSIDE ROAD
WAVENEY DRIVE
RIVERSIDE WALK
HARBOUR
BOUNDARY
BUS LANE
NOTE:
THIS DRAWING REPLACES DRAWING 2220/03 AND HAS BEEN RE-SCALED TO 1:200
Randall Surveys
Proposed Honda Brand Centre
for PFK Ling Ltd
Riverside Road, Lowestoft
Site Plan
1:200@A0
Apr 04
2220
08
A
CARTER BUILDERS
LINGS
Hoopers
FEATURES
SERVICES
CONTROL DATA
LEVEL DATA
FENCE TYPES
TREES
ABBREVIATIONS



KEY

REFERENCE DESIGN (OPTION C19 - REV P06 ALIGNMENT)

ALTERNATIVE ALIGNMENT

ORDER LIMITS

NOTES

1. LAYOUT SHOWN IS FOR ILLUSTRATIVE PURPOSES ONLY.

REVISION	DRAWN	CHECKED	APPR'D	AUTH'D	DATE
-	-	-	-	-	-
P01.01	CC	SC	MW	JB	17.12.2018

ORIGINAL ISSUE

DESCRIPTION

Suffolk County Council

PROJECT TITLE

Lake Lothing THIRD CROSSING

DRAWING TITLE

MOTORLINGS
SINGLE ACCESS / EGRESS

DRAWING STATUS

FOR INFORMATION

DRAWN	CHECKED	APPROVED	AUTHORISED	SUITABILITY
CC	SC	MW	JB	S2

SCALE @ A1 SIZE	DATE	REVISION
1:250	17.12.2018	P01

DRAWING NUMBER

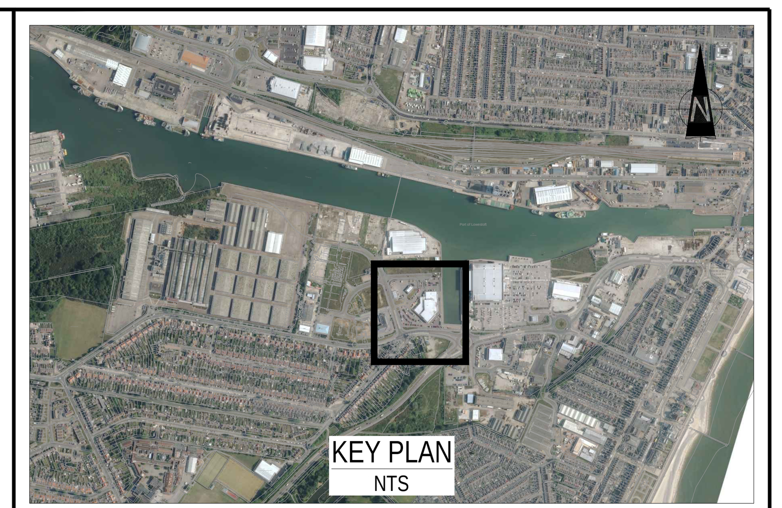
Project | Originator | Volume

1069948-SCC-HGN-LL-DR-KK-0020

Location | Type | Role | Number

INSET A - CAR TRANSPORTER (20m)
(ENTER SITE, REVERSE AND EXIT SITE)
(REFER TO KEY FOR VEHICLE PROFILE)

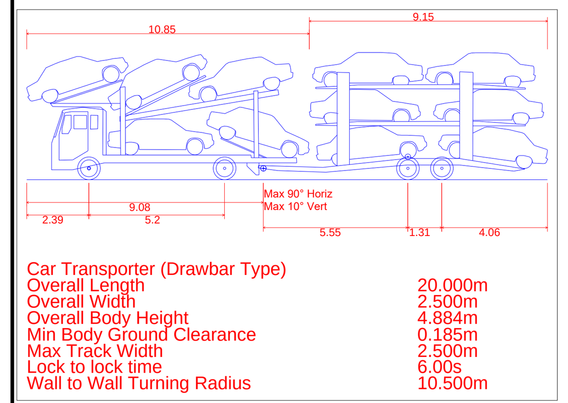
INSET B - 3.5t PANEL VAN
(ENTER SITE, EXIT SITE)
(REFER TO KEY FOR VEHICLE PROFILE)



KEY

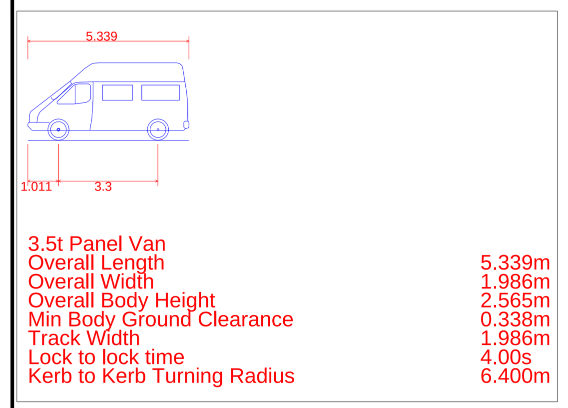
REFERENCE DESIGN (OPTION C19 - REV P06 ALIGNMENT)

ORDER LIMITS



Car Transporter (Drawbar Type)	
Overall Length	20.000m
Overall Width	2.500m
Overall Body Height	4.884m
Min Body Ground Clearance	0.185m
Max Track Width	2.500m
Lock to lock time	6.00s
Wall to Wall Turning Radius	10.500m

VEHICLE USED FOR SWEPT PATH ANALYSIS IN INSET A



3.5t Panel Van	
Overall Length	5.339m
Overall Width	1.986m
Overall Body Height	2.565m
Min Body Ground Clearance	0.338m
Track Width	1.986m
Lock to lock time	4.00s
Kerb to Kerb Turning Radius	6.400m

VEHICLE USED FOR SWEPT PATH ANALYSIS IN INSET B

NOTES

1. LAYOUT SHOWN IS FOR ILLUSTRATIVE PURPOSES ONLY.

REVISION	DRAWN	CHECKED	APPR'D	AUTH'D	DATE
-	-	-	-	-	-
P01.01	CC	SC	MW	JB	17.12.2018

DESCRIPTION: ORIGINAL ISSUE

Suffolk County Council

PROJECT TITLE

Lake Lothing THIRD CROSSING

DRAWING TITLE

MOTORLINGS
SINGLE ACCESS / EGRESS
SWEPT PATH ANALYSIS

DRAWING STATUS

FOR INFORMATION

DRAWN	CHECKED	APPROVED	AUTHORISED	SUITABILITY
CC	SC	MW	JB	S2

SCALE @ A1 SIZE	DATE	REVISION
1:500	17.12.2018	P01

DRAWING NUMBER

Project | Originator | Volume

1069948-SCC-HGN-LL-DR-KK-0020

Location | Type | Role | Number

Suffolk floods: Tidal surge 'worse than 1953'

6 December 2013


Sound & Vision

The tidal surge that hit Suffolk on Thursday night was worse than the one that caused fatal floods in 1953, the Environment Agency said.

Flood waters built up in the early hours and remained in Lowestoft, Southwold and Snape - but in Aldeburgh and Ipswich they receded quickly.

Friday's flood warnings along the Suffolk coast were downgraded from severe by the Environment Agency.

Flooded pubs in Southwold and Snape are expected to be closed for days.

Suffolk Police's Assistant Chief Constable Tim Newcombe said: "The comparisons to 1953 are valid, but the big difference is we've had no loss of life and no significant injuries.

"One of the key things we'll be doing is having a full inspection of sea defences to see if they've been damaged and need to be shored up."

Coast 'still unsafe'

The **Environment Agency**'s spokesman Simon Barlow said: "The coast is still a very unsafe place to be and there may still be the opportunity for flood defences to fail and for water to enter land.

"The expectation is that this surge is continuing to drop and by Saturday we will have seen the worst of it."

The Harbour Inn on the River Blyth at Southwold, which has a **history of flooding**, was under water again.

Nick Attwell, its landlord, spent Thursday moving furniture and equipment out of the pub.

He said: "I've seen it rush in before, but I've never seen it rush in so quickly and it ended up about 5ft (1.5m) off the ground.

"Gas and electrics were all turned off, but we're going to be knee-high in water again with the next tides.

"We're going to have a massive clear-up operation, but one that we're probably not going to start for a couple of days."

Snape pub landlady's tale

The Crown in Snape was surrounded by water as the River Alde burst its north bank.

Theresa Cook, landlady, said: "We moved all our livestock [pigs, lambs and goats] except for our turkeys and some of our chickens and ducks are already dead.

"I'm upset, but at least we were warned and we got most of the animals out.

"We did put sandbags and boards up, but it's just too much volume of water."

Boat washed away

Alister Cruickshank took photographs to the north of Southwold and said Easton Bavents, **where houses have been subjected to the ongoing threat of erosion**, had lost 7ft (2m) of cliff.

Further down the coast at the mouth of the River Deben, Felixstowe Ferry hamlet was flooded and it caused damage to wooden homes and sheds and scattered debris around.

Steven Reid, assistant harbour master, said: "You can see by the devastation that the Environment Agency got it right, so good on them.

"It's only material damage and that can be replaced and repaired and nobody lost their lives.

"One 20ft (5m) boat, which was resting on the ground, was washed out to sea, but we let it go because there was no danger to life."


ALISTER & ALISON CRUICKSHANKS


MARGARET SHREEVE

Power supplies

Many homes lost electricity after high winds brought down supply cables on Thursday.

UK Power Networks said it had dealt with most of the problems by Friday afternoon.

A spokesperson said: "The electricity network in the East of England remained undamaged by flood waters overnight and there are currently no widespread interruptions to customers' electricity supplies.

"We have been asked to check electrical equipment at up to 200 flooded homes in the Lowestoft area. This is likely to take several days to gain safe access."

Bridge Road at Snape and the A12 at Blythburgh remained closed to traffic on Friday afternoon.

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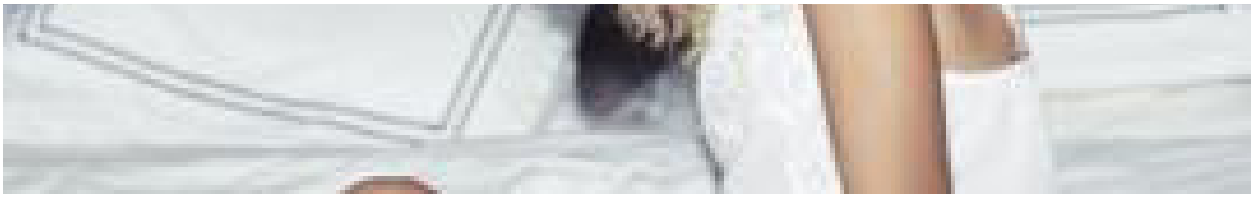

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JANUARY 2019

Prepared For

The Examining Authority

Prepared By
Colliers International
Property Consultants Limited

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FAO: The Examining Authority

LINGS MOTOR GROUP, RIVERSIDE ROAD, LOWESTOFT NR33 0TQ

1. INTRODUCTION

1.1. I am instructed on behalf of Lings Motor Group to provide a written representation to the Examining Authority in connection with the property situated at Riverside Road in Lowestoft. The report is intended to outline the nature of the business operating from the site and provide some commentary on the DCO proposals from a property perspective.

1.2. Following the notice of acceptance of an application for a Development Consent Order dated 15th August 2018, Lings provided summary a representation to the planning inspectorate in advance of 24th September 2018.

2. BACKGROUND

2.2 I, Nicholas James Ashby Arden, hold a Master of Science degree in Real Estate Management from Oxford Brookes University and I am a member of the Royal Institution of Chartered Surveyors elected in 2013.

2.3 I am an Associate Director within Colliers International located at 12th Floor, Eleven Brindleyplace, 2 Brunswick Square, Birmingham, B1 2LP and I work within the Automotive & Roadside Department which is a specialist division within the company.

2.4 Colliers International are commercial property consultants that advise clients on the acquisition, disposal, letting and valuation of commercial and residential properties throughout the United Kingdom and worldwide.

2.5 The Automotive and Roadside Department acts on a national basis for a number of public and private companies with interests in a variety of automotive and roadside premises including vehicle dealerships, petrol filling stations, tyre and exhaust centres, trade counter units and roadside premises.

2.6 I joined Colliers International in November 2011 having previously been at Altus Edwin Hill since 2009.

2.7 I undertake Valuation work for a range of owners and lenders on a range of automotive properties as well as undertaking lease consultancy work for both Landlords and Tenants. Through my work within the sector, I therefore regularly provide strategic property advice.

3. BACKGROUND – LINGS LOWESTOFT

3.1. Lings Motor Group was established in the motor trade in 1913 and remains today a family owned and operated business in East Anglia. Its head office is at Riverside Road, Lowestoft which forms the subject of this document.

3.2. Lings are a main UK dealer for Honda, Hyundai and Mitsubishi Cars, as well as Triumph, Honda and Husqvarna Motorcycles. The group operates out of five branches across East Anglia, employing over 100 people.

3.3. The subject property is held by PFK Ling Limited under freehold Title Numbers SK245554 and SK259805. The site extends to 3.93 acres (excluding water interest). The property was originally constructed as a specialist Honda Centre in approximately 2004.

3.4. In essence, the property originally comprised a detached purpose built showroom for Honda Cars, Honda Motorcycles and Power & Marine products. The back of house areas included a car workshop, motorcycle and power workshop, parts department, marine workshop and a range of ancillary accommodation. At first floor level there was an area for motorcycle accessories together with offices, board rooms, training rooms and ancillary accommodation.

3.5. Today the building structure remains similar to its original construction albeit internally the property has been adapted to meet the needs of the current franchises. In addition, there are two further buildings on site used as a Motorlings used car showroom and by Enterprise Rent-a-Car who occupy a further building on a leasehold basis.

3.6. The total floor area for the site amounts to 38,035 sq ft (3,533.56 sq m) of which the main showroom building accounts for 34,513 sq ft (3,206.32 sq m).

3.7. The main building sits to the east of the site with the south, west and northern areas being put to display and storage uses as well as Motorlings and Enterprise.

3.8. The showroom areas have been subdivided to provide a Mitsubishi showroom facing south east towards the Tom Crisp traffic island, a Hyundai showroom facing south east and south west, a motorcycle showroom and main customer entrance facing south west to the junction of Waveney Drive and Riverside Road and finally a Honda showroom facing south west and north west. To the rear of the showrooms is a range of ancillary accommodation together with a vehicle workshop fitted with 6 x 2 post vehicle lifts and 1 x 4 post vehicle lifts. There is a separate motorcycle workshop and valet bay.

3.9. The showrooms currently provide for the internal display of 6 Hyundai, 5 Mitsubishi and 8 Honda vehicles. In addition, there is an expansive display area for motorcycles and a first floor sales area for motorcycle clothing and accessories. Partitioned from within the showroom area is a bespoke café area for customers.

3.10. Customer access to the site is currently taken from Riverside Road which itself is accessed from Waverney Drive at a signal controlled junction. Riverside Road is a 'no-through road' and as a result sees relatively low numbers of vehicles making the site easily accessible for customers. The site is however seen by traffic travelling along Waveney Drive and by traffic passing through the town on the A12 via the Tom Crisp island.

3.11. Within the site boundaries there is an internal road with a modest roundabout which provides access left to the Motorlings used car showroom and Enterprise Rent-a-Car businesses. Parts deliveries and other vehicles may continue straight ahead for access to the workshops and rear compound, whilst customers can turn right to the main body of the site.

3.12. Deliveries of cars from vehicle transporters is typically dealt with on Riverside Road. When the site was conceived, an access to the north was put in place via a separate internal access road. This access was however abused by nearby occupiers who made use of this space for additional free parking. As a consequence, Lings decided to block up this accessway meaning that this road is now only accessible from within the main body of the site. As a consequence, it is no longer able to be used by transporters and is therefore used now for the storage of vehicles.

3.13. The site is therefore considered to be well designed to meet the needs of the current operations on site. There is an element of separation between the franchised dealership operation and the used car and Enterprise operation.

4. FRANCHISE REQUIREMENTS

4.1. I have been provided with some detail in connection with the dealer standards as these form a basis on how the site can be used and operated.

4.2. Lings dealership operations are subject to stringent dealer standards which apply to the Honda, Hyundai and Mitsubishi franchises. These standards provide a framework to which dealer groups are required to adhere in order to provide a level of consistency of customer experience across a particular franchised network.

4.3. In this regard, guidelines for specification and size of showroom, workshop and external areas are set out and updated from time to time. Failure to meet these standards can result in action being taken by the relevant manufacturer and in some cases may result in a termination of a particular franchise.

4.4. In many cases, the level of investment can be substantial with fit out works being effectively written off over a number of years.

4.5. I have been provided with some information in relation to the relevant dealer standards. In respect of the property requirements, I would highlight the following:

4.6. <u>Hyundai</u>

4.6.1. The Hyundai franchise requirements are divided between core and operational standards. The core standards relate to fixed assets, principles and processes which must be in place to operate and retain the Hyundai franchise. The operational standards relate to key business equipment and process which must be in place.

4.6.2. The window at the front of the showroom must be a minimum size of 9.0 metres in length by 2.3 metres. The showroom must have a minimum display area of 180 sq m with at least 6 new vehicles on display.

4.6.3. Customer parking spaces must be a minimum size of 2.5 metres by 5 metres and be provided in the following quantities:

4.6.3.1. Sales – two spaces per 50 new retail and motability units sold, to a maximum of 10.

4.6.3.2. Service – Two spaces plus one bay per two Hyundai ramps

4.6.3.3. There must be at least one designated customer parking space for EV/ PHEV vehicles.

4.7. Mitsubishi

4.7.1. A minimum of 3 spaces for customer parking. A minimum of 1 parking space must be reserved and signed for disabled people. A minimum of 1 parking space must also be made available for EV/PHEV customers.

4.7.2. In a multi-franchise showroom, new Mitsubishi vehicles are to be presented clearly separated from other brands. The Mitsubishi showroom must display 5 new vehicles with a minimum size of 150 sq m.

4.8. Honda

4.8.1. The latest Honda model looks to provide a logical layout to the showroom. The concept includes unified spaces for sales and aftersales customers.

5. SUITABILITY OF THE PROPERTY FOR EXISTING USES

5.1. The property is set out in a logical and ordered manner for the franchises and business operations undertaken by Lings.

5.2. Access is provided from Riverside Road which is a lightly trafficked highway located off the busier Waveney Drive. Access is taken from the east side of Riverside Road and leads to a small roundabout where drivers can choose to turn left to the Motorlings used car showroom and Enterprise Rent-a-Car outlet, continue straight ahead to the storage parking and rear workshop access and compound or turn right to customer parking which is immediately to the front of the customer entrances to the showrooms.

5.3. Access for transporters is also via Riverside Road and these deliveries are typically unloaded onto the highway. Alternatively, transporters could unload within the surfaced access road which is situated at the northern end of the site, the land for which is owned by Lings. The current access arrangements benefit the site by ensuring that transporter unloading never comes into conflict with customer access and day to day site operations.

5.4. In line with typical requirements for vehicle dealerships, the site currently benefits significant prominence to traffic travelling along Waveney Drive and traffic passing through the town on the A12 via the Tom Crisp roundabout. The signage and layout on the site has been completed in order to optimise visibility and impact to these key routes. Totem signage has been placed to the south east corner of the site to the south of Kirkeley Ham in order to advertise the relevant franchises.

5.5. Whilst there is no single motor trade destination for the town of Lowestoft, the subject property occupies a very strong position, benefitting from its prominent location near to main arterial routes and in close proximity to a Peugeot and Suzuki dealership.

5.6. Display vehicles on site are logically set out in order to maximise visibility from passing traffic. The display vehicles also surround the relevant showroom elevations, enabling appropriate sales staff to identify potential customers. The layout for sales and customer parking has also been considered in order to comply with relevant dealer standards as alluded to earlier in this document.

5.7. Used car vehicles form an important revenue stream for any franchised operation. As a result we have seen typical site requirements for franchised dealers increasing over the last 20 years. Lings current site is considered to be well proportioned for the business operations on site in the context of its particular market area.

5.8. The site enjoys a relatively low building to land ratio in its current form, thereby maximising the opportunity to sell used cars through the extensive used car display areas to the south east and south west of the showroom.

5.9. The layout of the site includes a clear separation between the Enterprise Rent-a-Car business, the used car business and the main franchised dealership operations. The separation minimises interference and any potential conflict with the relevant franchise standards but also, in respect of the Enterprise building, provides opportunities for cross selling to Enterprise customers.

6. IMPACT OF DEVELOPMENT CONSENT ORDER ON LINGS

6.1. Drawing number 1069948-WSP-LSI-LL-DR-GI-0006 outlines the order limits and proposed permanent acquisition of land and temporary acquisition rights over land for the purposes of the DCO submission. This demonstrates that an area of approximately 0.33 acres is to be permanently acquired for the purposes of the project. The land is a strip which runs along the western and southern boundaries of the site. In addition, the building and site area currently occupied by Enterprise Rent-a-Car is to be permanently acquired. We calculate that the Enterprise area extends to approximately 0.28 acres.

6.2. In addition, the drawing shows that permanent acquisition of rights over land will be required to maintain the bridge structure. These acquisition rights follow the same path as the permanent acquisition land along the southern and western boundaries of the site. In addition permanent acquisition rights over land to the east of the showroom building is being obtained, albeit it is unclear why these rights are needed.

6.3. <u>Access</u>

6.3.1. The alignment of the proposed bridge prevents the current access from Riverside Road from being used. As a consequence, Suffolk County Council proposes to create a new left in, left out access to the south east of the showroom building from Waveney Drive.

6.3.2. This proposed revised access is only available to traffic travelling along Waveney Drive in an easterly direction. Customers and deliveries arriving from the south and east via the Tom Crisp roundabout will required to drive past the site and double back along Waveney Drive via the newly proposed roundabout.

6.3.3. The new access will see an intensified use because deliveries and customers are now required to make use of the same access, with transporters being required to load, unload and turn within the main body of the site.

6.3.4. The proposed internal route into the site requires customers to drive around the rear of the showroom building in order to reach the proposed parking area to the south west of the showroom building.

6.3.5. When compared with the current access arrangements, the new proposed access is inferior and less convenient for customers. The nature of the operation and proposals is such that small and large passenger cars, motorcycles, transporter lorries and other deliveries are all required to use the same restrictive access. From a dealer point of view this would be considered a compromising factor.

6.3.6. The proposed new access arrangement may remove the current Hyundai and Mitsubishi display areas to the south east corner of the site. As a consequence, these display vehicles may need to be located elsewhere on the site. In order to maintain an efficient running of the business it is likely that the showroom would need to be reconfigured in order that the relevant display area for Mitsubishi and Hyundai could be made visible from the relevant showroom. The potential lack of display to the southeast corner of the site has a negative impact on the value of the property as this display forecourt is seen by the greatest number of vehicles.

6.3.7. The proposed access route along the east side of the building with turning at the rear of the site removes the potential for Lings to extend their vehicle workshop. Plans for the site originally indicated that an area to the north of the Motor Lings workshop was to be allocated for future expansion. The scheme therefore prevents this future potential growth. Again, this would be considered a disadvantage to potential purchasers of the site.

6.4. Display Parking

6.4.1. The permanent acquisition of land will have a negative impact on the site. The area surrounding the southern and western boundaries is currently allocated for used car display vehicles. This used car display area is essential to any franchised dealership operation as it provides a key income stream for the business, particularly in the current market where margins on new cars are being squeezed.

6.4.2. The value to a dealer of a used car display space is ultimately driven by the turnover and profit which can be derived from it. As a consequence, in my experience when a property is valued, sold or let, those display spaces which are prominent to the main road have a greater capital or rental value when compared with those which are situated towards the rear of the site. This is due to their increased visibility to potential customers.

6.4.3. As a consequence of the new proposed access arrangements as outlined in Drawing 1069948-WSP-LSI-LL-DR-GI-0006 the, display area to the southeast corner of the showroom is removed together with the display areas along the southern and western boundary. As outlined in Mr Dewey's report, the value of the land take is £415,000 given that this land is used for display vehicles and therefore is of relatively high value to the dealership market.

6.4.4. The nature of the subject property calls for an element of brand separation and as a consequence display areas need to be set out in an orderly fashion, ideally to the front of the relevant showroom. Customers should be able to access display vehicles easily. The land take makes this significantly harder to achieve.

6.4.5. The proposed land take not only reduces the overall number of potential used car display spaces but also reduces the prominence and number of prime display areas by comparison with the current layout.

6.4.6. Drawing number 1069948-WSP-HML-LL-DR-CH-0101 is titled "Engineering Section Drawings, Elevation and Plans Mainline" and shows the proposed elevation of the bridge along the path of Riverside Road. The plan demonstrates that the elevation of the bridge along Riverside Road commences at 3.328 metres at the traffic island to the south west corner of the site, rising to approximately 9 metres to the rear of the site. By comparison the existing level at the same points is 3.241 metres and approximately 3.5 metres.

6.4.7. The proposed elevation is likely to significantly reduce the visibility of the site to traffic travelling east along Waveney Drive and traffic moving north and south along the proposed bridge.

6.4.8. Detailed line of sight drawings have not been produced, but visibility of the used car display area to the southwest corner of the site will be significantly reduced as a consequence of the bridge structure. For traffic travelling along the new bridge, the visibility of the showroom elevations is also severely reduced, as a consequence of the elevation and the required safety barriers. In essence, traffic travelling along the bridge may be faced with a view of the roof of the dealership building. The masking effect will effectively reduce the prominence and therefore value of the display areas.

The reconfiguration of the site externals therefore will have a significant impact on the value of the site.

6.5. Motorlings

6.5.1. As a consequence of the land take to the western boundary of the site, the current Motorlings used car building will be removed. This area is separated from the main dealership facility because it is allocated for alternative franchised vehicle sales, i.e. those other than Honda, Hyundai and Mitsubishi. This side of the business is deliberately separated from the main franchised operations. The permanent demolition of this building effectively removes one element of the business.

6.5.2. Whilst this building could be relocated to a new position, due to the proposed land take revised access arrangements, any new location would lack the prominence that it currently enjoys.

6.6. Enterprise Building

6.6.1. Item number 3-58 within drawing 1069948-WSP-LSI-LL-DR-GI-0006 shows that the Enterprise building will be permanently acquired. Coupled with the Council's proposed new access arrangements and the other land take on site, the net usable area to the rear of the site for storage and staff vehicles is substantially reduced. Furthermore, the permanent acquisition of this land creates an irregular shaped site. These factors all have a negative impact on the value of the site and the effectiveness of its operations.

7. CONCLUSIONS

7.1. Within this document I have identified that the business is required to adhere to a range of strict brand standards in respect of the franchises it represents. There is therefore a considerable overlap between the physical attributes of the site, the operation of the business and the consequential impact that this might have on the profitability for Lings.

7.2. The operation of a car dealership relies on income from new car sales, used car sales and aftersales (servicing, MOT etc.). The service lines are closely interlinked and typically dealers will look to offer the best possible service to attract and retain customers.

7.3. A new car sale provides an opportunity for the dealer to sell a service plan or acquire the customer's previous vehicle for resale. As a consequence, the loss of a single customer could have an impact on both the used car side of the business and also the aftersales side of the business. Many cars are now purchased on finance arrangements which are monitored by the dealer. The expiry date of these agreements provides an opportunity for the retailer to sell another vehicle at the appropriate time.

7.4. If during and after works the access arrangements are more convoluted or restrictive, customers will be deterred from going to the site and are likely to consider purchasing from an alternative dealer, which ultimately could impact on the business for a number of years.

7.5. I believe that Suffolk Council has not fully reflected the specific issues connected with running a franchised dealership and have underestimated the required budget for compensation.

7.6. The acquisition of the land reduces the opportunity for used car sales substantially and much of the land which remains available becomes of limited prominence due to the size and scale of the proposed bridge along the western boundary. Therefore the amount and value of the display parking available on site is reduced.

7.7. In addition, given the constraints with the site following the acquisition of the land outlined above, it is likely that Enterprise and the Motorlings used car operation may well be extinguished. This has the potential to reduce business revenue substantially and ultimately may have a negative impact on market value.

Report of
James Dewey MRICS

on behalf of
P F K Ling Limited

1. **INTRODUCTION**

1.1 My name is James Alan Dewey, I hold a BSc Honours Degree from Northumbria University at Newcastle in Urban Property Surveying. I am a member of the Royal Institution of Chartered Surveyors. I am a Director, and head of Compulsory Purchase and Compensation, at Gateley Hamer. I have been in practice for over 15 years, the first 2 years of which I was employed by Leeds City Council and the remainder with private practice firms including Drivers Jonas (now Deloitte), DTZ (now Cushman and Wakefield) and most recently Gateley Hamer. During my career I have specialised in the field of compulsory purchase and compensation.

1.2 I have been responsible for advising parties affected by compulsory purchase orders, and I have negotiated and settled compensation payable on behalf of both acquiring authorities and claimants. I have also advised a number of bodies with compulsory purchase powers, including developers and local councils, in connection with a wide range of schemes.

1.3 My area of expertise extends to a wide variety of property types and I have been involved in the assessment, and negotiation, of compensation involving all claim items including, but not limited to, Market Value, Disturbance Costs, temporary and permanent loss of profits, extinguishment and equivalent reinstatement. A copy of my CV can be found at Appendix 1.

1.4 I confirm that in so far as the facts stated in my report are within my knowledge, I have made clear which they are, and I believe them to be true, and that the opinions I have expressed represent my true and complete professional opinion.

1.5 Gateley Hamer are instructed by PFK Ling Limited (Lings) who own land at Riverside Road, in Lowestoft, to act on their behalf in advising on compulsory purchase matters relating to the proposed Lake Lothing, Third Crossing (the Scheme). I have personally been involved in advising Lings since the commencement of the instruction and have had overall responsibility for the work undertaken by Gateley Hamer.

1.6 In writing this report I have also had regard to the statements written by Nick Arden of Colliers and Paul Barkshire of PFK Ling Limited and have referred to them where appropriate.

1.7 My report explains why there is some justification for plot acquisition, absent justification for other acquisitions and shows why there is a lack of funding for the scheme to result in necessary conclusive satisfaction of the CPO part of the proposal and in relation to which I have provided estimates of anticipated compensation in difference scenarios to assist the Examiner at this application stage of the process

2. SYNOPSIS OF THE CASE

2.1 Suffolk County Council (SCC) are currently in the process of promoting a Development Consent Order (DCO) in order to deliver a new, multi-span, lifting bridge across Lake Lothing. Contained within the DCO are the powers required to acquire third party land, required for the Scheme, through compulsory acquisition. This report deals solely with the application for compulsory purchase powers contained within the DCO.

2.2 PFK Ling Ltd (Lings) operate a car and motorcycle sales business at Riverside Road (the Site). The operation includes the sale of new and approved Honda, Mitsubishi and Hyundai cars. The Site also includes a second hand car sales business known as Motorlings and part of the Site is let to the car rental business, Enterprise- Rent-A Car. A full description of the operation at the Site is set out in the statements of Paul Barkshire. The Site forms part of a wider business that operates across the Suffolk area.

2.3 To deliver the Scheme SCC require the acquisition of both land (permanently and on a temporary basis) and rights from Lings. The Scheme, as currently proposed, will block the existing access to the Site from Riverside Road and provide a less convenient access from Waveney Drive, require the acquisition of prime display spaces and lead to large parts of the remaining land being obscured by the new bridge. Therefore, in order to accommodate the Site and business operation significant changes to the layout will be required.

2.4 Furthermore, during the significant construction works for the Scheme, the local road network will be disrupted. The business relies heavily on vehicular access and disruption to the road network is likely to have an impact on the Site and the operation of the business.

2.5 As set out in the statements of Paul Barkshire and Nick Arden, Lings have concerns about the impact on the business both during construction and post completion of the Scheme. Such concerns are compounded by the amount of land and rights shown within the DCO which do not appear to be necessary for the delivery of the Scheme. Furthermore, whilst Lings will be entitled to compensation, they are not confident adequate funds are available to compensate them for the potential losses.

2.6 Lings are working with SCC in an attempt to reach an agreement which provides Lings with certainty over the impact of the works, the land/rights required and how the Site will operate once the Scheme is complete. In return the agreement will seek to give SCC certainty over the compensation costs. However, until such time as an agreement is reached, there are concerns over the delivery of the Scheme and the availability of funds to compensate the Ling’s business.

2.7 Lings are therefore seeking to limit the land take from the Site to that which is required for the Scheme, and gain certainty that adequate funding is available to compensate them for any loss suffered.

3. THE PURPOSE OF THE REPORT

3.1 In order for the DCO to be confirmed SCC need to demonstrate that the land within the Compulsory Purchase Order (CPO) is limited to that which is required for the Scheme and that adequate funding is available.

3.2 This report is written in order to assist the members of the Inquiry in deciding if the land take required is limited to that which is required for the Scheme and that adequate funds are available to compensate third party land owners impacted by the Scheme.

4. SUMMARY OF CONCLUSIONS

4.1 Having considered all of the plots shown within the DCO and Land Plans which impact on land owned by Ling's, alongside the development proposals for the Scheme and the supporting DCO documents, it is my opinion that there is no justification for the acquisition of a number of plots where land, rights or temporary possession are shown as being required.

4.2 I have also reviewed the land acquisition budget set out in the Funding Statement. DfT have committed to making a major contribution towards the Scheme cost, however this is capped, and any shortfall will have to be met by SCC. In my opinion there is no certainty that all the funding required for the Scheme will be made available by SCC Cabinet. Furthermore, considering the potential compensation claim from PFK Ling and other land owners affected by the Scheme the current budget estimate, even when considering the unconfirmed additional funds, is not, in my opinion, adequate to cover all compensation costs.

5. BASIS OF INSTRUCTIONS

5.1 Gateley Hamer have been instructed to provide strategic compulsory purchase advice including the assessment of compensation, providing advice in relation to the DCO and conducting negotiations with SCC with a view to reaching an agreement in advance of the use of Compulsory Purchase Powers.

5.2 I am instructed by Birketts, solicitors acting for Lings, that the land acquired should be limited to that which is required to deliver, and maintain, the Scheme and that SCC must demonstrate that sufficient funds are available to deliver the Scheme. I am therefore instructed to provide opinion on the following issues:

1) Is the land take limited to that required for the Scheme and is the acquisition of land, rights and temporary possession shown in the DCO justified; and

2) Have SCC correctly budgeted for land acquisition costs and does SCC have sufficient funds available to pay all compensation claims.

6. **ACQUISITION OF LAND, RIGHTS AND TEMPORARY POSSESION IN THE DCO**

6.1 For ease of reference I have set out at Appendix 2 the plots where temporary possession, permanent acquisition and rights are required in relation to land owned by Lings. I have also set out in the same appendix the works description which relate to Lings plots. The plot numbers referred to in the following section are those that are contained in the Land Plans, Regulation 5(2)(i) which have been submitted as part of the DCO documentation.

6.2 In summary the following plots are relevant to Lings:

Permanent Acquisition – 3-31, 3-43, 3-49, 3-58, 5-02, 5-11, 5-13, 5-29, 5-30, 5-37

Acquisition of Rights – 3-32, 3-50, 5-10, 5-14, 5-31

Temporary Possession – 3-57, 5-28

6.3 After considering the Land Plans, Draft Development Consent Order and the Statement of Reason the requirement and justification for the acquisition of land and/or rights in relation to the following plots is, in my opinion, clear and justified:

Permanent Acquisition Plots - 3-31, 3-43, 3-49, 5-02, 5-11, 5-13, 5-29, 5-30

Acquisition of Rights Plots – 3-50

6.4 However, after considering the Land Plans, Draft Development Consent Order and the Statement of Reason the requirement and justification for the acquisition of land, rights or temporary possession, of several plots is, in my opinion, neither clear nor justified. I set out below the analysis of each plot where I have concerns.

Plot 3-58 - Acquisition of land to provide operational space for adjoining business premises -1E

6.5 The requirement for the land contained within plot 3-58 does not appear in any of the Proposal Plans submitted as part of the DCO application. None of the described works under 1E of Schedule 1 - Authorised Development in the Draft Development Consent Order, appear to apply to this land and it is unclear why Plot 3-58 is required for the delivery of the Scheme.

6.6 The freehold of the land is owned by Lings as part of the Site. The land under Plot 3-58 consists of hard standing which is let to Enterprise Rent-A-Car. I do not comment on the interest held by Enterprise Rent-A-Car and deal solely with the freehold interest held by Lings.

6.7 The Statement of Reason states that the land is required to '*provide operational space for adjoining business premises'*. I understand from conversations with SCC's advisors that the land was included in order to provide Lings with a reconfigured site following the loss of land and access as a result of the Scheme. This is not clear from the description in the DCO documentation and no assurance has been given that the land will not be used by other adjoining businesses.

6.8 I can see no justification for the acquisition of the freehold interest from Lings. Indeed, the acquisition of this plot would, in my opinion, have an unnecessary detrimental effect on the business. The acquisition of the freehold interest in plot 3-58 is not, based on the facts available, in my opinion required or justified.

Plot 5-37 Acquisition of land to provide operational space for adjoining business premises -1E,2

6.9 Plot 5-37 covers the same area as plot 3-58 but is split by the Land Plan continuation page break. This area covers a building and land where the freehold is owned by Lings and is let to Enterprise Rent -A- Car.

6.10 The issues set out in paragraphs 6.5 to 6.8 above similarly apply to plot 5-37. The only difference between this plot and plot 3-58 is the reference to Work Number 2 in the Draft Development Consent Area.

6.11 Work Number 2, as set out at Appendix 2 refers to three work types. I deal with each in turn:

(a) The construction of a new roundabout, together with related approach roads and adjacent cycleways;

6.12 Plot 5-37 is not in the vicinity of the new roundabout, the approach roads nor cycleways. I can see no justification for these works to take place on Plot 5-37.

(b) The improvement of existing highways, including realignment, to facilitate tie-ins to the works referred to at paragraph (a) above and the construction of new private means of access to premises as shown on sheet 2 of the rights of way and access plans; and

6.13 Sheet 2 of the Rights of Way plan does not include any works in the vicinity of this plot nor does this plot form part of the existing highway. I can see no justification for these works to take place in relation to this plot number.

(c) Construction of new turning head on Durban Road and provision of adjacent cycleway.

6.14 Durban Road is some distance from Plot 5-37 and I can see no justification for including the Plot in relation to Durban Road.

6.15 In conclusion, I can see no justification for the acquisition of the freehold interest from Lings. Indeed, the acquisition of this plot would, in my opinion, have an unnecessary detrimental effect on the business. The acquisition of the freehold interest in plot 5-37 is not, based on the facts available, in my opinion required or justified.

Plot 3-32 - New rights (including the imposition of restrictive covenants) required for the purpose of constructing, protecting and maintaining the new bridge, for the provision of private means of access as shown on sheet 2 of the rights of way and access plan, and in connection with the diversion, protection and maintenance of statutory undertakers apparatus.

6.16 When considering the area of plot 3-32 against other plots where rights are required for constructing, protecting and maintaining the new bridge (Plot 3-50 for example), the area set out in Plot 3-32 appears, in my opinion, to be excessive. This opinion is supported by Sheet 2 of the Works Plan which does not incorporate the full area of Plot 3-32.

6.17 Sheet 2 of the rights of way and access plan does not provide any detail for the requirement for the full extent of Plot 3-32 for new access works. The freehold owners of Plot 3-32 are Lings, who also own the adjacent site to the south. The requirement to acquire rights for the adjoining land owner is unclear considering the ownership of the land.

6.18 No statutory undertakers apparatus is identified within Plot 3-32 and therefore there can be no need for rights to divert, protect or maintain apparatus.

6.19 Considering all of the above there is, in my opinion, no justification for the rights sought over the full extent of plot 3-32 to the extent of land that the plot covers.

Plot 5-10 - New rights (including the imposition of restrictive covenants) required for the purpose of constructing, protecting and maintaining the new bridge, for the provision of private means of access as shown on sheet 2 of the rights of way and access plan, and in connection with the diversion, protection and maintenance of statutory undertakers apparatus.

6.20 It is accepted that rights over Plot 5-10 for the purpose of 'constructing, protecting and maintaining the new bridge' are required.

6.21 The description of rights in relation to the plot, goes on to state they are required for *'the provision of private means of access as shown on sheet 2 of the rights of way and access plan'* . I have reviewed Sheet 2 of the rights of way access plan and this does not, as suggested, show the land covered by Plot 5-10 as being required for a private means of access. The need for this right is therefore unclear and unjustified.

Plot 5-14 New rights (including the imposition of restrictive covenants) in connection with the diversion, protection and maintenance of statutory undertakers' apparatus and the provision of a private means of access to land on the north side of Waveney Drive, as shown on sheet 2 of the rights of way and access plan.

6.22 I have reviewed Sheet 2 of the Rights of Way and Access Plan in reference to plot 5-14. Whilst the requirement to provide a new access is understood the provisions for new access shown on Sheet 2 covers considerably less land than that incorporated in plot 5-14. The requirement for rights over the land shown in the Draft Development Consent Order appears to be excessive.

Plot 5-31 - New rights (including the imposition of restrictive covenants) required for the purpose of constructing, protecting and maintaining the new bridge, for the provision of private means of access as shown on sheet 2 of the rights of way and access plan, and in connection with the diversion, protection and maintenance of statutory undertakers apparatus.

6.23 The requirements for the acquisition of rights are clear, however, as set out in the report of Paul Barkshire the proposals set out in Sheet 2 of the rights of way access plan will have a detrimental effect on Ling's business operation. Alternative access arrangements are available which will limit the impact on Ling's business by not impacting on prime display space and therefore the rights, as set out in the Draft Development Consent Order, do not reflect the scheme for new access which has the least impact on the retained land.

Plot 3-57 - Temporary Possession of land to provide working space for the construction of the new A12 Lake Lothing Third Crossing, and to provide temporary additional operational space for adjoining business premises during the construction period.

6.24 It is noted that, despite Plot 3-57 being shown as temporary possession on the Land Plans (green land) and the Statement of Reason, the Plot is not contained in Schedule 1 - Authorised Development in the Draft Development Consent Order. On this basis the plot, as per the Draft Development Consent Order, is to be permanently acquired rather than on a temporary basis as per the Land Plans and Statement of Reason. This is, in my opinion, unjustified and will, unnecessarily, be of significant detriment to the operation of the Lings business.

6.25 The land covered by Plot 3-57 is not identified as being required for the construction of the Scheme in Sheet 2 of the Works Plan. The requirement of the plot, in relation to the construction of the Scheme, is unknown and unjustified on both a temporary or permanent basis.

6.26 The freehold of Plot 3-57 is owned and occupied by Lings as part of the wider Site. It is unclear to which adjoining owners SCC intend to provide additional operational space and the reasons for doing so.

6.27 Following the acquisition of land from the Site the land in Plot 3-57 will be critical for the reconfiguration of the Site. Any occupation by an adjoining business premises will have a significant impact on the operation of the site during the construction of the Scheme and post completion.

6.28 I can see no justification for acquiring Plot 3-57 on a temporary or permanent basis and the impact of doing so will be significant.

5-28 - Temporary possession of land to provide working space for the construction of the new access road off Riverside Road

6.29 It is understood that temporary possession of the land in plot 5-28 is required for the demolition of the Motorlings showroom and office. Whilst I understand why temporary possession of Plot 5-28 is required for the delivery of the Scheme it is not justified on the basis of providing *'working space for the construction of new access road off Riverside Road'*, as set out in the Draft Development Consent Order.

6.30 Sheet 2 of the Rights of Way and Access Plan show that there is no proposed access off Riverside Road at this location. The temporary acquisition of the land is not justifiable on this basis.

Conclusion

6.31 There are a number of plots where the permanent or temporary acquisition of land, or the acquisition of rights do not appear to be justified. Unless justification can be provided to demonstrate that the extent of the acquisition is critical to the Scheme the plots set out above should be adjusted or removed from the DCO.

7. **FUNDING FOR THE SCHEME**

7.1 As set out at paragraph 1.1.3 of the Development Consent Order, Document 4.2: Funding Statement (Funding Statement), under Regulation 5 (2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 any DCO application must be accompanied by a statement indicating how the Order will be funded.

7.2 Guidance from the Department for Communities and Local Government 2013 at paragraph 17 and 18 states:

> *17.Any application for a consent order authorising compulsory acquisition must be accompanied by a statement explaining how it will be funded. This statement should provide as much information as possible about the resource implications of both acquiring the land and implementing the project for which the land is required. It may be that the project is not intended to be independently financially viable, or that the details cannot be finalised until there is certainty about the assembly of the necessary land. In such instances, the applicant should provide an indication of how any potential shortfalls are intended to be met. This should include the degree to which other bodies (public or private sector) have agreed to make financial contributions or to underwrite the scheme, and on what basis such contributions or underwriting is to be made.*
>
> *18.The timing of the availability of the funding is also likely to be a relevant factor. Regulation 3(2) of the Infrastructure Planning (Miscellaneous Prescribed Provisions) Regulations 2010 allows for five years within which any notice to treat must be served, beginning on the date on which the order granting development consent is made, though the Secretary of State does have the discretion to make a different provision in an order granting development consent. Applicants should be able to demonstrate that adequate funding is likely to be available to enable the compulsory acquisition within the statutory period following the order being made, and that the resource implications of a possible acquisition resulting from a blight notice have been taken account of.*

7.3 In summary SCC need to demonstrate how the acquisition of land and construction of the Scheme will be funded. Should there be any potential shortfalls SCC need to demonstrate how these will be funded and the timing of such funds being made available.

7.4 In Section 3 of the Funding Statement SCC set out their analysis of the Scheme costs and how the Scheme will be funded.

7.5 At paragraph 3.1.1 of the Funding Statement SCC state that the estimated cost for the Scheme is £91.7m (excluding the £2m OBC costs). This includes construction costs, preparation costs, supervision costs and land acquisition costs. This cost also includes an allowance for inflation.

7.6 At paragraph 3.2.4 SCC set out that a capped grant of £75.39m has been secured from the Department of Transport (DfT). Against the budget of £91.7m (excluding the OBC costs) this leaves a shortfall of £18.3m which, as set out at paragraph 3.2.7 of the Funding Statement, will be covered by SCC.

7.7 Paragraph 3.2.8 of the Funding Statement goes on to state that an update in the land acquisition budget revealed a further £8m was required for land assembly. It is stated at paragraph 3.2.9 of the Funding Statement that the SCC Cabinet (Cabinet) acknowledge that a further £8m of funding will be made available, if required and any final decision on any funding would not be made until Autumn 2019.

7.8 It is worth noting at this point that the comment at paragraph 3.1.1 of the Funding Statement that *'The current cost estimate for the Scheme is £91.7 million'* is incorrect as the current cost estimate for the Scheme is in fact £99.7 million (£91.7m plus £8m of additional land assembly costs before the £2m OBC costs are accounted for).

7.9 The acknowledged increase in land acquisition budget leads to two critical questions:

1) What certainty is there that the £8m additional funding will be made available for the delivery of the project?

2) Is the land acquisition budget adequate even when considering the additional £8m identified?

7.10 I deal with each of these issues in more detail in the section below.

<u>Availability of additional funds</u>

<u>SCC Cabinet Decisions</u>

7.11 The Funding Statement in support of the DCO relies on the 19 June 2018 Cabinet Report, attached at Appendix L of the Lings Written Representation, to provide comfort that the additional £8m of funding will be made available if required. At paragraph 3.2.9 of the Funding Statement it states:

> *'The Cabinet acknowledge that the further funding of £8m would be made available if it is needed, but deferred any final decision on any additional funding until Autumn 2019'.*

7.12 Having reviewed the cabinet report, I note that in the section titled *'What is the Cabinet being asked to decide?'* it states at paragraph 3 that the cabinet was asked to:

> *'acknowledge the current expenditure projections in paragraphs 8-11 (of the cabinet report) and ask that the Assistant Director of Infrastructure and Waste manage the project to contain the requirement for additional funds and report back to Cabinet in the Autumn of 2019 with a definitive budget requirement.'*

7.13 No details of the Cabinet decision have been provided in the documentation supporting the DCO application but I have subsequently obtained a copy of the

Cabinet minutes which are attached at Appendix L of the Lings Written Representation.

7.14 The minutes demonstrate that the Cabinet's decision was, as they were asked to do in the Cabinet Report, to confirm that the budget needed to be contained and a new Cabinet decision on a definitive budget had to be reported back in Autumn 2019.

7.15 The statement at 3.2.9 of the Funding Statement that the *'Cabinet acknowledged that the further funding of £8m* _would_ *be made available'* is at odds with the decision the Cabinet made which was to merely review the budget in the Autumn of 2019.

7.16 The position of the Cabinet is a deferral of the decision on funding, predicated on the reduction of other costs, rather than a guarantee of funding. There can be no certainty that costs of construction will reduce by Autumn 2019 particularly in the currently uncertain economic climate and it is unclear how the Cabinet would react to such a position.

7.17 In a letter dated 22 December 2015 the Councils Section 151 officer wrote that any funding requirement would be met by SCC. However, I have seen no evidence of a Cabinet decision to support this assertion. Furthermore, if the Section 151 Officer already had approval to cover any funding required for the Scheme, without limit, then it is unclear why, in the June 2018 Cabinet Report, the Cabinet was asked to make a further decision on funding in Autumn 2019. On this basis, it is my opinion that the letter from the Section 151 Officer cannot be taken to be a full undertaking to cover all costs, whatever they may be.

7.18 It is my opinion that the Examiners can not have certainty that funding will be made available for the Scheme and the statement that funding would be made available is misleading based on the evidence provided.

Uncertainty of Funding

7.19 Considering that no firm commitment has been made by SCC Cabinet to provide the additional funding identified as being required I have reviewed the risk that funding may not be made available when a funding decision is required.

7.20 It is a well-publicised fact that government funding is constrained, and many local and county authorities are operating on limited budgets. This is further compounded by the current uncertain economic climate where many external factors are having an impact on the availability of finance both in the private and public sector. There is a significant risk that when additional funds are sought from the SCC Cabinet the construction of the Scheme may no longer be a priority and budget constraints may lead to funds being used elsewhere. The mere threat of national economic turmoil may be enough to deter the Cabinet from providing significant funds to the Scheme.

7.21 The financial difficulties facing County Council's are recognised themselves by SCC in the Review Budget 2018-2019 and Capital Programme 2018-2021 issued on 8 February 2018. This is dealt with in more detail in the Lings Written Representation.

7.22 The Cabinet also asked the Assistant Director of Infrastructure and Waste to contain costs and seek a reduction of construction costs in the June 2018 Cabinet Minutes. Whilst this would be good practice in any project it is, in my opinion, an indication that the Cabinet are concerned about costs and gives no certainty that additional funding will be provided. If the construction costs are not reduced, or even potentially increase, then there is considerable doubt that additional funding will be made available.

7.23 In tandem with the Scheme, and other highways projects, SCC have also been promoting another bridge scheme known as the Upper Orwell Crossing. However, as set out in the Cabinet minutes dated 9 October 2018, and Attached at Appendix N of the Lings Written Representation, this scheme has been put on hold due to a lack of funding. It was originally proposed that the scheme would be funded partly by the DfT with additional funding from SCC. However, the cost estimate for the scheme has increased and SCC Cabinet have stated they will not fund the shortfall in costs. The scheme is now on hold whilst additional funding is sourced from elsewhere. There are clear similarities between the Upper Orwell Crossing scheme and the Lake Lothing scheme.

7.24 In isolation doubts over future funding for the Scheme might be seen as speculation, however considering the Cabinet decision to defer any outstanding commitment in relation to the Scheme, the decision in relation to the Upper Orwell Crossing and current uncertain economic climate provides significant uncertainty that funding for the Scheme will be made available and there is no evidence that it is reasonably available nor indeed that all required funds are authorised.

Is the Land Assembly Budget Adequate

7.25 In this next section I consider if the land acquisition budget is adequately covered by the funding available.

Analysis of the current budget

7.26 The table below is an extract from the Outline Business case (page 101):

Scheme Element	Total Cost at 2015 Q4 prices	Spend Profile by Financial Year					
		2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Construction Contracts	£40,612,000	£0	£0	£2,030,600	£14,214,200	£16,244,800	£8,122,400
Statutory Undertakers Works	£4,061,000	£0	£203,050	£203,050	£2,436,600	£406,100	£812,200
Land	£3,630,000	£0	£1,815,000	£1,815,000	£0	£0	£0
Design Investigations, Surveys, Procurement, Supervision etc.	£6,498,000	£1,494,540	£3,184,020	£974,700	£324,900	£324,900	£194,940
Total Cost (Excluding quantified risk and optimum bias)	**£54,801,000**	**£1,494,540**	**£5,202,070**	**£5,023,350**	**£16,975,700**	**£16,975,800**	**£9,129,540**
Quantified Risk (P85 value)	£25,545,702	£696,686	£2,424,965	£2,341,654	£7,913,290	£7,913,336	£4,255,771
Risk-adjusted total Cost (Excluding optimum bias)	**£80,346,702**	**£2,191,226**	**£7,627,035**	**£7,365,004**	**£24,888,990**	**£24,889,136**	**£13,385,311**
Total Cost @2015 prices	**£80,346,702**	**£2,191,226**	**£7,627,035**	**£7,365,004**	**£24,888,990**	**£24,889,136**	**£13,385,311**
Adjustment to out-turn (inflation)	**£5,218,740**	**-**	**£137,380**	**£275,422**	**£1,447,325**	**£1,986,671**	**£1,371,942**
Construction inflation above GDP	**£6,167,828**	**-**	**£282,107**	**£502,617**	**£1,659,406**	**£2,211,918**	**£1,511,780**
Scheme Cost (out-turn prices)	**£91,733,270**	**£2,191,226**	**£8,046,522**	**£8,143,044**	**£27,995,721**	**£29,087,725**	**£16,269,033**

Table 4-2: Breakdown of scheme costs for the Third Crossing scheme

7.27 The table shows that in October 2015, when the Outline Business Case was drafted, the land acquisition budget was £3,630,000. Subsequently, as set out in paragraph 3.2.8 of the Funding Statement, a further £8m funding has been requested from SCC to cover 'upward pressure' on the land acquisition budget. Combining the two the current total land acquisition budget, would appear to be £11,630,000.

7.28 I have been unable to find, within the documentation, any details of the amount of land acquisition budget that has already been spent. I have however, obtained land registry documents, attached at Appendix 3, which demonstrates that SCC acquired land owned by Dahlia Properties (Jersey) Limited for £3.75m on 16 June 2017. The land appears to represent plot 1-06 and 2-07 on the DCO Land Plans.

7.29 Paragraphs 7.19 to 7.24 above deal with the uncertainty in relation to the additional £8m land acquisition budget sought. Of the confirmed land acquisition budget of £3,630,000 the acquisition in June 2017 of £3.75m has already exceeded this budget. It is not clear what funds, if any, are now available for land acquisition.

7.30 If it is accepted that the additional £8m of funding requested should be taken into account, then the remaining land acquisition budget, after deducting the £3.75m already spent, is £7,880,000. This budget would need to cover the compensation items as set out in paragraph 4.2.1 of the Funding Statement and as set out below:

a) Compulsory acquisition of land and rights over land (where land or rights are required permanently);

b) Disturbance and fees;

c) Blight

d) Temporary possession of land

e) Injurious affection

f) Severance

g) Claims under section 10 of the Compulsory Purchase Act 1965;

h) Claims under Part 1 of the Land Compensation Act 1973

i) Risk; and

j) inflation

7.31 It is acknowledged within the compulsory purchase industry that assessing compensation ahead of the acquisition, particularly for a linear scheme, can be difficult. It is therefore usual practice to err on the side of caution when assessing the land acquisition costs. The fact that the original budget of £3,630,000 was exceeded by one single acquisition of £3,750,000, gives some cause for concern over the approach to the land acquisition budget and whether sufficient funds are currently available.

7.32 At paragraph 4.2.1 of the Funding Statement SCC set out their approach to assessing the Property Cost Estimate (PCE) and the component elements which have been included.

7.33 For a linear scheme such as this the impact on adjoining land owners can be varied and the real impacts unknown until construction work begins and the new road opens. In such a scenario it is typical for an acquiring authority to err on the side of caution when assessing the potential total compensation costs.

7.34 In particular the acquiring authority should consider the potential for and costs of potential Material Detriment claims. Material Detriment is a procedure whereby the land owner can force the acquiring authority to acquire all land in their ownership rather than the acquisition being limited to the land required for the Scheme. Whilst there is a certain set of criteria for a Material Detriment claim the risk of such claims on a linear scheme are far greater. Furthermore, the cost of acquiring a whole site, under Material Detriment, could be significant. Within the Funding Statement there is no mention of the approach taken to potential Material Detriment claims and the impact on budget, if such claims are successfully made.

7.35 Considering the above and from my experience the remaining land acquisition budget of £7,880,000, for a scheme of this size, covering a multitude of claim items for a number of interests, appears, in my opinion to be low.

Claims to be progressed

7.36 Whilst individual compensation claims are not something to be considered by the Examiner, there is a need to be confident that sufficient funding is available. In a scenario where the funding is limited, as is the case in relation to the Scheme, the potential level of compensation claims needs to be given careful consideration.

7.37 The Negotiation Tracker, submitted as a supporting document to the DCO, shows that acquisition negotiations are still outstanding with the following parties:

- Christopher David Arlow
- Yasmin Jaffer c/o Karim Jaffer (son)
- Cara Jane Robinson
- Sharon Jean Brown
- Bulldog Development & Consultancy Limited (Formerly known as Howlett Property Limited)
- McLagan Investments Limited (ASDA Stores Ltd)
- PFK Ling Limited
- Enterprise Rent-ACar UK Limited
- Nexen Lift Trucks Limited
- NWES Property Services Limited
- Northumbrian Water Limited
- Homes and Communities Agency
- Waveney District Council
- Statuslist Limited
- Rentokil Initial (1896) Limited
- Brookhouse (Lowestoft) Nominees VI Limited
- Wickes Building Supplies Ltd (Travis Perkins Group)
- B.S. Pension Fund Trustee Limited
- Network Rail Infrastructure Limited
- Associated British Ports
- LIDL UK GmbH

7.38 There are a considerable number of negotiations still outstanding which gives greater uncertainty to the land acquisition budget required to deliver the Scheme. It will be for each party to consider their own compensation claim but I have identified below some potential areas of claim which may incur significant compensation costs.

Nexan Lift Trucks

7.39 The main access to Nexan Lift Trucks site will be altered as a result of the Scheme. The current access is relatively unimpeded, however post completion of the Scheme the access route becomes more circuitous and has to pass under the new bridge. This may cause issues with access particularly for high sided lorries.

7.40 Furthermore, access to the Nexan site during construction work could be restricted causing significant losses to the business.

7.41 Whilst SCC may try and maintain access both during and after construction no other access route is available so if access can't be made the impact will be significant. Ultimately if the business has to relocate as a result of the Scheme then the compensation claim could include the acquisition of the whole site, relocation costs and losses suffered as a result of having to move. A claim on this basis would have a significant impact on the budget.

7.42 Nexan also currently own vacant land adjacent to their industrial unit. I have been made aware by my client that Nexan have considered the development of this area in the past. It would appear that once the Scheme is completed access to the vacant land will be limited which could have an adverse impact on the development potential. Any loss of development value claim could be significant.

Associated British Ports (ABP)

7.43 It would appear from the representations made to date by ABP that they have major concerns over the current and future operation of the port in addition to the significant land take. If the Scheme impacts on the operation then the compensation claim will be significant and take a substantial amount of the budget currently allocated for land acquisition.

NWES Property Services Limited

7.44 NWES own and let a business park adjacent to the new proposed bridge. Access to the business park will be significantly altered as a result of the Scheme. The impact of this will be unknown although during construction there is the potential for significant losses to be suffered as occupiers of the units look to occupy property in a more convenient location not impacted by the construction works. Loss in rental could be significant and form part of a wider compensation claim.

PFK Ling Potential Compensation Claim

7.45 As set out in the statements of Paul Barkshire and Nick Arden the impact of the Scheme on the Site and Lings business could be significant. The directors of Lings support the general principles of the Scheme and have been working with SCC to find a solution which ensures the impact on the business during the construction works is minimised and the Site, post completion of the Scheme, enables the business to continue to operate as it currently does.

7.46 To achieve this Lings have offered terms to SCC which will enable them to reconfigure the site and ensure the continuity of the business both during and post the works. The proposal is being considered by SCC.

7.47 The potential impact of the Scheme on Lings is recognised by SCC in the Cabinet minutes attached at Appendix H of the Lings Written Representation in which the additional £8m of funding was sought. The Cabinet minutes state as follows:

> *The Cabinet Member for Finance and Assets added that one of the properties needing to be obtained was a second-hand car dealership and that case law existed for selling and compulsory purchasing car dealerships which had decided you had to buy the whole thing and the value was being enhanced because of this. Originally it was thought that the Council could have the alignment without buying this land but, in order to take maximum advantage the alignment of the*

bridge now had to include some of this land and that was one of the reasons why the land was costing more

7.48 The case law referred to is Material Detriment, as set out in paragraph 7.34 above. If an agreement is not reached between SCC and Lings which enables the business to operate unimpeded during the construction works then the likelihood of a Material Detriment claim is significant.

7.49 Under a successful material detriment claim SCC would be forced to acquire the entire site. In my opinion, the cost of this would take a significant element of the total land acquisition budget as set out in my compensation note at Appendix 4. This is also recognised in the SCC Cabinet minutes.

7.50 In addition Lings would be entitled to claim for disturbance costs including relocation costs. Considering the current scarcity of relocation properties available it is very probable that a purpose built, new, car showroom will be required. I have undertaken compensation estimates under such a scenario, as set out in the compensation note at Appendix 4 and in my opinion the costs would be significant and, when combined with the land acquisition cost, exceed the remaining £7.88m of land acquisition budget. This is without taking into consideration the potential claim for loss of business as a result of the relocation.

7.51 In a 'worst case' scenario a relocation property may not be available and the business potentially could be forced to extinguish. Compensation under extinguishment would include the value of the land plus the value of the business loss. Again, I have undertaken compensation estimates on this basis, as set out in my compensation note at Appendix 4, and in my opinion the compensation is likely to require a major part of the current remaining land acquisition budget of £7.88m.

Conclusion

7.52 SCC Cabinet have not given any firm commitment to provide additional funding of £8m required to deliver the Scheme. The decision made was a deferral to review costs once the construction costs are known. There is, in my opinion, considerable risk that SCC Cabinet will decide, as they have done in relation to the Upper Orwell Crossing, not to provide the additional funding required.

7.53 It is also questionable if the additional £8m sought is adequate to cover the land acquisition budget. As set out a paragraph 7.33 an acquiring authority should typically err on the side of caution when setting a land acquisition budget. When considering that all of the original budget was exhausted on one single acquisition (Dahlia Properties (Jersey) Limited) gives me significant concern that the estimated land acquisition budget is not sufficient to meet the compensation claims.

7.54 When I consider the Lings claim in isolation, assuming an agreement as proposed is not reached, then the acquisition budget is not, in my opinion sufficient, even taking into account the additional £8m sought from SCC Cabinet.

7.55 The lack of budget is further compounded by the apparent lack of consideration of potential material detriment claims and the significant number of large land owners where agreements are yet to be reached.

7.56 The proposed terms offered by Lings would give certainty to Lings and also give certainty to SCC on the compensation budget. However, until such time as an agreement is reached, it is my opinion that sufficient budget is not available to meet the land acquisition costs.

James Dewey MRICS - 8th January 2019

[redacted]

James Dewey MRICS

Director - Head of Compulsory Purchase and Compensation

Relevant qualifications

- Member of Royal Institution of Chartered Surveyors
- Compulsory Purchase Association
- University of Northumbria – BSC (Hons) in Urban Property Surveying

Relevant Skills, Capabilities and Competencies

James is a specialist in the field of Compulsory Purchase and Compensation, acting for both acquiring authorities and dispossessed landowners. He has over 15 years' experience advising in this specialist field and his knowledge covers all aspects of the sector.

James is experienced in advising on compulsory purchase procedure from initial strategic advice through to making a CPO, obtaining powers, implementing powers and negotiating compensation. The advice he provides is critical in reducing costs, reducing risk and providing certainty to both acquiring authorities and claimants.

His key skills include; Strategic advice on compulsory purchase and site assembly, assessment of compulsory purchase compensation, negotiations with land owners in order to acquire by agreement, negotiation of compulsory purchase compensation settlements, expert Witness advice and strategic compulsory purchase procedure advice throughout the process.

James has advised on a number of significant projects in and around London. He was the lead advisor to TfL in relation to the proposed Wandsworth Gyratory Scheme, providing both a property cost estimate and strategy advice regarding this road scheme. He has also acted for numerous claimants affected by major transpot projects such as Crossrail, Crossrail 2, Bank Station upgrade and HS2. James played an critical role in the recent Upper Tribunal hearing of SME (Hammersmith) Ltd v TfL. James also advised the London Development Agency (LDA) in relation to the London 2012 Olympics CPO including a secondment to the LDA and is advising land owners affected by Heathrow Runway 3 proposals.

James was the lead advisor to Intu and Watford Borough Council on the use of compulsory purchase powers for the regeneration of Watford Town Centre. His role involved all aspects of the CPO process from early cost budgets, through using and implementing powers, to the negotiation and settling compensation. His role included the preparation for and attendance at the public inquiry.

James has also recently advised Batersea Power Station Development Company on land assembly issues, Huntingdonshire District Council on the delivery of a new road scheme and Southend Council on the delivery of a housing led regeneration.

Appendix 2 – CPO Plots impact PFK Ling Limited

1.1 Set out below are the Plots contained in the Lake Lothing (Third Crossing) DCO which relate to PFK Ling Limited

1.2 Suffolk CC are seeking rights in respect of the following plots within the ownership of PFK Ling:

Plot Number	Purpose for which rights may be acquired as per schedule 6 of the Development Consent Order	Purpose for which plot of land is required as per the Statement of Reason	Work Number
3-32	New rights (including the imposition of restrictive covenants) required for the purpose of constructing, protecting and maintaining the new bridge, for the provision of private means of access as shown on sheet 2 of the rights of way and access plan, and in connection with the diversion, protection and maintenance of statutory undertakers apparatus.	Acquisition of new rights (including the imposition of restrictive covenants) to construct, use, access, maintain and protect the new A12 Lake Lothing Third Crossing, and for the diversion protection and maintenance of and access to statutory undertakers' apparatus , and for new access to premises	1E
3-50	New rights (including the imposition of restrictive covenants) required for the purpose of constructing, protecting and maintaining the new bridge, for the provision of private means of access as shown on sheet 2 of the rights of way and access plan, and in connection with the diversion, protection and maintenance of statutory undertakers apparatus.	Acquisition of new rights (including the imposition of restrictive covenants) to construct, use, access, maintain and protect the new A12 Lake Lothing Third Crossing, and for the diversion protection and maintenance of and access to statutory undertakers' apparatus , and for	1E

		new access to premises	
5-10	New rights (including the imposition of restrictive covenants) required for the purpose of constructing, protecting and maintaining the new bridge, for the provision of private means of access as shown on sheet 2 of the rights of way and access plan, and in connection with the diversion, protection and maintenance of statutory undertakers apparatus.	Acquisition of new rights (including the imposition of restrictive covenants) to construct, use, access, maintain and protect the new A12 Lake Lothing Third Crossing, and for the diversion protection and maintenance of and access to statutory undertakers' apparatus	1E
5-14	New rights (including the imposition of restrictive covenants) in connection with the diversion, protection and maintenance of statutory undertakers' apparatus and the provision of a private means of access to land on the north side of Waveney Drive, as shown on sheet 2 of the rights of way and access plan.	Acquisition of new rights (including the imposition of restrictive covenants) for the purpose of providing a private means of access to land adjacent to the new bridge.	2
5-31	New rights (including the imposition of restrictive covenants) required for the purpose of constructing, protecting and maintaining the new bridge, for the provision of private means of access as shown on sheet 2 of the rights of way and access plan, and in connection with the diversion, protection and maintenance of statutory undertakers apparatus.	Acquisition of new rights (including the imposition of restrictive covenants) to construct, use, access, maintain and protect the new A12 Lake Lothing Third Crossing, and for the diversion protection and maintenance of and access to statutory undertakers' apparatus	1E,2

1.3 Sufolk CC are seeking the acquisition of land in respect of the following plots within the ownership of PFK Lings:

Plot Number	Purposes for which plot of land is required (as set out in Appendix A of Lake Lothian Crossing – Statement of Reason)	Work Number
3-31	Acquisition of land for the improvement of Riverside Road and the provision of the new A12 Lake Lothing Third Crossing, including new southern approach	1E
3-43	Acquisition of land for the improvement of Riverside Road and the provision of the new A12 Lake Lothing Third Crossing, including new southern approach, together with new access to premises	1E, 4,5
3-49	Acquisition of land for the improvement of Riverside Road and the provision of the new A12 Lake Lothing Third Crossing, including new southern approach	1E
3-58	Acquisition of land to provide operational space for adjoining business premises	1E
5-02	Acquisition of land for the improvement of Riverside Road and the provision of the new A12 Lake Lothing Third Crossing, including new southern approach and new southern roundabout	1E, 2
5-11	Acquisition of land for the improvement of Riverside Road and the provision of the new A12 Lake Lothing Third Crossing, including new southern approach	1E
5-13	Acquisition of land for the improvement of Riverside Road and the provision of the new	1E, 2

	A12 Lake Lothing Third Crossing, including new southern approach and new southern roundabout	
5-29	Acquisition of land for the improvement of Riverside Road and the provision of the new A12 Lake Lothing Third Crossing, including new southern approach	1E
5-30	Acquisition of land for the improvement of Riverside Road and the provision of the new A12 Lake Lothing Third Crossing, including new southern approach and new southern roundabout	1E
5-37	Acquisition of land to provide additional operational space for adjoining business premises	1E, 2

1.4 Suffolk CC are seeking the acquisition of temporary rights in respect of the following plots within the ownership of PFK Lings:

Plot Number	Purpose for which plot of land is required as per the Statement of Reason	Work Number	Description of works as per Schedule 1 - Authorised Development in the Draft Development Consent Order
3-57	Temporary Possession of land to provide working space for the construction of the new A12 Lake Lothing Third Crossing, and to provide temporary additional operational space for adjoining business premises during the construction period.	1E	NOT INCLUDED
5-28	Temporary possession of land to provide working space for the construction of the new access road off Riverside Road	1E	Temporary Possession of land to provide working space for the improvement of Riverside Road (to become the new bridge southern approach) – Work No1

The description of works as per Schedule 1 - Authorised Development in the Draft Development Consent Order are described as:

Work No 1E

i. The construction of new highway comprising carriageway and cycleway and forming the new bridge southern approach;

ii. The construction of a bridge deck supporting the new highway;

iii. The construction of abutments and piers supporting the new bridge deck;

iv. The construction of piles and pile caps supporting the abutments and piers;

v. The construction of earth embankment with retaining walls to support the new highway;

vi. The construction of new private means of access as shown on sheet 2 of the rights of way and access plans; and

vii. The improvement of existing highways, including realignment, to facilitate tie-ins to Work No 2.

Work No 2

a) The construction of a new roundabout, together with related approach roads and adjacent cycleways;

b) The improvement of existing highways, including realignment, to facilitate tie-ins to the works referred to at paragraph (a) above and the construction of new private means of access to premises as shown on sheet 2 of the rights of way and access plans; and

c) Construction of new turning head on Durban Road and provision of adjacent cycleway.

Work No 4

As shown on sheet 2 of the works plan and being the improvement of new highway comprising carriageway and cycleway to provide access to existing premises including the construction of new private means of access as shown on sheet 2 of the rights of way and access plans.

Work No 5

As shown on sheet 2 of the works plans and comprising:

a) The construction of new highway comprising carriageway and cycleway to provide access to existing premises including the construction of new private means of access as shown on sheet 2 of the rights of way and access plans; and

b) The improvement of existing highways, including realignment, to facilitate tie-ins to the existing highway network and Work No4 and the construction of new private means of access to premises as shown on sheet 2 of the rights of way and access plans.

The electronic official copy of the register follows this message.

Please note that this is the only official copy we will issue. We will not issue a paper official copy.

Official copy of register of title

Title number SK299423

Edition date 24.08.2017

This official copy shows the entries on the register of title on 15 NOV 2018 at 10:39:19.

This date must be quoted as the "search from date" in any official search application based on this copy.

The date at the beginning of an entry is the date on which the entry was made in the register.

Issued on 15 Nov 2018.

Under s.67 of the Land Registration Act 2002, this copy is admissible in evidence to the same extent as the original.

This title is dealt with by HM Land Registry, Kingston Upon Hull Office.

A: Property Register

This register describes the land and estate comprised in the title.

SUFFOLK : WAVENEY

1 (22.11.2007) The Freehold land shown edged with red on the plan of the above title filed at the Registry and being Land on the south side of Denmark Road, Lowestoft.

2 (22.11.2007) The Demarcation Agreement dated 1 May 1996 referred to in the Charges Register contains a provision as to light or air and a provision as to the creation of easements as therein mentioned.

3 (22.11.2007) There are excluded from this registration the mines and minerals excepted by the Transfer dated 19 October 2007 referred to in the Charges Register.

4 (22.11.2007) The Transfer dated 19 October 2007 referred to in the Charges Register contains a provision as to light or air.

B: Proprietorship Register

This register specifies the class of title and identifies the owner. It contains any entries that affect the right of disposal.

Title absolute

1 (24.08.2017) PROPRIETOR: SUFFOLK COUNTY COUNCIL of Endeavour House, 8 Russell Road, Ipswich IP1 2BX.

2 (24.08.2017) The price stated to have been paid on 16 June 2017 for the land in this title and in title SK80237 was £3,750,000 plus VAT.

3 (24.08.2017) The Transfer to the proprietor contains a covenant to observe and perform the covenants referred to in the Charges Register and of indemnity in respect thereof.

C: Charges Register

This register contains any charges and other matters that affect the land.

1 (22.11.2007) A Demarcation Agreement dated 1 May 1996 made between (1) British Railways Board and (2) Railtrack Plc contains restrictive covenants.

¬NOTE: Copy filed.

2 (22.11.2007) The land is subject to the rights granted by the Demarcation Agreement dated 1 May 1996 referred to above.

3 (22.11.2007) The land is subject as mentioned in a Transfer of the land in this title and other land dated 19 October 2007 made between (1) BRB (Residuary) Limited and (2) Dahlia Properties (Jersey) Limited.

NOTE 1:-Neither the original Agreements dated 26 April 1967, 4 July 1975, 2 December 1991, 20 May 2005 and 7 June 2005 referred to in the Transfer nor certified copies or examined abstracts thereof were lodged on first registration.

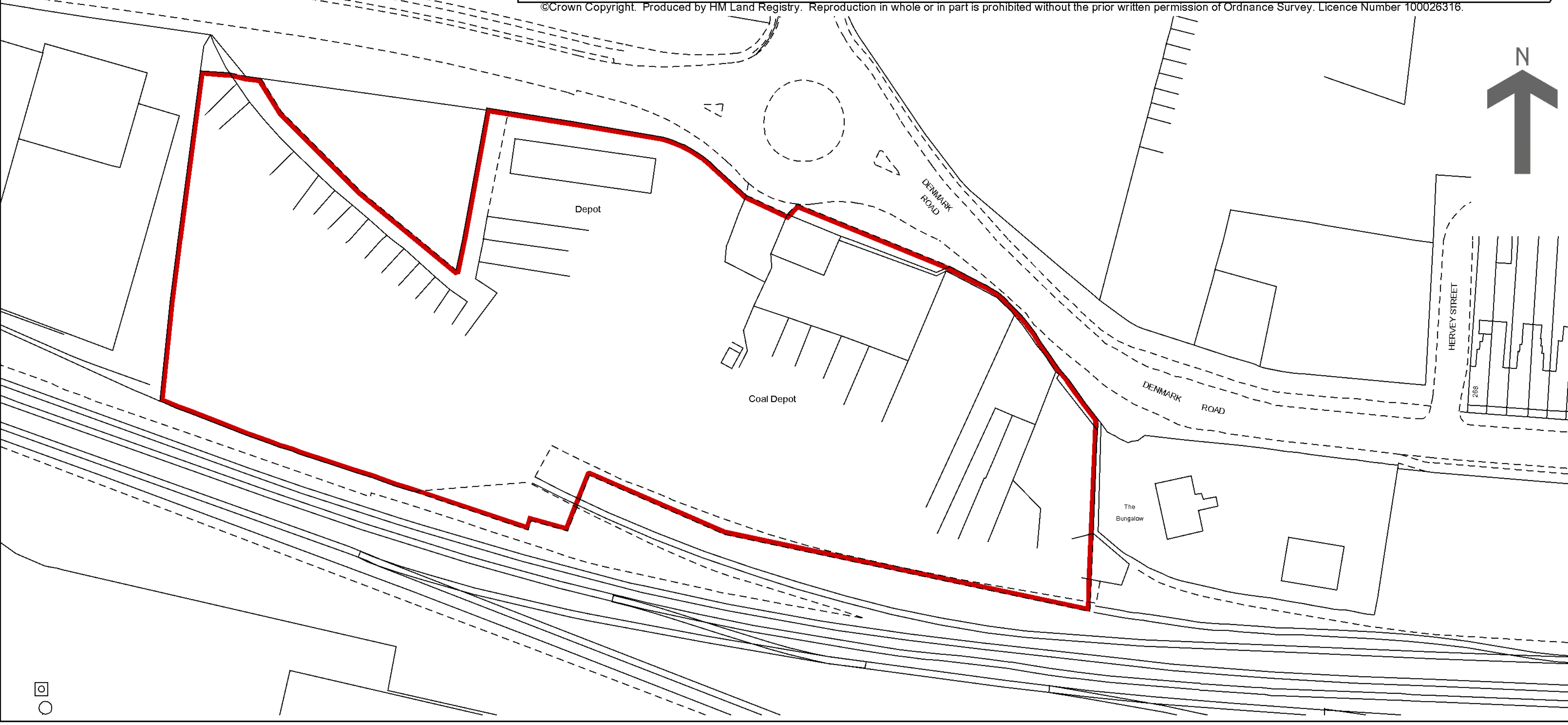
¬NOTE 2:-Copy Transfer filed.

4 (08.07.2008) Deed dated 30 June 2008 made between (1) BSB (Residuary) Limited and (2) Dahlia Properties (Jersey) Limited supplemental to the Transfer dated 19 October 2007 referred to above.
¬NOTE:- Copy filed.

End of register

HM Land Registry
Current title plan

Title number **SK299423**
Ordnance Survey map reference **TM5392NE**
Scale **1:1250**
Administrative area **Suffolk : Waveney**



This is a print of the view of the title plan obtained from HM Land Registry showing the state of the title plan on 08 January 2019 at 15:34:06. This title plan shows the general position, not the exact line, of the boundaries. It may be subject to distortions in scale. Measurements scaled from this plan may not match measurements between the same points on the ground.

This title is dealt with by HM Land Registry, Kingston upon Hull Office.

Lake Lothing Crossing

Summary Note of Compensation Estimates in relation to PFK Ling, Lowestoft property at Riverside Road– 5 January 2019

1. Introduction

1.1. The following note has been drafted to provide details of the potential compensation payable to PFK Ling Limited (Lings) should the compulsory acquisition of land at Riverside Road (the Site), as set out in the Lake Lothing Crossing DCO (the Scheme), proceed as currently proposed.

1.2. The valuation date under compulsory purchase compensation is usually the earlier of either the date of possession or the date the Upper Tribunal (Lands Chamber) determines compensation. In these circumstances neither event has occurred, so the valuation date has been taken to be the date of this note.

1.3. At the date of drafting this note the impact of the Scheme is unknown and the compensation estimates are not based on actual losses suffered, as will be the case when a compensation claim is made. I have therefore relied on the facts available at the time of drafting the note, my own experience of negotiating and settling compensation claims, the experience of Nick Arden at Colliers in advising car dealership businesses and the experience of the Directors of Lings in running a car dealership business from the Riverside Road property.

1.4. For the avoidance of doubt the numbers presented in this report do not constitute a claim for compensation. Whilst uncertainty remains over the impact of the Scheme I have erred on the side of caution when considering the compensation estimates.

1.5. In preparing this note I have considered three potential scenarios which are as follows:

1) Lings remain at the Site both during and post the works;

2) Potential Extinguishment of the business;

3) Relocation to an alternative property;

2. Description

2.1. The Site operates as a multi-franchise showroom business providing the sale and service of Honda, Hyundai and Mitsubishi cars and Husqvarna, Honda and Triumph motorcycles. There is also a directly operated second-hand car dealership (Motorlings) on the Site and an independently operated car rental business (Enterprise Rent-a-Car UK Limited) who occupy on a lease expiring 28 February 2033 at a passing rent of £14,000 per annum subject to three yearly RPI linked rent reviews.

2.2. The principal building on the Site comprises a detached modern dealership which was developed in 2002 and extends to approximately 34,513 sq ft. The building provides a vehicle showroom with associated office space, a customer handover area and café, MOT and valet bays and parts storage workshops. There are two further detached buildings on the Site. The first which extends to approximately 1,974 sq ft is used by Motorlings and the second building extends to approximately 1,548 sq ft is used by Enterprise.

2.3. Externally the Site benefits from an approximate total of 329 parking spaces which comprises 170 display spaces, 42 customer spaces, 17 demonstration spaces and 100 other spaces used for vehicle storage and servicing and motorcycle parking. The Site also includes a service road on the northern boundary which takes access from Riverside Road.

2.4. The useable Site area which includes display land to the front of the Ham (but excludes the Ham itself and strip land running parallel to the Ham) extends to approximately 1.52 hectares (3.75 acres). The total ownership extends to approximately 2.04 hectares (5.05 acres).

3. No scheme world market value

3.1. Colliers have undertaken an appraisal of the Site value in the 'no scheme world' whereby it has been estimated that the rental value of the land and buildings are in the order of £365,000 per annum.

3.2. The estimated rental value has then been capitalised at a yield of 8.0% to arrive at an unaffected market value of in the order of **£4,560,000 (Four Million Five Hundred and Sixty Thousand Pounds)**.

3.3. Lings also own land adjoining a potential development site to the north of the Site. It is unclear what, if any, rights would be required to develop this site or if the development of the site provides an uplift in value. If rights are required and development is viable the Site owned by Lings may have some additional value.

4. The Scheme

4.1. The proposed Scheme comprises the construction of a new bascule (lifting) single carriageway highway bridge across Lake Lothing, which if constructed, will bridge from the northern end of Riverside Road on the south of Lake Lothing to western end of Denmark Road on the north side of Lake Lothing.

4.2. If the Scheme is accepted, it is envisaged that construction will start in late 2019 / early 2020 with the bridge planned to be open by 2022.

4.3. The works will also include various other associated changes and modifications to the existing local highway network including provision of a new roundabout at the Waveney Drive / Riverside Road junction and provision of new utilities and services and the division existing utilities.

4.4. If constructed as proposed there will be various accommodation works to the existing highway network and the Site which will have an adverse impact on Lings' property.

4.5. A summary of the principal changes are as follows:

- The existing access to the Site from Riverside Road will be stopped up with re-positioning at the south-east corner of the Site via a left in, left out junction onto Waveney Drive;

- From the access point the Engineering and Section Plans proposed a 180 degree turn upon entering the Site which is presumably proposed for customer (and staff) use;

- Riverside Road be elevated resulting in a significant reduction in prominence of the display car parking spaces along the road frontage and the loss of the ability to use Riverside Road for loading and unloading of transporter lorries;

- A strip of land along the entire length of the Riverside Road frontage and most of the of the Waveney Drive frontage will be acquired resulting in the loss of the Motorlings building (and part of the associated land) and a loss of display car parking spaces; and

- A parcel of land within the Site which has been leased to Enterprise car rental will be acquired and the occupier’s lease terminated. It is the understood that this land will then be returned to Lings with vacant possession.

- The temporary possession of a large strip to the north of the site which is assumed to be required for the entire duration of construction.

- The permanent acquisition of rights which impact on the use of the remainder of the Site including land which would have formed prime car display spaces.

5. Scheme effects

5.1. I have considered the Scheme proposals with Lings and their professional team and have significant reservations about the ongoing viability of the Site during construction and after the Scheme is completed if the DCO proceeds as currently proposed.

5.2. The principal concerns in connection with the viability of the Site during construction of the Scheme are as follows:

- Loss of business;

- Dust and noise;

- Traffic and congestion on the highway in the immediate surrounds of the Site;

- Site access during construction for customers, staff, deliveries and transporter lorries;

- Duration of construction programme – the southern approach and roundabout is anticipated to take 101 weeks of a construction programme scheduled for 130 weeks (before allowing for any potential overruns).

5.3. A summary of the principal concerns in connection to the ongoing viability of the Site following construction of the Scheme are as follows:

- The loss of existing prime display spaces.

- Riverside Road will be elevated with a ramp before it bridges over Lake Lothing and this will significantly reduce the visibility of the prime display spaces along this frontage.

- The proposed 180 degree turn from the repositioned access point (as shown on the engineering and sectional drawings and plans) and the accompanying internal estate road will result in a loss of prime display spaces along the Waveney Drive frontage.

- To maintain an adequate number of customer car parking spaces immediately to the front of the showroom it will be necessary to reposition display spaces further back on the Site where there is less visibility.

- The above reconfigurations together with the land take will result in a permanent loss of prime and demonstration display spaces and an overall reduction in the visibility of the remaining display space as a high proportion are shifted to towards the rear of the Site.

- The proposed access will concentrate all existing daily vehicular movements including customers, staff, deliveries and transporter lorries into a physically constrained part of the Site. This compares unfavourably to the existing Site layout that distributes vehicles in different directions around the Site and allows for transporter lorries to unload without the need to enter the Site.

- The prospect of customers queuing to enter the Site is a further concern and likely to become a daily event, particularly when transport lorries unload (there are typically between two and four transporter deliveries per day). This problem will be exacerbated when there are parts being delivered to the workshops as both delivery vans and transports will be utilising the service road.

- The prospect of rear shunts when vehicles either queue to enter the Site (or are asked to make a sharp turn as proposed on the engineering and sectional drawings and plans) is significant increased.

- There are concerns that there will be insufficient turning space on the Site for transporter lorries.

- The loss of an income producing tenant.

5.4. In summary it is felt that the cumulative effects of the Scheme both during construction together with the consequential reconfiguration of the Site, as proposed, will immediately and permanently damage the Site. This could negatively affect sales in the short term and then have permanent medium- and long-term adverse effects on aftercare sales and servicing revenues.

6. Material Detriment

6.1. In my opinion, the disruption caused to Lings business by constructing and then operation of the Scheme, as outlined above, will be so significant and it will be difficult for a business, which relies on a high volume of vehicle movements, to continue to operate from the Site without experiencing material difficulties. Accordingly, it is highly likely that a Material Detriment claim could be made, which if successful, will compel the acquiring authority to acquire the whole of the Site.

6.2. SCC also recognised the prospect of a material detriment claim in the cabinet meeting dated 19 June 2018 where it was stated that:

'The Cabinet Member for Finance and Assets added that one of the properties needing to be obtained was a second-hand car dealership and that case law existed for selling and compulsory purchasing car dealerships which had decided you had to buy the whole thing and the value was being enhanced because of this.'

6.3. Following receipt of a relevant notice (Material Detriment Notice), there are various possible outcomes, namely: the acquiring authority notify the land owner that the scheme is no longer proceeding; or notify the land owner the whole of the site will be acquired; or refer the matter to the Tribunals Service for determination.

6.4. Assuming the matter is then referred to the Tribunals Service, the test for deciding whether material detriment applies relates to determining if the remaining part of the property is 'less useful or less valuable in some significant degree', but mitigation factors such as an offer of alternative access can be taken into account.

6.5. The test is subjective, but the Tribunal will need to be satisfied that the land can be taken without 'seriously' affecting the remaining land, noting that the burden of proof rests with the acquiring authority. Unfortunately, seriously, is also a subjective term, but numerous decisions have helped define it as meaning 'not slight nor in a trifling manner'.

6.6. In this case, I would expect there to be various matters for a Tribunal to take into consideration when assessing whether the cumulative effects of the Scheme are not slight or trifling. I would propose that the alternative access arrangements are not fit for purpose, for the reasons outlined above, and along with the length of time construction works, which are likely to be ongoing in the immediate vicinity of the Site, that Lings will be significantly (or seriously) inconvenienced. The burden will then be on the acquiring authority to prove otherwise which creates uncertainty.

7. The options

7.1. If the compulsory acquisition proceeds as currently proposed it is my opinion that there are three likely scenarios which will determine the approach to how compensation is estimated.

1. Lings remain at the Site both during and post the works;
2. Extinguishment of the business;
3. Relocation to an alternative property;

7.2. I deal with the compensation estimates for each of these scenarios in turn below.

7.3. Common to each of the scenarios is an element of loss of profits, either on a temporary basis or permanently. Before setting out my estimates I have first dealt with the approach to loss of profits.

7.4. In assessing compensation, we have had consideration to the potential loss of profits on both a temporary and permanent basis. To do this, we have been provided with management accounts dating back to 2012 and budgeted accounts projecting forwards to 2028.

7.5. In arriving at our estimates for temporary losses and the business goodwill, we have focused our attention on the short-term financial forecasts to ensure a robust approach.

7.6. In December 2013 the Lings Site suffered a flood which impacted the operation of the Site. This has given us useful insight into the short term and long term impact a period of disruption, as a result of the Scheme, might have on the business.

7.7. The impact of the flood and the knock-on effects are well demonstrated by the accounts and it should act as a red flag warning to the Acquiring Authority when considering their exposure to a loss of profits claim if the business is once again impacted.

7.8. I have adopted a robust approach as we feel it is one that can be vigorous defended. It does not make aggressive assumptions as to annual sales growth rates and it should be noted that in the event that Lings are impacted by the Scheme the losses could be considerably more substantial.

7.9. It should be noted that we are not forensic accountants and, in the event, that it becomes necessary to submit a formal compensation claim for loss or profits and / or extinguishment it will likely to necessary to appoint a forensic accountant who will be able to provide a highly robust assessment of financial loss.

Scenario One – Remain at the Site

7.10. The first scenario to consider is compensation and other costs to the acquiring authority whereby the existing Site is reconfigured, and Lings remain in occupation. The principal heads of compensation to consider under this approach are:

- The value the land acquired
- The impact on value of the land that is retained (if any)
- Cost of reconfiguration works
- Temporary and / or permanent loss of profits which arise
- Reasonable professional fees incurred in connection with determining the above

7.11. It must be restated that we believe there is a good prospect that a Material Detriment claim would be made under this scenario. This will mean the Acquiring Authority have to acquire the whole site leading to either the relocation (if possible at the time of acquisition) or extinguishment of the business.

7.12. Lings have commissioned design studies to look at potential solutions for the Site, once the Scheme works are complete. Various options were considered and analysed by Lings and their advisors. The results of this analysis were that the most viable option, which limited the long term impact on the business, was the demolition of the existing showroom and rebuild with associated works to the display land.

7.13. After carrying out the design Lings have considered the proposed access and how it may be integrated into the existing Site layout to enable the business to continue to operate in a well-ordered manner and initial cost estimate advice has been obtained from HCT Construction Consultants.

7.14. The reconfigured layout will allow space for customer parking immediately to the front of the showroom, where it needs to be, and furthermore will allow there to be sufficient prime display space to the active frontage rather than being further back on the Site. The layout under this proposal also takes into consideration the multi franchise nature of the business and helps meet the requirements of Franchisors.

7.15. The initial cost advice from HCT to demolish and rebuild the showroom with other associated changes to the Site layout is estimated at £8,100,000 (incl. of professional fees and a contingency allowance). This does not include an amount for the creation of the new Site access from Waveney Drive.

7.16. It should be noted that the above design and layout would not be possible if the DCO proceeds as currently drafted. In particular the land occupied by Enterprise-Rent-A-Car would need to be transferred to Lings and rights of access altered.

7.17. My compensation estimate is as follows:

Rule 2 – Value of Land Acquired - £415,000

Rule 6 – Rebuild costs - £8,100,000

Temporary Loss of Profits - £252,000

Permanent Loss of Profits - £432,000

Total - £8,784,000

Plus Statutory loss and fees

7.18. It should be noted that should the site not be reconfigured as proposed the risk to the business is increased and the likelihood is that the temporary and permanent loss of profits claim will be much higher. The value of the retained land would be significantly less and lead to a higher claim for Injurious affection.

Scenario Two – Extinguish the business

7.19. The second scenario to consider is compensation and other costs to the acquiring authority whereby Lings extinguish the business. The principal heads of compensation to consider under this approach are:

- The value of the Site in the no scheme world
- Goodwill of the business
- Associated costs of extinguishing the business
- Reasonable professional fees incurred in connection with determining the above

7.20. My compensation estimate under this scenario is as follows:

Rule 2 – Value of Land Acquired - £4,560,000

Rule 6 – Extinguishment - £2,790,000

Total - £7,350,000

Plus Statutory loss and fees

Scenario Three – Relocate to an alternative property

7.21. The third scenario to consider is compensation and other costs to the Acquiring Authority whereby Lings are supported to relocate to an alternative site and continue to operate the business. The principal heads of compensation to consider under this approach are:

- The value of the Site in the no scheme world
- Relocation costs
- Special adaptation of replacement site.
- Temporary and / or permanent loss of profits which arise
- Reasonable professional fees incurred in connection with determining the above

7.22. A search of the local property market has revealed that there are no existing car showroom properties available to rent or buy on the market. It is therefore likely that the only relocation option for Lings will be to acquire land and build a new facility.

7.23. Lings have obtained quotes for the construction of a replacement building. The cost of construction is significantly higher than the value of the property being constructed. I understand from Nick Arden of Colliers that this is a typical scenario in the industry. The reason for the additional cost is due to the high cost of constructing a bespoke property that has a large retail aspect.

7.24. In order to put Lings back in the same position as they currently are the significant shortfall between the value of the existing property and the cost of construction a new property would need to be compensated. Not all of the cost would be compensated as there would need to be a deduction for the principle known as 'new for old' but a significant cost of special adaptation would fall to be compensated.

7.25. My compensation estimate under this scenario is as follows:

Rule 2 – Value of Land Acquired - £4,560,000

Rule 6 – Removal costs - £440,000

Special adaptation - £3,000,000

Total - £8,000,000

Plus Statutory loss and fees

Waveney District Council
Community Infrastructure Levy

Raising funds for infrastructure delivery:

Charging Schedule

Date Approved: 22nd May 2013

Date that Charging Schedule takes effect: 1st August 2013

This Charging Schedule has been issued, approved and published in accordance with Part 11 of the Planning Act 2008 and the Community infrastructure Levy Regulation 2010 (as amended).

Waveney District Council
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LOCAL DEVELOPMENT FRAMEWORK

Purpose of this document

This document sets out Waveney District Council's rates of Community Infrastructure Levy (CIL) that are charged on most types of new development in the area for which it is the Charging Authority. The Council is the Charging Authority for the entire District excluding the area covered by the Broads Authority. The money raised from the charge will be used to pay for infrastructure to support development in the District.

In setting its CIL rates in accordance with Regulation 14(1) of the Community Infrastructure Levy Regulations 2010, Waveney District Council has aimed to strike what appears to the Council to be an appropriate balance between:

- the desirability of funding from CIL (in whole or part) the estimated total cost of infrastructure required to support the development of the District, taking into account other actual and expected sources of funding; and
- the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across the District.

Contents

1. Community Infrastructure Levy Charging Rates

Residential Rates

1.1 The rates for residential development (C3 and C4 Use Class[1]) are set out in Table 3.1 below. The zones are defined in Appendix A. Appendix B shows a inset map of Lowestoft to show the boundaries between Zones 1, 2 and 3 at a better scale.

Table 3.1 - Residential Rates

Residential Charging Zone	Rate of CIL per sqm
Zone 1 (Lake Lothing Flood Zone and the Sustainable Urban Neighbourhood and Kirkley Waterfront site)	£0
Zone 2 (Inner Lowestoft)	£45
Zone 3 (Outer Lowestoft, Beccles, Bungay, Halesworth and surrounding rural areas)	£60
Zone 4 (Reydon and Southwold and surrounding rural areas)	£150

Other Rates

1.2 The rates proposed for other types of development are set out in Table 3.2 below.

Table 3.2 - Other Rates

Type of Development	Rate of CIL per sqm
Holiday Lets [2]	£40
Supermarkets, Superstores and Retail Warehouses[3]	£130
All other development	£0

Exemptions

1.3 There are a number of exemptions from CIL provided by the regulations for some types of development. Firstly new development with a floor area up to 100sqm will be exempt. This means small extensions to property and most householder development will be exempt from CIL. However, this exemption does not apply if the development involves the creation of a

[1] As defined in the Town and Country Planning (Use Classes) Order 1987 (as amended)
[2] Permanent buildings for the purposes of tourist accommodation, restricted from permanent residential use by condition.
[3] As per the definitions set out below:
Supermarkets/Superstores: Self-service food stores which can also include non-food goods as part of the overall mix of the unit.
Retail warehouses: Large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods, catering mainly for car-borne customers.

new dwelling. Therefore the development of new residential dwellings of any size will be liable for CIL.

1.4 Social housing development[4] will not be liable for a CIL charge. Where social housing forms part of a mixed tenure development that includes market homes, CIL will not apply to the proportion of floorspace that consists of social housing. Development by charities for charitable purposes will also be exempt from paying CIL.

2. How is CIL Calculated

2.1 The amount of CIL chargeable to a qualifying development will be calculated utilising the formula set out in Part 5 of the Community Infrastructure Levy Regulations (2010) (as amended). In summary the amount of CIL chargeable is calculated as follows:

$$\frac{\textbf{CIL Rate x Chargeable Floor Area x BCIS Tender Price Index (at Date of Planning Permission)}}{\textbf{BCIS Tender Price Index (at Date of Charging Schedule)}}$$

2.2 The chargeable floor area is discounted by any existing buildings on the site that have been in use for a period of at least six months within the period of 12 months ending on the day planning permission for the development is first granted.

2.3 The gross internal areas of buildings will be ascertained from the approved plans. Where there are existing buildings on the site the planning officer will require proof that they have been in use for a period of at least six months within the period of 12 months ending on the day planning permission for the development is first granted. For further information about calculation please see the Community Infrastructure Levy Regulations (2010) (as amended) on www.legislation.gov.uk.

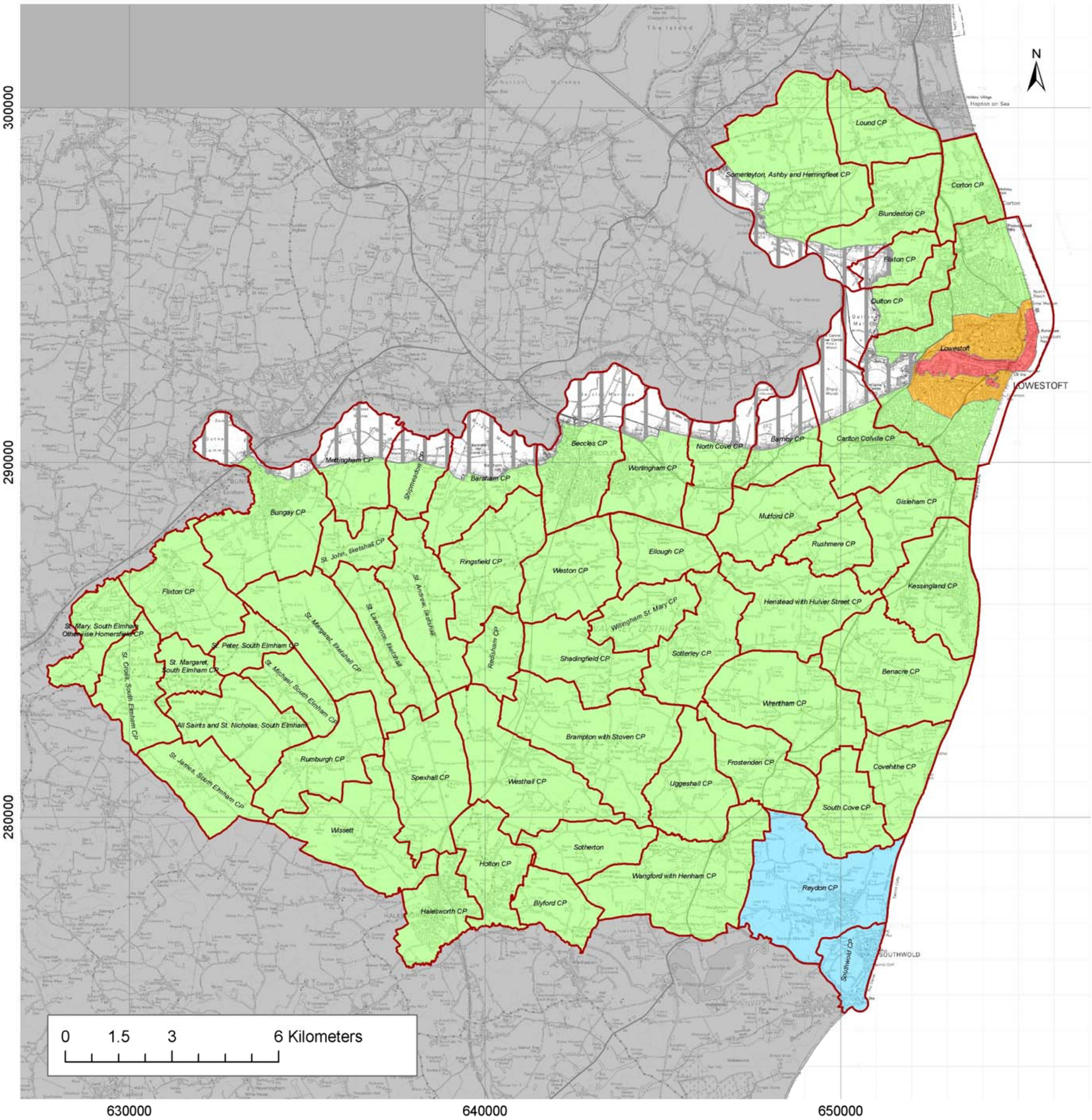
3. Monitoring and Review

3.1 This Charging Schedule will be regularly monitored and reviewed. It is expected that the Charging Schedule will be fully reviewed in 2016 (three years after adoption). It is expected that by 2016 market values would have improved and the cost implications for higher levels of the Code or Sustainable Homes will be clearer.

3.2 Values and build costs will be monitored annually and if significant shifts occur prior to 2016 an early review may be necessary. Similarly, if significant changes have not occurred by 2016 a review at this point may not be needed.

[4] Social housing is defined in Regulation 49 of the Community Infrastructure Levy Regulations (2010) (as amended)

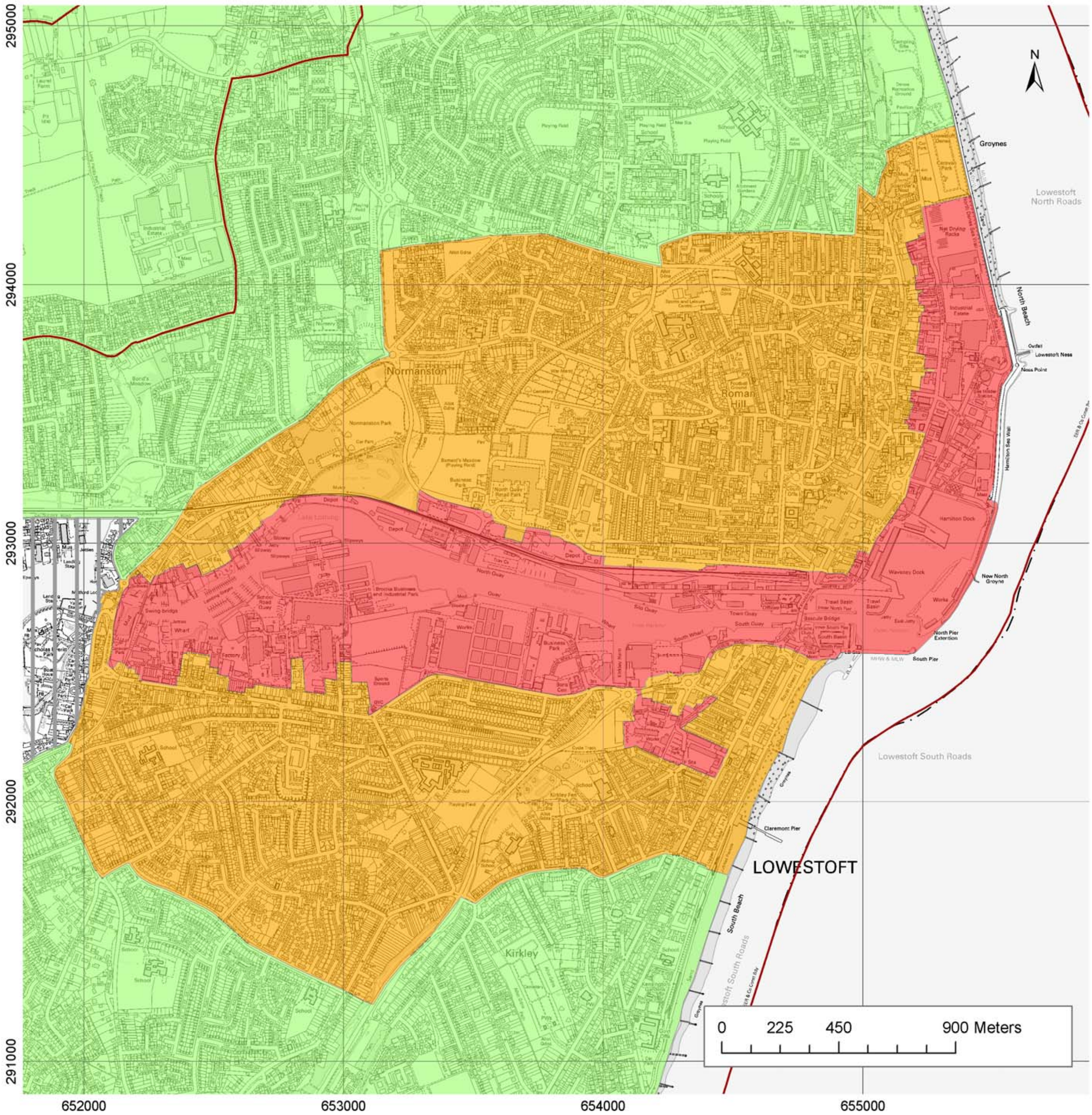
Appendix A – Residential Charging Zones



Parish Boundaries
Zone 1
Zone 3
Broads Authority Area (Charging Schedule not applicable)
Zone 2
Zone 4

Appendix A – Residential Charging Zones

Appendix B – Residential Charging Zones Lowestoft Inset



Broads Authority Area (Charging Schedule not applicable)

Zone 1

Zone 2

Zone 3

Zone 4

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Community Infrastructure Levy

Raising funds for infrastructure delivery:

Regulation 123 List

May 2013

Coming into effect: 1st August 2013

Waveney District Council
Serving the Community

waveney
LOCAL DEVELOPMENT FRAMEWORK

Regulation 123 List

Regulation 123(2) of the Community Infrastructure Levy Regulations 2010 restricts the use of planning obligations for infrastructure that will be funded in whole or in part by the Community Infrastructure Levy, to ensure no duplication between the two types of developer contributions. A CIL charging authority is expected to publish a list of infrastructure that will benefit from CIL on its website.

The list below sets out those infrastructure projects/types that Waveney District Council intends may be wholly or partly funded by CIL. In accordance with Regulation 123, developer contributions to the projects/types of infrastructure listed will not be sought through planning obligations.

The Council will review this list at least once a year, as part of its monitoring of CIL collection and spend.

NB: The inclusion of infrastructure types in this list does not signify a commitment from the Council to fund all the projects or types of infrastructure listed, or the entirety of any one project through CIL.

The order in the table does not imply any order of preference for spend.

Infrastructure that may be funded by CIL and will not be sought through planning obligations
Pedestrian and cycle infrastructure (with the exception of the Pedestrian and Cycle Bridge over Lake Lothing in the Sustainable Urban Neighbourhood and Kirkley Waterfront site)
Strategic highway improvements
Provision of off-site open space (including improvements to existing open spaces) (with the exception of the open space proposed on the Sustainable Urban Neighbourhood and Kirkley Waterfront site)
Maintenance of open space (with the exception of that which is included in the Sustainable Urban Neighbourhood and Kirkley Waterfront site)
Provision of additional pre-school places at existing establishments
Provision of primary school places at the following existing schools: • Oulton Broad Primary School • Woods Loke CP School • Gunton CP School • Poplars CP School • Northfield St Nicholas Primary School • St Margaret's CP School • Roman Hill Primary School • Carlton Colville Primary School • Pakefield Primary School • Elm Tree CP School • Fen Park CP School • Meadow CP School • Dell Primary School • Grove Primary School • St Mary's RCP School • Whitton Green CP School • Crowfoot CP School • Ravensmere Infant School • St Benet's Catholic Primary School • The Albert Pye CP School

• Bungay Primary School • St Edmund's Catholic Primary School, Bungay • Edgar Sewter CP School • Holton St Peter CP School • Reydon Primary School • Kessingland CEVCP School • Blundeston CEVCP School • Corton CEVCP School • Somerleyton Primary School • Ilketshall St Lawrence School
Provision of secondary, sixth-form and further education places.
Provision of leisure and community facilities.
Provision of new libraries and improvements to existing libraries (with the exception of the library proposed on the Oswald's Boatyard site)
Provision of health facilities
Provision of police infrastructure
Provision of cultural infrastructure (including museums, archives and heritage)
Provision of waste infrastructure
Coastal defence works

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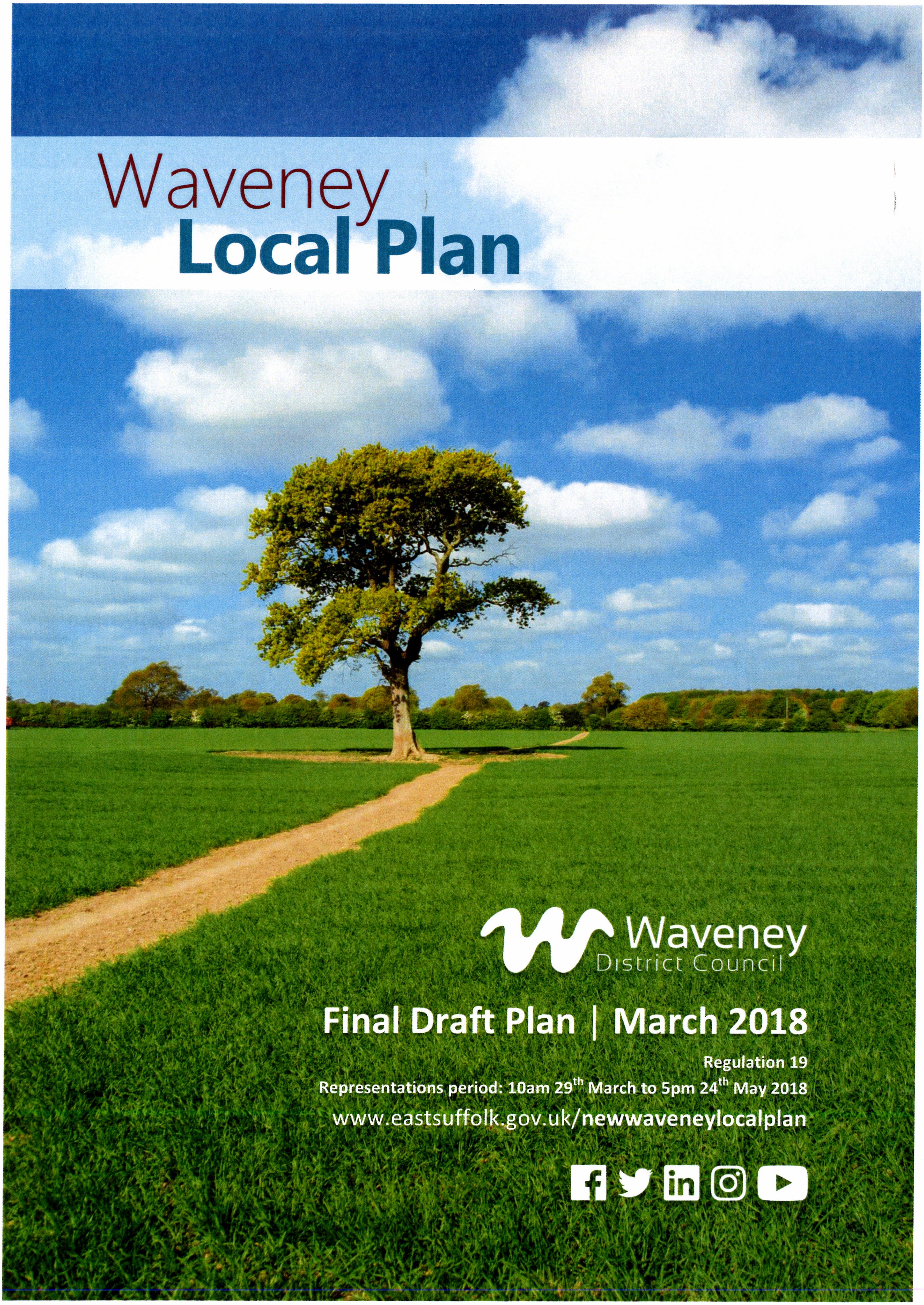
Local Plan



Waveney District Council

Final Draft Plan | March 2018

Regulation 19

Representations period: 10am 29th March to 5pm 24th May 2018

www.eastsuffolk.gov.uk/newwaveneylocalplan

What is this document?

This is the Final Draft of the Waveney Local Plan. It has been published under Regulation 19 of the Town and Country Planning (Local Planning) Regulations 2012 (as amended).

Local Plan Stages

Issues and Options
↓
First Draft Plan
↓
Final Draft Plan
↓
Submission for Examination
↓
Examination Hearing
↓
Inspector's Report and Adoption

Making a representation

Please submit representations using the on-line Representation Form. Representations on soundness and legal compliance of the Final Draft Plan can be made between 10am on 29th March and 5pm on 24th May 2018. Following this, the Council will submit the Local Plan to the Secretary of State for independent examination.

Examination

A Planning Inspector appointed by the Secretary of State will consider all representations made on the Final Draft Plan, and will hold a public hearing. If you wish to appear at the hearing and take part in the examination, you must first make written representations on the plan during the above period and request to participate at the public hearing. Hearings will take the format of an informal round table exploration of issues.

Inspector's Report and Adoption

Following the hearings, the Inspector will publish a report which will set out if the Plan is 'Sound' or 'Unsound'. Subject to the Inspectors Report, the Council will formally adopt the Local Plan. On adoption, the Local Plan will replace the Core Strategy (2009), Development Management Policies (2011), Site Allocations (2011) and Lake Lothing and Outer Harbour Area Action Plan (2012) in their entirety.

What is Soundness?

The National Planning Policy Framework sets out the tests of soundness which a Local Plan must pass. These are:

- **Positively prepared** – the plan should be prepared based on a strategy which seeks to meet objectively assessed development and infrastructure requirements, including unmet requirements from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development.
- **Justified** – the plan should be the most appropriate strategy, when considered against the reasonable alternatives, based on proportionate evidence.
- **Effective** – the plan should be deliverable over its period and based on effective joint working on cross-boundary strategic priorities.
- **Consistent with national policy** – the plan should enable the delivery of sustainable development in accordance with the policies in the Framework.

Representations on the Final Draft Plan should indicate what test of soundness they relate to and whether they consider the plan to be sound or not.

Contents

List of policies

Overall Spatial Strategy

Lowestoft Area

Beccles and Worlingham

Halesworth and Holton

Bungay

Southwold and Reydon

Rural Areas

District-Wide Strategic Planning Policies

Housing

Historic Environment

Appendix 1 – Infrastructure and Delivery Framework

The policies and proposals of the Local Plan will be delivered primarily through the determination and implementation of planning applications for the development and use of land and buildings. However, the success of the Local Plan will be dependant on partnership working between the Council, developers, infrastructure providers, and other interested stakeholders, including the public and Parish and Town Councils. Neighbourhood Plans will also have a crucial role in expanding upon and adding to the policies and proposals of this Local Plan to address detailed local circumstances.

Table A1.1 outlines the timescale, responsible organisations, infrastructure requirements, risks and contingencies for each policy and proposal in the Local Plan.

Table A1.2 sets out in detail all of the infrastructure required to support the growth outlined in the Local Plan, the timescale for delivery, likely cost and funding options (where known). The table categorises infrastructure in accordance with its contribution to supporting development in the Local Plan. Please note, this categorisation does not necessarily reflect the importance the Council attaches to a particular project corporately. For the purposes of the Local Plan, infrastructure is categorised according to the following three categories; critical, essential and desirable.

- **Critical infrastructure** is infrastructure that is needed to unlock development sites allocated in the Local Plan (i.e. without the infrastructure the development cannot physically take place).
- **Essential infrastructure** is the infrastructure that is necessary to support and mitigate development and ensures policy objectives of the Local Plan are met. Development could take place without this infrastructure but its sustainability would be undermined.
- **Desirable infrastructure** is infrastructure that could support development in the Local Plan and make it more sustainable and help deliver other place-making objectives. However, development planned in the Local Plan could take place sustainably without it.

More details on infrastructure needs can be found in the Draft Infrastructure Study which accompanies this consultation.

Project	Priority	Lead Provider	Approximate Cost	Funding Sources	Potential Funding Amount	Potential Developer Contribution	Type of Developer Contribution	Potential Remaining Funding Gap	Potential Funding Sources to Fill Gap	Timescale/ Progress
Extensions to footpaths along The Street, Somerleyton	Essential	Suffolk County Council	£43,120	None	£0	£43,120	Section 278, Section 106	£0	None	Short term
Extensions to footpaths along Southwold Road, Brampton	Essential	Suffolk County Council	£45,500	None	£0	£45,500	Section 278, Section 106	£0	None	Short term
Extensions to footpaths along Hogg Lane, Ilketshall St Lawrence	Essential	Suffolk County Council	£21,700	None	£0	£21,700	Section 278, Section 106	£0	None	Short term
Extensions to footpaths along School Road, Ringsfield	Essential	Suffolk County Council	£18,900	None	£0	£18,900	Section 278, Section 106	£0	None	Short term
Extensions to footpaths along Sotterley Road, Willingham St Mary	Essential	Suffolk County Council	£10,500	None	£0	£10,500	Section 278, Section 106	£0	None	Short term
Cycle link along Ellough Road, Beccles	Essential	Suffolk County Council	£112,100	None	£0	£112,100	Section 278, Section 106	£0	None	Medium Term
Extension to cycle link along Loam Pit Lane, Halesworth	Essential	Suffolk County Council	£62,700	None	£0	£62,700	Section 278, Section 106	£0	None	Short term
Cycle link between Lowestoft and Hopton	Essential	Suffolk County Council	£380,000	None	£0	£380,000	Section 278, Section 106, CIL	£0	None	Medium Term
Third Crossing over Lake Lothing	Essential	Suffolk County Council, Waveney District Council	£92,000,000	Central Government has confirmed funding for £73 million. Suffolk County Council is required to underwrite the remainder in advance of other local sources being identified.	£92,000,000	£0	CIL	£0	New Anglia LEP, Highways England	Short term

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BRIEFING PAPER

Number 07029, 4 May 2018

Devolution to local government in England

By Mark Sandford

Inside:

Contents

Summary

This note summarises the main developments regarding the process of devolution of powers to local government within England since 2014. It covers the devolution deals agreed between the Government and local areas up to April 2018, including the powers to be devolved, the procedures required for devolution to take place, and reactions to the policy from the local government and policy-making worlds.

This note addresses the debate around devolution of power to local government in England only. Local government is a devolved matter in Scotland, Wales and Northern Ireland. The Library has also published notes on the West Lothian Question; the English Question; English Votes for English Laws; and notes on the *Cities and Local Government Devolution Bill* of 2016, its progress through Parliament, and the aborted *Local Government Finance Bill* of 2017.

1. Devolution in England: inception

1.1 Background: 2010-15

Following the 'no' vote in the September 2014 Scottish independence referendum, the then Prime Minister, David Cameron, announced that, alongside proposals for additional devolution to Scotland, Wales and Northern Ireland:

> It is also important we have wider civic engagement about how to improve governance in our United Kingdom, including how to empower our great cities — and we will say more about this in the coming days.[1]

This followed the production of several reports during 2014 making proposals for the transfer of additional powers to local authorities, or to local areas. These built upon the 2012 report *No Stone Unturned: in Pursuit of Growth* ('the Heseltine report'), which recommended the merging of various national funding streams to provide much greater local responsibility for economic development.

1.2 Devolution deals

The first 'devolution deal' was announced by the Government and the Greater Manchester Combined Authority in November 2014. Following the 2015 General Election, the then Chancellor, George Osborne, gave a speech on 14 May in which he outlined the then Government's approach:

> Here's the deal:
>
> We will hand power from the centre to cities to give you greater control over your local transport, housing, skills and healthcare. And we'll give the levers you need to grow your local economy and make sure local people keep the rewards.
>
> But it's right people have a single point of accountability: someone they elect, who takes the decisions and carries the can.
>
> So with these new powers for cities must come new city-wide elected mayors who work with local councils.
>
> I will not impose this model on anyone. But nor will I settle for less.[2]

The Government indicated subsequently that Government departments were expected actively to consider devolving powers wherever possible:

> 3.15 The government is committed to building strong city regions led by elected mayors, building on the ground-breaking devolution deal with Greater Manchester in November 2014. The Chancellor has asked all relevant Secretaries of State to proactively consider what they can devolve to local areas and where they can facilitate integration between public services…..

1 See BBC, *David Cameron's statement on the UK's future*, 19 September 2014
2 HM Treasury, "Chancellor on building a Northern powerhouse", 14 May 2015

> 3.16 As part of the Spending Review, the government will look at transforming the approach to local government financing and further decentralising power, in order to maximise efficiency, local economic growth and the integration of public services.[3]

To have their proposals taken into account in the autumn 2015 Spending Review, initial proposals for devolution from local areas were required to be submitted to the Treasury by 4 September 2015. The Government received 38 bids for devolved powers by 4 September 2015.[4] Some of the bids explicitly stated that they are intended to begin a discussion with Government rather than representing a final position.[5] The *Local Government Chronicle* has produced a map of the state of play in different parts of England as of February 2017.

1.3 Devolution deals to date

As of April 2018, devolution deals with twelve areas have been agreed. Three have collapsed, and two have collapsed then been partially revived (see Table 1). Discussions have also taken place on further devolution to Greater London (see section 4.1).

The main powers that Government has agreed to devolve in multiple areas in the devolution deals agreed to date can be found in Appendix 1. A number of core powers have been made available to most areas, whilst most areas have also been provided with one or more unique responsibilities (see section 2.1). Details of the local authorities participating in each devolution deal area, together with other reported interest, can be found in Appendix 2.

Table 1: Devolution deals

	Devolution deal agreed	Bid document
Greater Manchester	3 Nov 2014 27 Feb 2015 8 Jul 2015 25 Nov 2015 16 Mar 2016	Not published
Sheffield City Region	5 Oct 2015 12 Dec 2014	Not published
West Yorkshire	18 Mar 2015	Not published
Cornwall	27 July 2015	March 2015
North-East	23 Oct 2015 (rejected)	2015 (undated)

3 HM Treasury, *A country that lives within its means*, 2015, p. 15
4 This figure included bids from Cardiff, Edinburgh, Aberdeen, and Inverness; and the deals that had already been agreed with Greater Manchester, Sheffield, West Yorkshire and Cornwall. The geographical areas of some of the bids overlapped with one another e.g. North and East Yorkshire vs West Yorkshire.
5 See David Paine, "Power to shape economies tops devolution demands", *Local Government Chronicle*, 17 September 2015.

North of Tyne	24 November 2017	None published
Tees Valley	23 Oct 2015	Not published
West Midlands	17 Nov 2015 23 Nov 2017	July 2015
Liverpool City Region	17 Nov 2015 16 Mar 2016	2015 (undated)
Cambridgeshire / Peterborough	20 June 2016	Not published
Norfolk / Suffolk	20 June 2016 (rejected) (East Anglia: 16 Mar 2016)	4 Sep 2015 (Suffolk);
West of England	16 Mar 2016	4 Sep 2015
Greater Lincolnshire	16 Mar 2016 (rejected)	4 Sep 2015

1.4 Implementation of deals

Devolution deals are negotiated in private between Government teams and local authority leaders. Once the deal document has been agreed and published, each council involved must then itself approve its participation in the deal. This has been referred to by the Government as 'ratification'. At this stage a number of councils have voted against further participation (see 'authorities rejecting membership' in Appendix 2).

A number of Orders under the *Cities and Local Government Devolution Act 2016,* transferring or creating powers included in the deals, have passed through Parliament. Other elements of the devolution deals do not concern statutory functions, and therefore do not require Orders. The deal documents themselves are not statutory.

Six combined authorities held mayoral elections in May 2017. Detailed results can be found in the Library briefing paper *Local election results 2017*. A further election, in the Sheffield City Region, was held on 3 May 2018.

The Government published the first 'devolution report' required under the 2016 Act on 2 December 2016,[6] and the second in January 2018.[7] The reports cover the powers devolved under the 2016 Act.

In November 2017, Sajid Javid, secretary of state for communities and local government, announced that his department was working on a devolution 'framework':

6 See DCLG, *Secretary of State's annual report on devolution 2015-16*, 2 December 2016
7 See DCLG, *Secretary of State's annual report on devolution 2016-17*, 10 January 2018

> "Work is still in the early stages – and I'd welcome your support in shaping the final product. But I want a framework that, above all else, provides clarity and consistency about what a successful devolution agreement looks like.
>
> What standards will need to be met, what outcomes will need to be delivered, what red lines there are for the whole process. Expectations about leadership, scope and levels of local support.
>
> ….With a clear position on how devolution negotiations should proceed, authorities at all levels will be much better placed to develop and put forward proposals that suit the unique needs of their residents and businesses".[8]

1.5 Deals under negotiation

Deals have been reported as under negotiation in a number of areas:[9]

- Talks are under way with Liverpool City Region and Tees Valley on further deals;[10]
- A report emerged in November 2017 that a devolution deal for the **Solent** (Southampton, Portsmouth and Isle of Wight) was still with the Secretary of State a year after being submitted.[11] This had followed a previous bid for the whole of Hampshire and the Isle of Wight in 2015;
- **Lancashire** was reported in November 2016 as being likely to accept a deal including a directly-elected mayor.[12] A later report in September 2017 suggested Government support for a deal without a mayor, both in Lancashire and **Devon / Somerset**. This is in line with the commitment in the 2017 Conservative manifesto:

  > For combined authorities that are based around our great cities, we will continue to support the adoption of elected mayors, but we will not support them for the rural counties.[13]

- **Dorset** was reported as pursuing a deal and combined authority alongside local government reorganisation, but no deal has yet been published;[14]
- Devolution bids, or expressions of interest / prospectuses, have been published in Gloucestershire, Cheshire and Warrington Cumbria, Leicestershire; North and East Yorkshire; Surrey and Sussex; Greater Essex; and Devon / Somerset.
- A proposal for devolution of power and joint working for Derby, Nottingham and their hinterlands was published in November 2017 by the consultancy MetroDynamics. Discussions for an 'East Midlands' combined authority covering Nottinghamshire,

8 Nick Golding, "Javid: Devo framework to provide 'clarity and consistency'", *Local Government Chronicle*, 21 November 2017. The text in the quote is all a quote of Mr Javid speaking at the County Councils Network annual conference.
9 See also David Paine and Sarah Calkin, "New devo deals expected in Autumn Statement", *Local Government Chronicle*, 16 November 2016
10 HM Treasury, *Budget 2017*, p54
11 Jon Bunn, "Leaders frustrated at Solent devo deal delay", *Local Government Chronicle*, 28 November 2017
12 Helen Pidd, "Lancashire likely to be first county to elect mayor", *Guardian*, 9 November 2016
13 Conservative Party, *Forward Together*, 2017, p32
14 See House of Commons PQ 49624 2016-17

Derbyshire, Lincolnshire and Leicestershire were reported in April 2018.[15]

Three devolution deals have run into obstacles:

- The North-East deal collapsed on 7 September 2016. Three of the seven authorities have subsequently pursued the 'North of Tyne' deal (see section 4.6 below);
- Lincolnshire County Council and North Kesteven District Council rejected the Greater Lincolnshire deal in November 2016. The deal was subsequently withdrawn by the DCLG;[16]
- Five district councils pulled out of the Norfolk / Suffolk deal (see Appendix 2). The deal was subsequently withdrawn.[17] This deal had in turn emerged from the East Anglia devolution deal, which was announced in March 2016 but subsequently abandoned.

15 Jon Bunn, "Leaders discuss 'combined authority' across four counties", *Local Government Chronicle*, 25 April 2018

16 Lincolnshire County Council, "Council Leader intends to say 'no' to a Mayor for Greater Lincolnshire", 11 November 2016

17 George Nobbs, "Whatever this is, it is not devolution", *Municipal Journal*, 15 November 2016;

2. Devolution deals: key components

2.1 Deals: the 'menu'

The devolution deals agreed to date can be characterised as consisting of a 'menu with specials'. A number of items have been made available to most areas, but each deal also contains a few unique elements or 'specials' (typically consisting of commitments to explore future policy options). The following sections outline the nature of the 'menu' powers that have been made available to most of these areas. The exact nature of the powers devolved can be seen in the deal documents (see section 1.3 for links).

The core powers devolved include the following:

- **Restructuring the further education system.** This typically consists of local commissioning of the Adult Skills Budget from 2016-17, followed by full devolution of the budget planned from 2019-20.[18] Areas will be required to undertake a full review of further education and skills provision, and to have agreed arrangements with the Government for managing financial risk. The November 2017 Industrial Strategy White Paper announced 'skills advisory panels', which will be "integrated into Mayoral Combined Authorities and Local Enterprise Partnerships to inform the analysis that feeds into Local Industrial Strategies".[19]
- **Business support**. In most areas, local and central business support services will be united in a 'growth hub'. UK Trade and Investment will be required to partner with local business support services.
- **The Work Programme.** Devolved areas were to participate in the commissioning of the Work Programme in their areas. This was superseded in July 2017 by a decision to create a new grant, totalling £28 million, to allow devolved areas to develop a programme for 'harder-to-help' benefit claimants, supplementary to the main Work Programme.[20] This grant does not cover Greater Manchester or Greater London, which have negotiated separate arrangements;
- **EU structural funds.** A number of areas were to become 'intermediate bodies', which means that they, instead of the Government, would have taken decisions about which public and private bodies to give EU structural funds to. It is not clear whether devolved areas will have any role in the 'Shared Prosperity Fund' that has been mooted to replace structural funds post-Brexit;
- **Fiscal powers**. Most deals include an investment fund; some areas are piloting full retention of business rates from 2017-18 onwards (London, Manchester, Cornwall, Liverpool and West

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18 See the Commons Library debate pack *Skills devolution in England*, 19 January 2018, for further details. Skills devolution was delayed from its original start date of April 2018.

19 HM Government, Industrial Strategy White Paper, 2017, p114

20 David Paine, "DWP hands devo areas £28m for work programme 'alternative'", *Local Government Chronicle*, 1 August 2017

Midlands). Elected mayors were to have the power to add a supplement of up to 2% on business rates, but this power is now on hold due to the falling of the *Local Government Finance Bill* in the first part of 2017;[21]

- **Integrated transport systems.** Many deals include the power to introduce bus franchising, which would allow local areas to determine their bus route networks and to let franchises to private bus companies for operating services on those networks (see the Library briefing paper on the *Bus Services Act 2017* for further details). Each deal also includes a unified multi-year transport investment budget, and most commit to improving joint working between the combined authority and Network Rail, Highways England, and (where relevant) plans for the HS2 line. Some deals include a 'key network of local roads' to be controlled by the combined authority. This will consist of roads currently managed by the participating local authorities;
- **Planning and land use.** Many deals include the power to create a spatial plan for the area, and/or the power to establish Mayoral Development Corporations. Some deals will also permit the combined authority to use Compulsory Purchase Orders, with the consent of the local authority in which the land or property is located. Non-statutory joint bodies ('Land Commissions' or 'Joint Asset Boards') will be established to improve the management of surplus land and buildings across public sector bodies, making joint decisions on whether to re-use, share, or sell unused land and buildings within the public estate.
- A £12 million **'capacity fund'** for mayoral combined authorities for 2018-19 and 2019-20 was announced in the November 2017 budget;

2.2 The 'specials'

Devolved powers in the following areas have been offered to a more limited selection of combined authorities:

Housing

In early 2018, 'housing deals' were agreed with Greater Manchester (see section 3.1), West Midlands (see section 4.5), and the West of England. West of England's deal includes £3m capacity funding, a possible deal on affordable housing, and the intention to "accelerate housing delivery to 7,500 homes per year".[22]

A housing deal has also been agreed with Oxfordshire County Council and its districts. This does not have any implications for governance in Oxfordshire: it forms part of the Government's plans for growth in the Oxford – Cambridge – Milton Keynes corridor.

These deals sit alongside the bid-based Housing Infrastructure Fund of £4 billion available between 2018 and 2021, to which combined authorities and other localities have bid during 2017 and 2018.

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21 The provision for the agreement of the LEP did not appear in the Bill.

22 MHCLG, Outline of interim housing package for the West of England, 21 March 2018

Health

The chief executive of the NHS, Simon Stevens, said in December 2015 that 'not many' other areas (alongside Greater Manchester) were likely to take on health responsibilities in the near future.[23] A document entitled *NHS Devolution: Proposed Principles and Decision Criteria*, published in September 2015, sets out the NHS's preferred approach to proposals for health and social care integration.

Cornwall's devolution deal (see section 4.4 below) included provision for the integration of health and social care. This has been pursued as part of the national requirement for CCGs and local authorities to produce a 'sustainability and transformation plan'. Details of progress can be found on the joint website Shaping our Future.

The GLA published a document in London setting out the intended benefits of health devolution in London.[24] These will include:

- establishing a London Estates Board, to involve local government and other bodies in strategic NHS estates decisions. This will also mean that proceeds from land sales can be reinvested in the healthcare system;
- ensuring funds from the 'sugar levy' are used to tackle obesity in London;
- Greater local design of health-related employment support services;
- A London Workforce Board, to co-ordinate training between health and social care staff, promoting more integrated roles to support an integrated model of care.

This follows a series of pilots in 2015-16 exploring health and social care collaboration between groups of London boroughs, the GLA, and London CCGs.[25]

Transforming Cities

A new Transforming Cities investment fund of £1.7 billion was announced in the November 2017 Budget. Half of this fund is to be split between the six mayoral combined authorities on a per capita basis, as per Table 2 below. The other half will be available to other areas on a competitive bid basis.

Table 2: Transforming Cities Fund allocations

Mayoral area	Funding
West Midlands	£250 million
Greater Manchester	£243 million
Liverpool City Region	£134 million

23 David Williams, "Exclusive: Stevens casts doubt over NHS devolution outside Manchester", *Health Service Journal*, 14 Dec 2015
24 GLA, Health and Care Devolution: What it Means for London, November 2017
25 HM Treasury, *London health devolution agreement*, 15 December 2015. See also Heather Jameson, "'Giant leap' for capital care after health deal is unveiled", *Municipal Journal*, 17 Dec 2015

Tees Valley	£59 million
West of England	£80 million
Cambridgeshire / Peterborough	£74 million

The funding will "support intra-city transport" and "will target projects which drive productivity by improving connectivity, reducing congestion and utilising new mobility services and technology".[26]

Local industrial strategies

In the Industrial Strategy White Paper, published in November 2017, the Government signalled its intent to develop 'local industrial strategies':

> We will work in partnership with places to develop Local Industrial Strategies, which will be developed locally and agreed with the government. These strategies will help identify priorities to improve skills, increase innovation and enhance infrastructure and business growth. This will guide the use of local funding streams and any spending from national schemes.
>
> Local Industrial Strategies will be long-term, based on clear evidence, and aligned to the national Industrial Strategy.[27]

The first Local Industrial Strategies are to be agreed by March 2019. In combined authority areas, they will be led by the combined authority: elsewhere, they will be led by Local Enterprise Partnerships. The 2017 Budget included funding of £243 million for a local industrial strategy in Greater Manchester, and the second West Midlands devolution deal included a commitment to a local industrial strategy in the West Midlands.

A new "Strength in Places Fund" of £115 million was announced in the Industrial Strategy White Paper in November 2017. This will

> ….support collaborative programmes based on research and innovation excellence in places right across the UK which can demonstrate a strong impact on local productivity and enhance collaboration between universities, research organisations, businesses, local government and Local Enterprise Partnerships in England and relevant agencies in the devolved nations.[28]

26 HM Treasury, *Budget 2017,* p51
27 HM Government, Industrial Strategy White Paper, 2017, p219
28 HM Government, Industrial Strategy White Paper, 2017, p85

3. The Greater Manchester devolution deals

This section outlines the devolution deals agreed with the Greater Manchester Combined Authority.

3.1 The Greater Manchester Agreement

Five different deals have provided the following powers for the Greater Manchester Combined Authority:

- A consolidated, multi-year transport budget;
- Responsibility for bus services, railway stations, and 'smart ticketing' (an example of this is London's Oyster Card) in Greater Manchester;
- A Housing Investment Fund of £300m over 10 years, making loans to housebuilders (and thus being self-sustaining over time);
- The power to produce a statutory spatial strategy; to introduce Mayoral Development Corporations; make Compulsory Purchase Orders; set a Community Infrastructure Levy (CIL); and establish a non-statutory Land Commission;
- An enhanced form of the Manchester 'earn-back' agreement;
- The elected mayor becomes the Police and Crime Commissioner for Greater Manchester.[29]
- Devolved business support budgets: the Growth Accelerator, Manufacturing Advice Service and UKTI Export Advice;
- Power to restructure further education in Greater Manchester, plus control of the Apprenticeship Grant for Employers before its closure in mid-2017;
- Joint commissioning, with the Department for Work and Pensions, of the next stage of the Work Programme;
- Transfer of the Greater Manchester Fire Service and the Greater Manchester Waste Disposal Authority to the GMCA;
- Control over EU structural funds (the implications for the 'Shared Prosperity Fund', mooted to replace these when the UK leaves the EU, are not clear);
- A Life Chances Investment Fund, incorporating funding from Troubled Families, Working Well, and joint work on children's services;
- Piloting the full retention of business rate revenue;
- £28 million to develop the new Work and Health Programme. This programme began in late 2017.[30]
- An agreement on devolution of powers associated with the justice system, published in July 2016.

A 'housing package' was agreed in March 2018, which included a £50 million 'land fund' for remedial work to brownfield sites; capacity funding of 'up to £8 million'; £10.25 million for the Collyhurst Estate; and greater flexibility around the moving of funds between years for the £300 million loan fund. Greater Manchester has agreed to "accelerate

29 HM Treasury, *Greater Manchester Agreement*, November 2014, p. 1
30 DCLG, *Work, health and disability green paper: improving lives*, 2 November 2016

delivery rates to 12,375 homes per annum to 2026".[31] The agreement is still awaiting Government approval at the time of writing; it is also contingent on adoption of the statutory spatial framework.

Tony Lloyd acted as 'interim mayor' between 29 May 2015 and the election of Andy Burnham on 4 May 2017.[32]

3.2 Health devolution in Greater Manchester

The Government published the Greater Manchester Health and Social Care Devolution Memorandum of Understanding on 27 February 2015.

This paper envisaged a new Greater Manchester Health and Social Care Partnership Board (GMHSPB), which will produce a joint health and social care strategy for Greater Manchester.

The GMHSPB ran in shadow form in 2015-16, before going live in April 2016. It has two sub-groups: a Greater Manchester Joint Commissioning Board (JCB) and an Overarching Provider Forum. Members of the former are the 12 Clinical Commissioning Groups (CCGs) in Greater Manchester; the 10 Greater Manchester boroughs; and NHS England. Members of the latter are service providers: acute care trusts, mental health trusts, ambulance trusts, LMCs (local medical committees), and others.

Through the JCB, strategic decisions regarding commissioning of health and social care services in Greater Manchester are agreed by NHS England, CCGs, and local political actors. A strategy was published in December 2015. The JCB commissions health and social care services across Greater Manchester on behalf of its constituent organisations, pooling the pooled commissioning budgets of the CCGs and the social care budgets of the boroughs.[33]

At local (borough) level, Health and Wellbeing Boards, made up of representatives from CCGs and boroughs, ensure that health and social care services are provided in a joined-up fashion, in line with the GMHSPB's Strategic Sustainability Plan.

The proposals do not constitute a wholesale transfer of functions or funds from the NHS to local authorities, or vice versa. Chris Ham, chief executive of the Kings Fund, stated:

> Devolution to Greater Manchester should enable decisions to be taken much closer to the population being served, with councillors having a bigger influence on future decisions. …The unanswered question is how much freedom public sector leaders will have to depart from national policies in taking greater control of NHS resources.[34]

31 MHCLG, Outline of a housing package for Greater Manchester, 21 March 2018

32 See the *Greater Manchester Combined Authority (Amendment) Order 2015* (SI 2015/960). The interim mayor must be a councillor, MP, MEP or Police and Crime Commissioner in the Greater Manchester area.

33 See the Greater Manchester Commissioning Strategy, *Commissioning for Reform*, 2016

34 Chris Ham, "What Devo Manc could mean for health, social care and wellbeing in Greater Manchester", *Kings Fund*, 2 March 2015

These proposals are being implemented via section 75 of the *National Health Service Act 2006*, which permits agreements to share functions and budgets between NHS bodies and local authorities. The elected mayor, Andy Burnham, has no formal power over the integration of health and social care. The GMHSPB has appointed its own chief executive, Jon Rouse, as of 31 March 2016.

Criteria for national intervention in the Greater Manchester devolved arrangements were published in March 2016.[35] A dedicated website covering new arrangements for health and social care has also been established. Greater Manchester has been awarded £450 million health service transformation funding over five years.[36]

[35] See Greater Manchester Combined Authority, *Accountability Agreement* (paper 5b), 18 March 2016

[36] David Paine, "Greater Manchester receives £450m to spur health transformation", *Local Government Chronicle*, 21 Dec 2015

4. Deals in other localities

4.1 London

Greater London is not covered by the *Cities and Local Government Devolution Act 2016*. Alongside the 'devolution deals' agenda, negotiations have progressed for devolution to London of many of the powers noted in section 2 above (where these were not already devolved to the GLA).

A *memorandum of understanding on further devolution to London* was published in March 2017, alongside the Budget. This included commitments to devolve the Work and Health programme, the Adult Skills Budget, and to progress towards devolution of matters associated with health and criminal justice. Sign-off of the deal was delayed to November 2017.[37]

A memorandum of understanding entitled Working towards Justice Devolution to London was published in March 2018. This proposed joint responsibility for various probation functions and victim services to pass to a London Justice Devolution Board. The document aims to implement the plans for devolution from April 2019.

Further proposals in London

In addition to these changes, the London boroughs and the GLA have put forward a number of plans for further devolution to London.[38] Most recently, in November 2015, a joint document produced by the Mayor, London Councils, and the London LEP, entitled *Skills Devolution to London,* was submitted to the Government. This contained a series of high-level outcomes sought for the skills system in London by 2020, and set out a prospectus for devolving power in order to achieve them:

- Devolution of the Adult Skills Budget, Adult Community Learning, and discretionary support for 19+ learners;
- Devolution of London's share of advanced learning loans;
- A guaranteed 'proportionate return' to London from the apprenticeships levy introduced at the 2015 Spending Review;
- Transfer of the Secretary of State's appointment powers over college boards;
- Protection of London's share of 16-19 skills funding;
- Creation of a Skills Commissioner for London.

In July 2016, Sadiq Khan reconvened the London Finance Commission in the wake of the June 2016 vote to leave the European Union.[39] Its final report, *Devolution: a capital idea*, was published in January 2017. The report recommends the devolution of several taxes to London government, such as stamp duty, Air Passenger Duty, Vehicle Excise

37 See Jon Bunn, "London health devolution deal agreed", *Local Government Chronicle*, 16 November 2017; GLA, *Health and Care Devolution: What It Means for London*, November 2017

38 These proposals have not been formally published. See also the London Assembly report *A New Agreement for London*, September 2015

39 See GLA, London Finance Commission, n. d.

Duty, together with a share of income tax and VAT revenue. A tourism tax was also proposed.

The report stated that any tax devolution would be 'revenue neutral' at the point at which tax powers were passed to Greater London. It also suggested that other cities with devolution deals were looking with interest at the proposals.

4.2 Cornwall

A devolution deal with Cornwall was agreed in July 2015.[40] The deal was agreed with Cornwall Council and the Cornwall and Isles of Scilly NHS Trust. The deal does not require a combined authority or elected mayor to be established.

This is the only deal so far to be agreed with a single unitary authority: the powers to be devolved will be devolved to Cornwall County Council. The deal follows Cornwall Council's publication of a document entitled *The Case for Cornwall* in March 2015.

Cornwall has also progressed the joint delivery of health and social care services between Cornwall Council and NHS Kernow CCG).

4.3 Yorkshire

Devolution deals were agreed with the West Yorkshire and the Sheffield City Region combined authorities in March 2015 and December 2014 respectively.[41] A further deal, including provision for a directly-elected mayor, was agreed with the Sheffield City Region in October 2015.

The Sheffield City Region launched a consultation in mid-2016 on two district councils from outside Yorkshire becoming full members. This would have meant electors in those councils taking part in the mayoral election. The two were Bassetlaw (in northern Nottinghamshire) and Chesterfield (in Derbyshire). Chesterfield Borough Council is not geographically linked to the Sheffield City Region, though both councils, along with three others, were 'associate members'.

Derbyshire County Council launched a judicial review of Chesterfield's participation in the Sheffield deal. The case was heard on 11-12 November 2016. The judge found that the consultation was defective and ordered that it be rerun. This led to the Sheffield City Region mayoral election being delayed by a year, to 2018. Subsequently, Chesterfield and Bassetlaw withdrew their applications for full membership.

In consequence, the idea of a pan-Yorkshire devolution deal acquired fresh impetus.[42] On 18 September 2017, a meeting of the Sheffield City Region took place at which consent was sought for a new consultation. This is a statutory requirement in advance of the devolution of the

40 HM Treasury, *Cornwall Devolution Deal*, July 2015
41 See Deputy Prime Minister's Office, *'Oyster-style' cards for Sheffield as Deputy PM agrees devolution deal*, 12 December 2014; HCDeb 18 Dec 2014 WMS 141
42 LGC Briefing, *Devolution by judicial review*, 11 November 2016; James Reed, "Fresh attempt to revive Yorkshire-wide devolution", *Yorkshire Post*, 16 November 2016

powers agreed in the October 2015 deal. Barnsley and Doncaster did not give their consent, stating that they would seek to take part in a pan-Yorkshire deal.[43] On 22 December 2017, the two authorities published the results of local referendums held on the two options:

Table 3: Barnsley and Doncaster community poll results

	Barnsley	**Doncaster**
Yorkshire-wide deal	84.9%	85.2%
Sheffield City Region deal	15.1%	14.8%
Turnout	22.4%	20.1%

The Minister for the Northern Powerhouse, Jake Berry, indicated in July 2017 that the Government would not agree to a pan-Yorkshire deal. He said in a letter to the Sheffield City Region Combined Authority that "consent by the 20 councils for such an approach is very unlikely. Nor do I believe that a deal and governance across the whole of Yorkshire, given its scale and diversity, would in practice deliver the benefits that the proponents of such a deal seek".[44] This position was reiterated in an adjournment debate in the House of Commons on 10 October 2017. However, subsequent negotiations suggested that the Government would be willing to see a One Yorkshire deal replacing the Sheffield deal, provided that all participating authorities agreed and the Sheffield City Region mayor would serve out his or her term.[45] This position was made clear in a Westminster Hall debate on 9 January 2018.

Dan Jarvis MP was elected as mayor of the Sheffield City Region on 3 May 2018. When he announced his candidacy, Mr Jarvis said that he intended to remain an MP and to work towards establishing a One Yorkshire devolution deal. The mayor and combined authority do also have the option of progressing the October 2015 deal for Sheffield if they so choose. At present, the powers in that deal cannot be exercised locally.[46]

Eighteen local authorities submitted a proposed deal under the title of 'One Yorkshire' to the Government in January 2018.[47] This sought devolution of the following powers, many of which are recognisable from the 'menu' noted in section 2.1:

- Adult skills funding;
- Integrated business support, including DIT export support;
- A multi-year consolidated transport budget;
- Bus franchising in all or part of the region;

[43] See the minutes of the meeting on the Sheffield City Region website.
[44] Quoted in David Paine, "Yorkshire devo dissenters seek deal for 'coalition of the willing'", *Local Government Chronicle*, 22 June 2017
[45] See the House of Commons Library debate pack Yorkshire devolution, 8 January 2018
[46] Mr Jarvis has committed not to taking a salary as mayor. At present the combined authority has no power to pay the mayor a salary.
[47] See *Yorkshire Devolution Agreement Submission*, January 2018

- Business rate supplements;
- Mayoral development corporations, compulsory purchase powers and a Yorkshire Land Commission;
- A £125 million per year investment fund;
- A £500 million Housing Investment Fund;
- Acting as a pilot of 100% business rate retention;
- National programmes addressing unemployment, health barriers to work and in-work poverty;
- Borrowing powers;
- Powers to acquire and dispose of land, and a 'strategic infrastructure investment framework'.

A single Mayor and combined authority covering Yorkshire would be established. This would require the existing combined authorities to be wound up or merged in to the new one.

4.4 Liverpool: March 2016

A second devolution deal for the Liverpool City Region was announced alongside the March 2016 budget. The city region will take on the following additional responsibilities:

- Beginning to plan for integration of health and social care;
- A review of the delivery of children's services;
- The Apprenticeship Grant for Employers, accompanied by discussions on the use of funding from the apprenticeship levy;
- Additional, unspecified transport and highway powers to accompany the city region's Key Local Roads Network;
- work on developing a Clean Air Zone.

4.5 West Midlands: November 2017

A second deal for the West Midlands was published at the November 2017 Budget. This included the following commitments:

- Government agreement to the Mayor absorbing the Police and Crime Commissioner and the West Midlands Fire Service;
- A business rate supplement for the Mayor (though legal powers to implement this do not yet exist);
- A capacity fund of £1 million for the combined authority;
- Funding for the extension of the Midland Metro to Brierley Hill, plus seeking opportunities for funding cycling infrastructure;
- Government support for a local air quality strategy;
- A local industrial strategy;
- £6 million for a Mayoral Housing Delivery Team, boosting the capacity of the combined authority;
- A skills advisory panel, plus £5 million for a construction training programme;
- An Employment Support Framework Agreement, to integrate, health, skills and employment provision. This will sit on top of the combined authority's employment support programme and apprenticeship-related programmes run by JobCentre Plus and the Department for Work and Pensions;
- Funding support for a local energy strategy;

- Government funding for a Housing First pilot, mental health innovation, and a Social Care Academy.

The West Midlands was also offered a housing deal on 13 March 2018. This included a land fund of up to £100 million for remedial work on "land around priority sites across the area"; working towards a deal with housing associations on affordable housing; and a partnership with Homes England involving a number of strands of joint work. This deal is subject to "business case approval from Government", which is expected to be agreed in May 2018.[48]

4.6 North of Tyne

A devolution deal for 'North of Tyne' was announced in the 2017 Budget.[49] The participants are Newcastle City Council, Northumberland County Council and North Tyneside Council. This deal has been agreed after the failure of the original North-East devolution deal in late 2016. The three councils will form a 'North of Tyne Combined Authority' (NTCA) in shadow form from summer 2018. A mayoral election will take place in May 2019. It is not yet clear whether the 'rump' of the North-East Combined Authority (Durham, Gateshead, Sunderland and South Tyneside) will remain in existence.

The North of Tyne Combined Authority will receive the following:

- An investment fund of £20 million per year;
- Adult skills funding (but apprenticeships funding is not covered);
- Powers to acquire land to build "houses, commercial space and infrastructure": establishing a housing and land board;
- powers to create Mayoral Development Corporations, compulsory purchase powers, and borrowing powers;
- Power to set a precept on council tax;
- A framework agreement for locally funded employment support schemes;
- Collaboration on export advice for industry, including the GREAT Britain campaign and the Department for International Trade;

The three councils will appoint two members each to the NTCA alongside the elected mayor. The North-East LEP (which covers the *current* area of the North-East Combined Authority) will also have non-voting membership; and the mayor will become a member of the LEP board. The mayor will not have the power to veto a NTCA decision, instead having a power of "mayoral review". This will allow the mayor to refer decisions with which s/he disagrees back to the NTCA 'cabinet' (of local authority members).

The North of Tyne deal includes only part of the area of the Tyne & Wear Passenger Transport Executive, currently managed as Nexus. This manages the Tyne & Wear Metro and local bus services. Because of this, the North of Tyne mayor will have no responsibilities for transport, nor will they take on bus franchising powers. A statutory joint committee will be established between North of Tyne and the remaining North-East

48 MHCLG, Outline of a housing package for the West Midlands, 13 March 2018
49 See NTCA, North of Tyne 'minded-to' devolution deal, November 2017

Combined Authority, with three members from the former and four from the latter. This committee will be responsible for the Passenger Transport Executive and the local transport plan.

5. Analysis and perspectives

5.1 2017: devolution perspectives

A number of reports urging a refreshing of the devolution process in England were produced during 2017.

IPPR published a report in February 2017 entitled *Rebooting Devolution*. This argued for a framework of powers that could be taken on by local authorities. These would be accessible alongside additional accountability requirements (though elected mayors are not regarded as essential). The report argued for local bodies to cover county areas in most cases:

> …any proposed devolution area must be based around existing institutions and a shared sense of place. … there is little merit in creating new structures across a large economic area that means little in the public imagination…[50]

In similar terms, Reform's report *Vive la devolution* argued for decentralisation of public services commissioning to 38 devolved bodies across England.

The Centre for Cities produced a number of progress updates entitled 'six months of..' each of the metro-mayoral areas in November 2017.

The Local Government Information Unit produced a report entitled *Beyond Devolution*, produced following several meetings of a Local Democracy Network. It recommended that:

- A Mayors' Senate should be established, giving directly elected mayors from individual and combined authorities a firm constitutional role, shaping Brexit and scrutinising legislation.
- A Local Finance Commission, led by local government, should carry out a systematic review of how local areas are funded based on the expertise, knowledge and experience of local leaders.
- A constitutional settlement should be pursued in order to provide a framework and consistency over the roles and responsibilities of central and local government.
- An immediate 'devolution reboot' to continue devolving power to the cities and regions of England.

A report for the County Councils Network by Oxford Economics, in 2017, argued that county economies should feature prominently in the forthcoming industrial strategy. Combined authority areas should not be the only focus. Manufacturing forms a significant element in county economies, and potential exists to drive productivity gains there.[51]

The Centre for Cities has produced a 'six months of' analysis of each of the six metro-mayors in November 2017.

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[50] Jack Hunter, *Rebooting devolution: A common sense approach to taking back control*, IPPR, 2017, p10

[51] CCN, *Understanding County Economies*, Oxford Economics, 2017

5.2 The available powers

The elected mayors have differing degrees of power over different matters. In most areas, they will have an effective veto over decisions made by the combined authority. Mayoral spending plans are, in most cases, to be subject to rejection by cabinet members on a two-thirds majority. Where powers to create a spatial strategy are available, this requires unanimous approval from the mayor and combined authority members.

This contrasts with the situation in London (see the Library briefing paper The Greater London Authority). The Mayor of London can take decisions without reference to the London boroughs. The London Assembly only has the power to veto a small number of high-level Mayoral decisions.

Despite the differing levels of formal power, mayors' profile will be such that they are likely to become associated, in the public eye, with any new initiatives or policy changes in all of the 'devolved' areas. For instance, in Greater Manchester, the mayor has no formal responsibility for the integrated health and social care bodies, but Andy Burnham has already pushed forward some initiatives around mental health. Mayors may face being held accountable for things that they do not control. This points towards a reliance on 'soft power' and informal governance skills, rather than formal proceedings and votes, to achieve desired outcomes. This would be at one with practice so far: Lord Smith of Leigh, the chair of the Greater Manchester combined authority, noted in June 2015 that "I have still not had a vote as chairman of the combined authority, and if I did have one I would think of it as a failure".[52]

5.3 Governance

Most of the deals agreed so far have featured a new directly-elected mayor covering a combined authority area. The Government has stated that a directly-elected mayor will be required where substantial powers are to be devolved.[53] Baroness Williams, speaking for the Government in the House of Lords, has said:

> First, nobody has been required to have a mayor. Secondly, it would be irresponsible of any Government to put in place devolution of the scale and ambition as in Tees Valley and Greater Manchester without the clear, single point of accountability that an elected mayor can bring.[54]

At the outset of the policy, reference was made to 'alternative governance arrangements' (see the Library briefing *Combined authorities*). The 2015 IPPR report *Empowering Counties* suggested that elected mayors were inappropriate for areas which did not have a single urban centre, and urged the Government to clarify what alternative

52 HLDeb 22 Jun 2015 c1413
53 For instance, see HCDeb 26 Nov 2015 c473WH
54 HLDeb 23 Mar 2016 c2414

governance arrangements would find favour in devolution deal negotiations.[55]

Professor Francesca Gains, of the University of Manchester, has stated:

> Research at the University of Manchester examining the first city mayors suggests that there are reasons why an elected mayor is the right model for the new settlement. The visibility of a mayor means the public knows who to hold to account for the spending decisions now to be made in and across the region. Being directly elected will keep the mayor responsive to all communities.[56]

The Centre for Public Scrutiny, which is pursuing research into the governance and accountability surrounding combined authorities, has stated:

> … the asymmetry involved [between the deals] also provides an additional impetus for transparency. Local people – anyone, indeed, not involved in the negotiations – need to understand what devolution priorities are being arrived at and agreed on. … At the very least, the broad shape and principles of a bid for more devolved powers should be opened up to the public eye.[57]

5.4 Reactions

The Engineering Employers' Federation (EEF) published a report in September 2017 entitled *Fostering more industrious places*. This reflected increasing attention given to the Northern Powerhouse agenda in the second part of 2017. The EEF said:

> Spreading devolution to all areas of England needs to be the main ambition behind the Government's policy on place as part of the industrial strategy. Establishing strong governance of place through Devolution deals will subsequently allow a more meaningful conversation to take place on how each area can support the industrial strategy.[58]

The EEF suggested that LEPs should be appointed as 'deal-making agents' on behalf of local areas to push this agenda forward. Areas should also be able to retain the benefits of productivity increases in the form of additional funding, or reduced spending.[59]

Much reaction from the local government world to the proposals has been positive, though this has not been a universal response.[60] Professor Francesca Gains has noted:

> The interim mayor has to champion the region, and the idea of devolved powers, without having the budgets and powers fully in

55 Ed Cox and Jack Hunter, *Empowering Counties: Unlocking County Devolution Deals*, 2015, p.4
56 Francesca Gains, "The making of the Greater Manchester mayor – what next?", *On Devo*, policy@manchester, 2015, p. 6
57 Ed Hammond, *Devo Why? Devo How?,* Centre for Public Scrutiny, 2015, p.8
58 EEF, *Fostering more industrious places*, 2017, p.3
59 Ibid., p.5
60 For supportive responses, see Local Government Association, *LGA response to government announcement of devolved health budget to Greater Manchester*, 27 February 2015; more cautious responses include Daisy Srblin, *Unanswered questions on devolved healthcare in Manchester*, Fabian Society; Chris Ham, "What Devo Manc could mean for health, social care and wellbeing in Greater Manchester", *Kings Fund*; Joy Furnival, *What Health and Social Care can learn from UK Devolution*, University of Manchester.

> place. In the face of welfare cuts, cuts in adult social care and other non-protected spending areas locally, early visible signs of economic and infrastructural benefits of the devolution agenda will be important to demonstrate to the public the potential benefit of devolution ahead of the full devolution of powers and election of the mayor proper in 2017.[61]

Helen McKenna, of the King's Fund, has suggested that health and social care integration in Greater Manchester could have a transformative effect:

> Although what is currently happening in Manchester is technically more a case of delegation than devolution, particularly as formal accountabilities will remain with the national NHS bodies, it is nevertheless a far cry from 'business as usual'….In exchange for more of a say over its own future, Greater Manchester is promising to deliver changes to health and care services that we and many others have long been calling for… But what makes Greater Manchester's devolution project so exciting is the fact that their ambitions go much further than the integration of health and social care to consider public services in the round. This creates the opportunity to look beyond the role of health services in determining health outcomes to the (Far more influential) wider social determinants of health – for example, the roles of early years, education, employment and housing.[62]

Iain Wright MP expressed a more critical view in a Westminster Hall debate in June 2015:

> …the areas that are being identified for devolution are those that have suffered the greatest cuts. Areas are being set up to fail, which feeds my concern, shared by many others, that the primary thing the Government want to localise is the blame for cuts they have made in Whitehall.[63]

Phillip Blond, director of ResPublica and co-author of *Devo Max – Devo Manc*, was quoted as saying:

> These deals are fairly average and fairly small. It's all sub-Manchester and a lot of the innovation hasn't really made its way past the first tier of negotiations.[64]

Ben Harrison, of the Centre for Cities, suggested that the devolution offered to Greater Manchester may turn out to be 'a process not an event', as with devolution to Scotland, Wales and Northern Ireland:

> The devolution settlements that have been struck in the UK over the last fifteen years have not remained static – the prize for city-regions vying for devolution is not just what is on offer in 2015, but what could end up being on the table in the decade to come….Rather than being evidence of some kind of Whitehall favouritism or political game-playing, these decisions ultimately illustrate the fact that the presence of strong, democratically accountable institutions, at the right geographic scale, makes a

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61 Francesca Gains, *The future of metro mayors – all eyes on Greater Manchester*, 25 June 2015
62 Helen McKenna, "Devo Manc is a far cry from 'business as usual'", *Manchester Policy Blogs*, 1 April 2016
63 HCDeb 9 Jun 2015 , c76WH
64 See Sam Clayden, "Deals of the century?", *Municipal Journal*, 26 Nov 2015, p. 12

> significant difference when it comes to decisions on where and how funding and functions are allocated.[65]

The House of Commons Communities and Local Government Committee published a report in February 2016 entitled *Devolution: the next five years and beyond*. The Committee commended the general approach of devolving power, whilst recommending that greater attention be paid to transparency and accountability – both in the negotiation and implementation of deals.

5.5 Public consultation

A number of criticisms were made of the lack of public consultation in most devolution negotiations. The 2009 and 2016 Acts require a statutory consultation process when a new combined authority is created or when new powers are devolved to it. These have taken place in the areas that have been offered devolution deals.

However, the negotiations *leading to* devolution deals are non-statutory and informal, and have been conducted confidentially to date. Professor Robin Hambleton of the University of the West of England has described the Government's policy as 'centralisation on steroids':

> Ministers, not elected local politicians, still less local citizens, will decide whether the deals are acceptable. The accountability is up to distant figures in Whitehall, not down to local people.[66]

The University of Sheffield and the Electoral Reform Society, with other partners, held two "citizens' assemblies" in autumn 2015, in Sheffield and Southampton. Over two weekends, selected members of the public discussed devolution options in their local areas. Details of the assemblies and the outcomes of the public discussions can be found at http://citizensassembly.co.uk/. Similarly, Coventry held a one-day citizens' panel on 9 September 2015, discussing whether the city should participate in the West Midlands combined authority.

Durham Council held a referendum in early 2016 on the (now aborted) North East devolution deal. Its cost has been estimated at £325,000.[67] In the event a number of questions were asked, and some 22% of the electorate responded. 60% said they thought the region getting some extra powers and controls from Whitehall would be a 'step in the right direction'. 40% of respondents thought an elected mayor for the North East should have quite a lot of power and influence, while 48% felt the mayor should have limited powers.[68]

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65 Ben Harrison, "There's more to devolution deals than the prizes on offer today", *Centre for Cities blog*, 13 August 2015

66 Robin Hambleton, "The devolution deception must be exposed", *Local Government Chronicle*, 24 November 2015

67 "Durham reveals devo poll costs", *Local Government Chronicle*, 18 December 2015

68 David Paine, "Results in on Durham's devo poll", *Local Government Chronicle*, 19 February 2016

6. Further reading

Reform, *Vive la devolution: devolved public services commissioning*, November 2017

LGIU, *Beyond devolution: the final report of the Local Democracy Commission*, October 2017

EEF, *Fostering More Industrious Places*, August 2017

CCN, *Understanding County Economies*, Oxford Economics, 2017

Jack Hunter, *Rebooting devolution: A common sense approach to taking back control*, IPPR, 2017

Local Government Association, *What next for devolution?*, July 2016

National Audit Office, *English devolution deals,* HC948 2015-16, April 2016

Political Studies Association, *Examining the role of 'informal governance' on devolution to England's cities,* March 2016

Representation, special issue, March 2016

Ed Hammond, *Cards on the table: English devolution and governance*, Centre for Public Scrutiny, March 2016

Communities and Local Government Committee, *Devolution: the next five years and beyond*, HC-369 2015-16, Feb 2016

Joe Randall and Jo Casebourne, *Making devolution deals work*, Institute for Government, February 2016

Grant Thornton, *Making devolution work*, November 2015

On Devo, policy@manchester, 2015

Norman Warner and Jack O'Sullivan, Letting go: how English devolution can help solve the NHS care and cash crisis, Reform, March 2015

Independent Commission on Non-Metropolitan England, Devolution to Non-Metropolitan England: Seven Steps to Growth and Prosperity, March 2015

Independent Commission on Local Government Finance, Financing English Devolution, LGA/CIPFA, February 2015

Mark Morrin and Phillip Blond, Restoring Britain's City States: Devolution, Public Service Reform and Local Economic Growth, ResPublica, February 2015

Centre for London, The Brightest Star: A Manifesto for London, October 2014

City Growth Commission, Human Capitals, Connected Cities, Powers to Grow, Unleashing Metro Growth [four papers], RSA/Core Cities Group, 2014

Ed Cox, Graeme Henderson and Luke Raikes, Decentralisation Decade: A plan for economic prosperity, public service transformation and democratic renewal in England, IPPR/PwC, September 2014

Mark Morrin and Phillip Blond, Devo-Max, Devo Manc: Place-Based Public Services, September 2014

London Finance Commission, Raising the Capital, GLA, 2013

Lord Heseltine, No stone unturned in pursuit of growth, BIS, 2012, plus Government response, 2013

Communities and Local Government Committee, *Devolution in England: the case for local government*, HC-503 2013-14, July 2014

Appendix 1: powers devolved in devolution deals

		Greater Manchester	Sheffield	Tees Valley	Liverpool	West Midlands	Cambs/Pboro	West of England	Cornwall	North of Tyne
Transport	Devolved, consolidated transport budget									
	Bus franchising									
	Joint working with Highways England and Network									
	Local roads network									
	Smart ticketing									
Skills, employment, health	Joint working with UKTI									
	Business support services									
	Adult Skills funding									
	Work and Health									
Land and housing	Public land commission / joint assets board									
	Housing Loan Fund									
	Compulsory purchase orders									
	Mayoral Development Corporations									
	Planning call-in powers									
	Consultation on strategic planning applications									
	Housing grant fund									
	Spatial strategy									

		Greater Manchester	Sheffield	Tees Valley	Liverpool	West Midlands	Cambs/Pboro	West of England	Cornwall	North of Tyne
Public services	Health and social care integration									
	Children's services									
	Offender management, probation, prison estate									
	Troubled Families / Working Well									
	Police and Crime Commissioner									
	Fire service									
	Intermediate body for EU Structural Funds									
Finance	Investment fund (per year)	£30m	£30m	£15m	£30m	£36.5m	£20m	£30m		£20m
	Pilot retention of 100% business rates revenue									
	Mayor business rates supplement									
	Community Infrastructure Levy									

Note: Cornwall County Council holds a number of the powers set out here in its capacity as a unitary authority (marked in pale green)

Devolution of police and fire to West Midlands is under discussion (marked in yellow)

Powers over business rate supplements are unlikely to be available in the short term due to the falling of the *Local Government Finance Bill 2016-17.*

Appendix 2: participants in devolution deals

Deal	Full members	Associate members	Authorities rejecting deal
Greater Manchester	Manchester; Salford; Tameside; Oldham; Trafford; Stockport; Bolton; Rochdale; Bury; Wigan		
Liverpool City Region	Liverpool; Wirral; Knowsley; St Helens; Sefton; Halton		
Sheffield City Region	Sheffield; Doncaster; Rotherham; Barnsley	Chesterfield; Bassetlaw; North-East Derbyshire; Derbyshire Dales; Bolsover	
West Yorkshire	Leeds; Calderdale; Bradford; Kirklees; Wakefield	York	
West Midlands	Birmingham; Sandwell; Dudley; Wolverhampton; Walsall; Coventry; Solihull	Redditch; Nuneaton & Bedworth; Tamworth; Cannock Chase; Telford & Wrekin	

Deal	Full members	Associate members	Authorities rejecting deal
Tees Valley	Darlington; Middlesbrough; Hartlepool; Stockton-on-Tees; Redcar & Cleveland		
Cornwall	Cornwall; Isles of Scilly		
Cambridgeshire / Peterborough	Cambridgeshire; Peterborough; Huntingdonshire; Fenland; East Cambridgeshire; South Cambridgeshire; Cambridge City		
West of England	Bristol; Bath & North-East Somerset; South Gloucestershire		North Somerset
North-East / North of Tyne	Newcastle-upon-Tyne; Northumberland; North Tyneside		Gateshead; Durham; Sunderland; South Tyneside
Norfolk / Suffolk	Norfolk; Suffolk; Forest Heath; St Edmundsbury; Babergh; Mid Suffolk; Ipswich; Suffolk Coastal; Waveney; South Norfolk; Broadland		Norwich; North Norfolk; Breckland; Great Yarmouth; King's Lynn and West Norfolk
Greater Lincolnshire	North Lincolnshire; North-East Lincolnshire; West Lindsey; East Lindsey; Lincoln City; North Kesteven; Boston; South Holland		Lincolnshire; South Kesteven

BRIEFING PAPER
Number 07029, 4 May 2018

Suffolk County Council

REVENUE BUDGET 2018-19
AND CAPITAL PROGRAMME 2018-21
(including Treasury Management Strategy and Prudential Indicators)

Councillor Richard Smith MVO
Cabinet Member for Finance and Transformation

Louise Aynsley
Head of Finance

8 February 2018

Revenue Budget 2018-19 and Capital Programme 2018-21 (including Treasury Management Strategy and Prudential Indicators)

Decisions of County Council on 8 February 2017

The County Council agreed:

1. The Cabinet recommendations on the Revenue Budget 2018-19 and Capital Programme 2018-21 (**Appendix C**), having regard to Scrutiny Committee's recommendations and subsequent responses (**Appendix A**) and the report by the Head of Finance on the robustness of the estimates and adequacy of reserves (**Appendix B**)
2. The attached budget proposals, including savings of £23.9m (detailed in **Table 1 and paragraphs 21 to 22**) leading to a 2018-19 budget requirement of £443,348,685
3. An increase of 2.99% (**paragraph 33**) in general council tax for 2018-19 so that the Band D council tax for County Services becomes £1,161.90p (**table 6**)
4. The National Social Care Precept that is ringfenced to help fund Adult Social Care will be equivalent to 2% (**paragraph 32**) of the total Band D council tax. Therefore the 2018-19 Band D Social Care Precept will be £80.64 (**table 6**)
5. A council tax requirement/total precept on the collection funds of District and Borough Councils of £307,328,906 which includes the precept to fund Adult Social Care of £19,944,502 (**paragraph 36**)
6. A capital programme for 2018-19 totalling £99.5m as detailed in paragraphs 37 to 41 of this report
7. The revised policy on Minimum Revenue Provision and Capital Prudential Indicators (**Appendix C, Section B, Paragraphs 25-39**)
8. The Treasury Management Strategy and Treasury Prudential Indicators (**Appendix C, Section C**)
9. The Business Plan (located here)
10. That the offer of participation for Suffolk in the Business Rate Pilot for 2018-19 (**paragraph 45**).

Suffolk County Council

Agenda Item

County Council

Report Title:	Revenue Budget 2018-19 and Capital Programme 2018-21
Meeting Date:	8th February 2018
Lead Councillor(s):	Councillor Richard Smith MVO, Cabinet Member for Finance and Transformation
Local Councillor(s):	All Councillors
Director:	Aidan Dunn, Interim Director of Resource Management
Assistant Director or Head of Service:	Louise Aynsley, Head of Finance
Author:	Geoff Wilson, Chief Accountant (Financial Control), 01473 265639

Brief summary of report

1. The report details the Revenue Budget for 2018-19 and Capital Programme for 2018-21, and the level of council tax to be raised from the people living in Suffolk to deliver the Council's services.

2. This report presents the recommendations from Cabinet (23rd January 2018, Agenda Item 7). The 2018-19 budget requirement is £443,348,685. The level of general council tax is recommended to be £1,161.90p and the Adult Social Care Precept has been increased in line with national expectations by 2% of the total Band D council tax to £80.64p for a Band D Property.

3. **Updated versions of Appendices A, B, C and Annexes are included with this paper, Appendix D, the Business Plan can be found here.**

Action recommended

4. Council is recommended to agree:

   a) The Cabinet recommendations on the Revenue Budget 2018-19 and Capital Programme 2018-21 (**Appendix C**), having regard to Scrutiny Committee's recommendations and subsequent responses (**Appendix A**) and the report by the Head of Finance on the robustness of the estimates and adequacy of reserves (**Appendix B**)

   b) the attached budget proposals, including savings of £23.9m (detailed in **Table 1 and paragraphs 21 to 22**) leading to a 2018-19 budget requirement of £443,348,685;

   c) an increase of 2.99% (**paragraph 33**) in general council tax for 2018-19 so that the Band D council tax for County Services becomes £1,161.90p (**table 6**).

   d) the National Social Care Precept that is ringfenced to help fund Adult Social Care will be equivalent to 2% (**paragraph 32**) of the total Band D council tax. Therefore the 2018-19 Band D Social Care Precept will be £80.64 (**table 6**).

   e) a council tax requirement/total precept on the collection funds of District and Borough Councils of £307,328,906 which includes the precept to fund Adult Social Care of £19,944,502 (**paragraph 36**);

   f) a capital programme for 2018-19 totalling £99.5m as detailed in paragraphs 37 to 41 of this report;

   g) the revised policy on Minimum Revenue Provision and Capital Prudential Indicators (**Appendix C, Section B, Paragraphs 25-39**)

   h) the Treasury Management Strategy and Treasury Prudential Indicators (**Appendix C, Section C**).

   i) the Business Plan (located here)

   j) that the offer of participation for Suffolk in the Business Rate Pilot for 2018-19 is accepted (**paragraph 45**);

5. (Any changes due to the final Local Government Finance Settlement for Suffolk and/or District and Borough Councils finalising their council tax and business rates tax-bases will be adjusted within the funding from the contingency reserve figure. The final settlement is expected in February.

Reason for recommendation

6. It is the County Council's statutory responsibility to set a budget and precept for 2018-19 by 1 March 2018.

Alternative options

7. As these are the Administration's recommendations, no alternative options are presented although other proposals might be discussed at the meeting.

Who will be affected by this decision?

8. All those who live and work in Suffolk.

Introduction

9. The budget sets out the revenue plans for the Council over the next year and capital plans for the next three years. These will impact on all areas of Council services, councillors and employees.

10. The budget for 2018-19 is designed to enable the council to continue to manage the unprecedented financial challenges that face the public sector and local government in particular. Savings of £23.9m have been identified for 2018-19. The savings required to deliver the budget are very significant and will require continued firm management in 2018-19 and subsequent years. The Council's new portfolio of transformation programmes will be key in helping to deliver these savings.

11. In making these recommendations, the Cabinet took into account the comments of the Scrutiny Committee at their meeting on 23rd November 2017 **(Appendix A)**, the formal report of the Council's Section 151 Officer (Head of Finance) on the robustness and risks of delivering the proposed budget and the adequacy of the Council's reserves to manage these risks (**Appendix B**).

12. The Head of Finance's assessment, overall, is that the estimates are robust **at this stage** (taking into account known risks and mitigating strategies) and the reserves are adequate for the 2018-19 budget and provide some limited buffer against the 2019-20 budget plan. However, the Council should be under no illusion that the future financial outlook continues to be extremely challenging. Over the period from 2011-12 to 2017-18 the Council has made £236m of savings in response to reductions in funding from Central Government. These savings have focussed the Council on delivering statutory services in the most efficient and effective way possible but there is little scope for any further such savings without real cuts to front-line services. The Council has responded to this challenge by launching a new transformation plan that aims fundamentally to change the basis of service provision. By working with partners, making use of technology and maximising the commercial approach to service delivery, the Council will seek to re-shape the service offering, manage demand, and ensure the efficient and effective delivery of services that meet the needs of the population. Reserves can be used in the short-term to smooth the effects of service transformation, but it is the outcomes from the transformation plan itself that will help the Council to balance the budget in the medium-to-long term.

The Council's Budget Strategy

13. Suffolk County Council continues to face significant grant reductions as a result of the Government's deficit reduction programme. Since 2011-12 the Council has successfully managed the financial challenges presented by the reduction in government funding of Local Authority services and has made savings in excess of £236m. The response to these challenges has been measured, pragmatic and innovative and designed to protect front-line services as much as possible.

14. In July 2017, the County Council adopted a set of corporate priorities through the publication of the 'Suffolk County Council: Our Priorities 2017-21' document. The document provides a framework for future decision-making, financial and business planning for the organisation. The priorities were developed following the County Council elections in May 2017 and took into account political priorities as well as the factors impacting on the current public services landscape at a national and local level. The priorities are:

    a) Inclusive Growth: Suffolk needs to improve its economic productivity, levels of educational attainment and build more homes, ensuring that everyone benefits, including people who are vulnerable and facing disadvantage.

    b) Health, Care and Wellbeing: Caring for Suffolk's vulnerable residents, enabling everyone to live long, healthy and fulfilling lives and having thriving families and communities that support each other.

    c) Efficient and Effective Public Services: At a time of diminishing resources, increased demand and changing customer expectations, we need to change the way that we operate to meet our customers' needs and balance our budget.

15. These priorities provide a strategic foundation for future planning for the next few years and it was always intended that they would be supported by annual Business Plans that translate the high-level aspirations outlined in the 'Our Priorities 2017-21' document into a programme of more detailed actions and commitments. The Business Plan for 2018-19 can be found here. These priorities have guided the Administration in the development of the savings proposals for 2018-19 and are informing the planning and implementation of the Council's new portfolio of transformation programmes. The new transformation programmes will focus on reducing existing overspends and meeting the forecast budget gap to 2021.

16. The corporate transformation programmes are:

    a) Building adult health and care alliances to develop an integrated health and care system

    b) Adult Mental Health and Learning Disability service transformation

    c) Transforming Adult Social Care through managing demand

    d) Children and young people's Alliances

e) Implementing the SEND strategy

f) High cost demand: Children in care

g) Travel choices

h) Commercialism

i) Infrastructure and growth

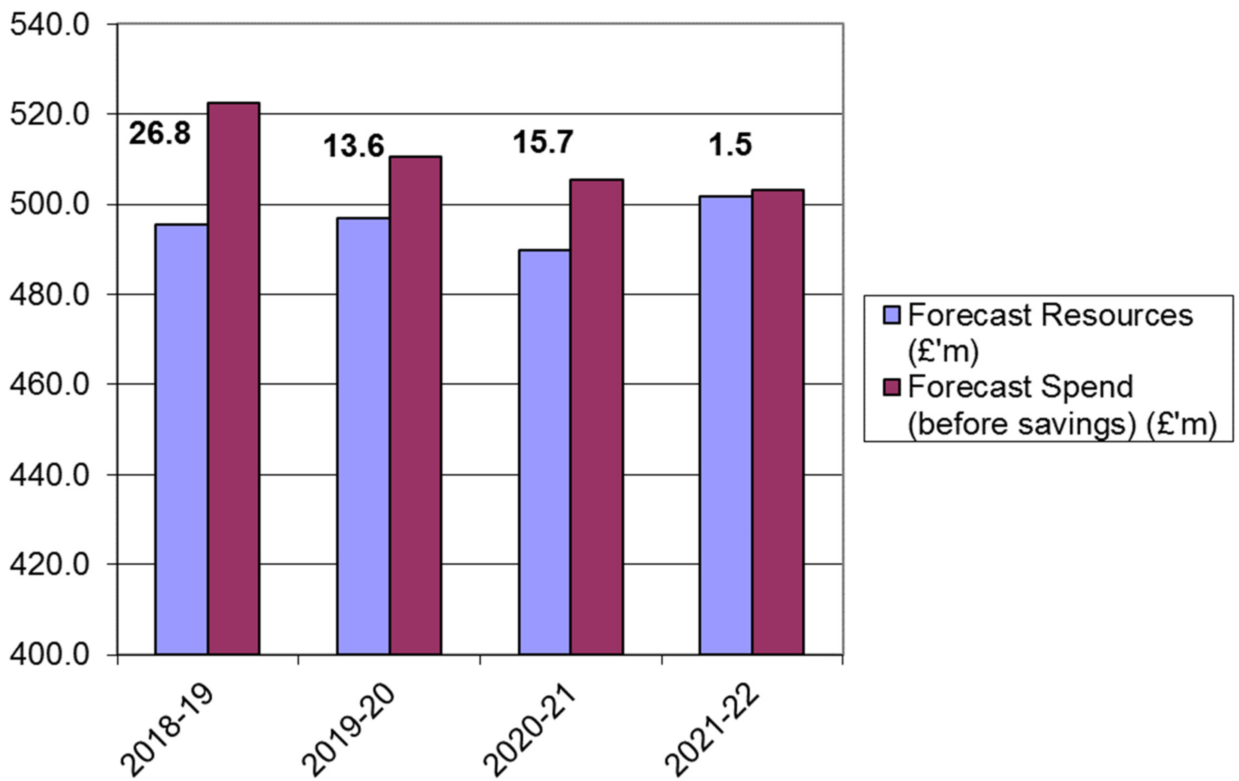
j) Our digital business

17. These programmes are not just about the delivery of savings. They are intended to focus action on how the Council's services can be delivered differently in order to provide better outcomes for individuals and the community at lower cost.

The Budget Challenge

18. In line with 97% of eligible councils, Suffolk County Council accepted a four year grant allocation which provided some certainty about the level of funding for the period to 2020. The success of the Suffolk bid for the 100% Business Rate pilot has changed the funding streams but nevertheless, a forecast of the expected level of funding that the council will have each year can be made. This, taken together with an assessment of the impact of inflation and demand pressures, provides the budget gap that the Council faces over the four years to 2021-22. This is shown in **Chart 1** overleaf.

Chart 1: Forecast Budget Gap 2018-22



19. The assumptions made about funding and cost pressures and details of the Provisional Local Government Finance Settlement are explained in **Appendix C, Section A**

Proposed Revenue and Budget Savings

20. **Table 1** overleaf provides a summary of the savings proposals for 2018-19. **Appendix C, Annex D** provides more information on each of the savings proposals.

Table 1: Summary of Savings Proposals

Savings Reference	Savings Proposals (by Directorate)	Amount £'m
	Adult & Community Services (ACS)	
ACS1	Mitigation of care purchasing demand increases	11.00
ACS2	Housing Related Support	1.00
	Health, Wellbeing & Childrens Services (HW&CS)	
HW&CS1	Childrens' Services Income Review	0.10
HW&CS2	Systems Transformation	0.10
HW&CS3	Library Services Contract	0.05
	Fire & Public Safety	
FPS1	Trading Standards & Citizens Advice Bureaux partnership grant	0.17
FPS2	Income from shared facilities and integration - SFRS	0.05
FPS3	Reduce Health and Safety budget	0.02
	Growth, Highways & Infrastructure	
GHI1	Operational Highways	1.00
GHI2	Development Management	0.03
GHI3	Passenger Transport - connecting communities	0.10
GHI4	Passenger Transport - sponsored services	0.15
GHI5	Brandon Country Park	0.05
GHI6	Natural Environment	0.01
	Corporate Resources	
CORP1	Savings in IT contracts	0.30
CORP2	1% from Property budget	0.07
	Central/Capital	
CENT1	Reducing the Minimum Revenue Provision	7.00
CENT2	Increased Dividend from Suffolk Group Holdings	0.50
CENT3	Reduce allocation for Non-pay inflation	1.60
CENT4	Use of the Apprenticeship Levy	0.20
CENT5	Income review	0.40
	TOTAL SAVINGS PROPOSALS	**23.90**

21. In 2018-19 the budget gap is £26.8m (see **Chart 1**) and the savings proposals total £23.9m so it will be necessary to use £2.9m from the corporate contingency reserve to balance the budget. Further savings will need to be identified to balance the 2019-20 budget in addition to the £13.6m shown in **Chart 1** as continuing to use reserves is not sustainable.

22. The proposed net budget and savings for each directorate for 2018-19 are detailed in **Table 2** overleaf. More detail on the Proposed Revenue Budget is included in **Appendix C, Section A and Annex C.**

Table 2: Proposed Revenue Budget 2018-19 (Extract from Annex B).

Service	2017-18 Adjusted Comparator Budget	Inflation	Other Changes	Savings	2018-19 Net Budget
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adult & Community Services (ACS)	229,074	4,132	10,894	-12,000	232,100
Health, Wellbeing & Childrens Services (HWCS)	137,669	1,065	-801	-250	137,683
Fire Service & Public Safety	24,483	255		-239	24,499
Growth, Highways and Infrastructure*	51,168	434	0	-1,344	50,258
Corporate Services*	26,735	15	0	-370	26,380
Capital Financing & Central Resources*	32,907	3,311	1,000	-9,700	27,518
Total Net Expenditure Budget	**502,036**	**9,212**	**11,093**	**-23,903**	**498,438**

*The Growth, Highways and Infrastructure Directorate and the Corporate Services Directorate are new directorates following the division of Resource Management. Capital Financing & Central Resources remains unchanged, but the heading has changed from Corporate to Central.

23. **Table 3** shows the movement in financing from the adjusted 2017-18 position to the proposed 2018-19 budget.

Table 3: Changes in Financing the Budget 2017-18 to 2018-19

	£'m
2017-18 Adjusted Budget	**502.036**
Decrease in Government Grants	-22.155
Decrease in New Homes Bonus	-1.001
Increase in Improved Better Care Fund (Part 1 & 2)	5.216
Increase in local share of Business Rates	2.939
Decrease in Collection Fund Surplus	-1.130
Increase in Council Tax	12.152
Increase in Social Care Precept	6.026
Reduction of funding from Contingency Reserve	-5.645
2018-19 Net Expenditure Budget	**498.438**

24. As Suffolk has been proposed as a Business Rates pilot site in 2018-19, the Revenue Support Grant (RSG) is now shown as funded through business rates but at the same level as would have been received in 2018-19 if allocated separately. The value of RSG from 2017-18 to 2018-19 used within the settlement reduced by £14.7m.

25. Since April 2010 there has been a significant reduction in staff numbers across all directorates. Between April 2010 and December 2017, the workforce (by headcount) excluding schools has reduced from 10,456 to 5,239, a reduction of almost 50%. This trend is shown in **Table 4** overleaf.

Table 4: Workforce Numbers

Directorate	Apr-2010	Apr-2011	Apr-2012	Apr-2013	Apr-2014	Apr-2015	Apr-2016	Apr-2017	Dec-2017
ACS	3,749	3,695	3,155	1,162	1,183	1,268	1,340	1,303	1,219
HW&CS	2,685	2,509	2,544	2,534	2,339	2,233	2,315	2,105	2,248
PH&P	898	853	786	763	790	759	749	743	677
RM	3,124	3,005	1,157	1,043	820	1,212	1,199	1,109	1,095
Total SCC	**10,456**	**10,062**	**7,642**	**5,502**	**5,132**	**5,472**	**5,603**	**5,260**	**5,239**

26. At December 2017 the council employed 4,086 full time equivalent staff. Of this approximately 23% are funded from grants, external funding or traded activity. A reduction in the number of staff funded by these external income sources would not result in a saving, therefore approximately 3,120 FTE are in scope for savings proposals.

Equality Impact Assessment

27. It is necessary to make an assessment of the impact of the savings. This includes having regard to the public sector equality duty (PSED) under s.149 of the Equalities Act 2010. The council must have due regard to the need to:

    a) Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act

    b) Advance equality of opportunity between people who share a protected characteristic and those who do not

    c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

28. The PSED is a relevant factor in making decisions in relation to the budget, in that it must be demonstrated that decision makers paid 'due regard' to equality in coming to decisions. The law does not mean that changes cannot be made even where they could have a negative impact on people, so long as the potential impact has been considered and steps have been taken to mitigate against the negative impact where possible. It should be noted that decisions made by other local authorities where due regard had not been appropriately considered has resulted in decisions being taken to judicial review.

29. The protected characteristics as outlined in the Act are gender, age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sexual orientation and marriage or civil partnership.

30. In order to meet s.149 of the Equality Act and pay due regard to equality, a number of equality impact assessment (EIA) screenings have been completed by officers in relation to the impact that the transformation programmes and related budget savings may have on the protected characteristics. All of these are available on the Council's website.

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Council Tax

31. As part of the Comprehensive Spending Review 2015 the Government announced that for the rest of the current Parliament, local authorities responsible for adult social care would be given an additional 2% flexibility on their current council tax referendum threshold to be used entirely for adult social care. This flexibility was being offered in recognition of the impact of the National Living Wage and demographic changes which are leading to growing demand for adult social care, and increased pressure on council budgets. In 2016-17 the Council implemented this Social Care Precept which is shown separately on the Council Tax bill.

32. In the 2017-18 Provisional Settlement it was announced that in 2017-18 and 2018-19 authorities can now raise the Social Care Precept by 3% of the total Band D rate rather than 2%. The total increase over the three years to 2020 cannot exceed 6%. In

2017-18 the Council agreed to increase the Social Care Precept by 3% of the total Band D rate. This means that over the period 2018-19 to 2019-20 the rate can be increased by a maximum of a further 3%. It is proposed that in 2018-19 the rate will be increased by 2% leaving the flexibility for a further increase of 1% in 2019-20.

33. In the Provisional Settlement for 2018-19 it was announced that the referendum threshold had been set in line with inflation at 3%. This additional flexibility provides the scope to change the balance between income raised from general council tax and that raised from the Social Care Precept. The budget for 2018-19 therefore, is based on an increase in the Social Care Precept that is equivalent to 2% of the total Band D council tax and 2.99% general council tax increase.

34. Whilst the balance between the increases in the Social Care Precept and general council tax have been adjusted, the Administration will ensure that ACS receives the same level of increase in 2018-19 as would have been provided by a 3% increase in the Social Care Precept.

35. **Table 5** shows how the precept requirement is calculated. This is based on the budget requirement of £443,348,685 less Business Rates and a share of the surplus on council tax collection funds held by the Borough and District Councils. **Table 6** overleaf shows the recommended general council tax for 2018-19 and the 2018-19 social care precept.

Table 5: Budget and Precept Requirement

	£'000
2018-19 Net Expenditure Budget	**498,438**
Less	
New Homes Bonus	1,980
Public Health Grant	29,992
Funding from Contingency Reserve	2,857
Improved Better Care Fund (Part 1)	10,986
Improved Better Care Fund (Part 2)	9,274
Budget Requirement 2018-19	**443,349**
Less	
Business Rates	133,049
Collection Fund Surplus	2,971
Total Precept 2018-19	**307,329**
Divide by	
Taxbase (Band D equivalent properties)	247,340
Band D Council Tax (excluding social care)	1,161.90p
Band D Social Care Precept	80.64p
Total Band D Council Tax	1,242.54p
General Council Tax Precept	287,384
Social Care Precept	19,945

Table 6: Recommended Council Tax 2018-19

	General Council Tax	Social Care Precept
Band	**£**	**£**
A	774.60	53.76
B	903.70	62.72
C	1,032.80	71.68
D	1,161.90	80.64
E	1,420.10	98.56
F	1,678.30	116.48
G	1,936.50	134.40
H	2,323.80	161.28

Budget Requirement/Precept

36. The budget proposals and the suggested council tax level will lead to

    a) A 2018-19 budget requirement of £443,348,685

    b) A total precept on the collection funds of Borough and District Councils of £307,328,906. This is made up of a general council tax precept of £287,384,404 and a social care precept of £19,944,502.

Capital Programme

37. The capital financing strategy going forward will continue to limit new borrowing only to those schemes which are either invest to save schemes or where it is absolutely essential to the delivery of the Administration's key priorities.

38. The summary capital programme is shown in **Table 7** overleaf. For 2018-19 the programme totals £99.5m which compares to a total programme of £97.7m in 2017-18. These figures exclude any slippage on schemes currently being delivered during the 2017-18 financial year. Confirmed slippage will not be known until May 2018 and will be added to the planned expenditure programme together with its financing at this point.

39. The programme includes in building new schools and extensions and improvements to existing schools totalling £28.5m. The programme also includes the Suffolk Better Broadband programme which will provide 98% of premises in Suffolk with access to

Superfast broadband speeds. The government target is to deliver 100% by 2020. Work is also continuing on the two river crossings, Lake Lothing in Lowestoft and the Upper Orwell in Ipswich.

40. There will also be continued investment in the county's road network totalling £29.5m of which, £7m will be funded through additional borrowing. This is part of the Administration's £21m commitment to undertake to repair 1,000 miles of roads over the next three years. This will improve the quality of roads, reduce the number of potholes and enhance the experience of Suffolk's road users.

41. The detail of the programme for each directorate and the funding received are explained in detail in **Appendix C, Section B and Annex E**.

Table 7: Summary Capital Programme

	Approvals up to 2017-18	2018-19	2019-20	2020-21	**Total scheme costs**
	£'000	£'000	£'000	£'000	**£'000**
Programme by service:					
Adult & Community Services	-	5,719	-	-	**5,719**
Health, Wellbeing and Children Services	10,730	28,553	29,460	45,936	**114,679**
Fire & Rescue Service and Public Health	-	1,140	1,030	1,030	**3,200**
Strategic Development	23,100	16,994	29,650	91,650	**161,394**
Operational Highways	-	29,584	28,200	25,200	**82,984**
Waste & Environment	-	-	4,550	-	**4,550**
Property	1,700	8,000	4,800	2,000	**16,500**
Broadband and IT	17,017	9,539	2,339	2,339	**31,234**
	52,547	**99,529**	**100,029**	**168,155**	**420,260**
Consisting of:					
Contractually committed schemes	52,547	39,124	37,542	88,400	217,613
Schemes starting in 2018-19	-	13,054	10,640	2,510	26,204
Schemes starting in 2019-20	-	-	6,130	15,714	21,844
Schemes starting in 2020-21	-	-	-	20,133	20,133
Rolling Programmes	-	47,351	45,717	41,398	134,466
	52,547	**99,529**	**100,029**	**168,155**	**420,260**
Funded by					
Ring-fenced Government Grants	17,017	8,798	27,460	89,355	**142,630**
Other Contributions	21,400	8,797	14,548	24,667	**69,412**
Non Ring-fenced Grants	1,090	51,805	35,038	34,113	**122,046**
Capital Receipts	1,000	2,560	1,800	1,000	**6,360**
Revenue	700	3,369	3,369	3,369	**10,807**
Borrowing	11,340	24,200	17,814	15,651	**69,005**
	52,547	**99,529**	**100,029**	**168,155**	**420,260**

Conclusion

42. This budget sees the eighth full year of significant savings being proposed on top of those from earlier years and the financial challenges are set to continue until 2021-22 and beyond. Further savings in the order of £31m will need to be identified to balance the budget through to 2021-22. It is therefore essential that the Council keeps focused on implementing major transformational change and integrates services where possible to drive down the costs of service delivery whilst providing effective services to the people of Suffolk.

43. The council also continues to prioritise how it can develop greater alternative income streams and optimise revenues from its wholly-owned companies.

44. A major change to the local government finance system is still likely to be implemented in 2020-21. It will be based on incentivisation and growth with local government retaining 75% of business rates, though not necessarily on an individual authority basis as there will have to be some redistribution of funding according to need. In future business rates and council tax will be the key sources of finance for local budgets. It will therefore be essential for Suffolk to generate housing growth to increase the council tax-base, and to increase the size of the local economy and hence the business rate tax-base.

45. Suffolk has been chosen to be part of the Business Rates Retention Pilot for 2018-19 and this will enable the County, Borough and District Councils to be at the forefront of working with Central Government in shaping this change.

46. There will be risks and volatility in this ‘new world’ of local government finance particularly around increases in the tax-base not matching the growth in demand for services. Central Government has recognised that the current methodology used to assess funding baselines is out of date and does not take into account the impact that past, present and future demographic pressures has and will have on local authorities in providing particular services.

47. In recognition of this, the Government has implemented a review that will enable them to reconsider how the relative needs and resources of local authorities should be assessed. This is likely to be implemented in 2020-21.

48. Details of the new system will continue to be developed during 2018-19. These changes will be introduced as local government continues to face huge demand pressures and decreasing resources. This challenge which, until now, Suffolk County Council has faced competently and with innovation, will continue into future years.

Sources of further information

a) Report to Cabinet on 23 January 2018 on Revenue Budget 2018-19 and Capital Programme 2018-21 can be found at:

Meeting Documents - Committee Minutes

b) Report to Scrutiny Committee on 23 November 2017 on Pre-Cabinet Decision Scrutiny of 2017-18 Revenue and Capital Budget can be found at:

Meeting Documents - Committee Minutes

c) Details of the government's provisional grant settlement for consultation can be found on:

Provisional local government finance settlement 2018 to 2019: consultation - GOV.UK

d) Details of the Autumn Budget 2017 can be found on:

Autumn Budget 2017 - GOV.UK

Appendix A

Response to Scrutiny Recommendations

1. The Scrutiny of the 2018-19 budget took place on 23rd November 2017. The following key questions were addressed:

Corporate

a) What is the impact of the national economic situation upon the County Council's budget?

b) How does the current budget compare with previous years, in gross terms?

c) What is the forecast budget gap to 2022?

d) What assumptions about levels of funding and financial pressures have been relied upon in this forecast?

e) What is the corporate process for developing budget proposals and Business Plan?

f) How are the new corporate priorities informing the development of the budget proposals and Business Plan?

g) What has been the corporate approach taken to consulting the public?

h) From 2011-12 to date, to what extent have reserves been used as forecast, what are the plans for reserves in 2018-19 and how does this reflect new corporate priorities?

i) To what extent has the capital programme set in previous years been spent, and what is the draft programme for 2018-2021?

j) What were the savings targets of the Council's transformation programmes for each year to 2017-18, what has been achieved and where?

In relation to each service area:

k) What is the current budget, how is this allocated across the Directorate, what is the forecast outturn for 2017-18, and how is the budget expected to change in 2018-19?

l) What are the current and future budget pressures for this service?

m) What are the proposals for the service to set a balanced budget for 2018-19 and in which service area will these savings proposals be made?

n) What consultation and engagement has taken place with stakeholders (including public sector partners, local communities, the voluntary and community sector and service users)?

o) What is the assessment of the impact of proposed changes on:-

   i) residents, particularly those most vulnerable in the community?

   ii) partner organisations?

   iii) the quality and quantity of services available to meet need?

p) What are the uncertainties/risks associated with the proposals, including risk to the delivery of the Council's statutory responsibilities and the ability to provide sustainable services?

2. The Committee made 2 recommendations and 9 requests for further information. These are set out below with the responses.

a) To recommend to the Cabinet Member for Finance and Transformation that he should review budget spending proposals to ensure the County Council lived within its means whilst delivering services which provided value for money and met the needs of the population.

   <u>RESPONSE</u>

   The Council has a legal duty to set a balanced budget. It does this by assessing the expected level of funding in each year and the impact of inflation and demand pressures on expenditure. It also takes account of changes to service delivery arising from the Council's agreed priorities as set out in 'Suffolk County Council: Our Priorities 2017-21'. Where planned expenditure exceeds the expected level of funding, measures are identified to bring the budget back into balance. These measures may include savings, income generation, demand management and service transformation. In exceptional circumstances, the Council may plan to use reserves on a one-off basis to balance the budget. It does this in line with the Council's agreed priorities and in order to smooth the financial effects of service recovery or transformation programmes. It is done in the knowledge that, funding from reserves is only a short-term remedy and is not sustainable in the long-term. The budget for 2018-19 has been developed according to these principles and contains an amount of £2.9m funding from Central reserves.

   The focus of the Council's transformation programmes has been and continues to be to develop new and efficient ways of delivering the services that are needed in order to best serve all our customers and improve the ability of communities to support themselves.

b) To recommend to the Leader of the Council and Cabinet Member for Finance and Transformation that consideration should be given to whether the discussions taking place with BT on innovation should be extended to the wider public sector.

RESPONSE

Innovation is integral to the Councils transformation programmes and there are a range of initiatives already under development with a number of different commercial partners. The concept of the Public Service Innovation Centre (PSIC) is one of those initiatives. It is being developed with BT, but in the longer term is it intended to involve additional local technological partners and the wider public sector on specific projects. This will be the subject of a future Cabinet paper, as the project remains in its early stages of development.

c) To request further explanation of:

Corporate

i) How the County Council optimises the use of its reserves;

RESPONSE

Reserves are generally held for specific purposes and are a fundamental part of the way the Council manages its business risks and maintains a stable financial position. They provide flexibility and can be seen as a tiered level of 'insurance' cover (i.e. the first call being service reserves, allocated reserves, then the contingency reserve and the county fund general reserve.)

Unallocated reserves include the county fund, the contingency reserve and the council tax/business rates risk reserve. The county fund general reserve is the only true unallocated reserve and represents 2.2% of the net budget or 1.2% in gross terms. The contingency and council tax/business rates reserves exist to enable the Council to deal with uncertainty in future funding.

Under the Financial Regulations, services are allowed to hold reserves although there is no recommended level. These are an essential component in the Council's overall framework for financial management. Directorate reserves provide a service contingency for dealing with unforeseen in-year cost pressures pending permanent funding solutions being identified.

Allocated Reserves are used to pay for specific commitments or are set aside for anticipated projects and programmes. They are reviewed at least annually to ensure the purpose for which they were established is still valid. Where it is identified that balances on these reserves are no longer required for the original purpose, funds are transferred into the relevant unallocated reserve for general use. All reserves will have been reviewed by the end of March 2018.

The Public Health service is funded by a ring-fenced grant. A separate allocated reserve exists for this service as any balance held in the reserve remains ring-fenced for Public Health activities.

Where reserves are used to support the budget, this must be in line with the Council's agreed priorities set out in 'Suffolk County Council: Our Priorities 2017-21'.

The holding of reserves also enables the Council to optimise borrowing for cash- flow purposes and thus contributes a saving to the revenue budget in terms of minimising interest payable on loans. Any underspend from the capital financing budget can be used to directly fund capital expenditure thus avoiding the need for borrowing.

A full description of reserves is published as part of Appendix B of the Budget Book. This describes the use of each type of reserve, and for allocated reserves, explains the purpose and forecast use of the balances held.

ii) The amounts carried forward in the capital programme;

<u>RESPONSE</u>

Scrutiny committee asked for more detail on Annex C from the Scrutiny report. The table below breaks down the estimated 2017-18 carry forward into projects, expected spend dates and reasons why the expenditure has been carried forward into future years.

Appendix A

Original Exp. Prog. 2017-18	Programme Detail	Revised Exp. Prog. 2017-18	Forecast Outturn	Variance Against Revised Programme	Expected Spend Year	Notes
£m		£m	£m	£m		
0.5	**Adult & Community Services**	**11.4**	**9.3**	**2.1**		
	Care first 6 replacement			*2.1*	2018-19	The system will go fully live during 2018-19 when the remaining balance will be spent.
21.2	**Health, Wellbeing & Children Services (ex. schools)**	**54.8**	**37.3**	**17.6**		
	Basic Need Schemes			*13.9*	tbc	The delay in spending on the projects is down to several factors, most notably the continued planning issues for the new primary school in Lakenheath and changes in the timings of the construction of new housing developments.
	Bury SOR 6			*0.7*	2018-19	The final funding for Sybil Andrews High School
	Early Years and Childcare			*0.8*	2018-19	This programme was to build capacity in the sector, however due to competing demands on the DSG reserve which was funding £400k of the schemes, all schemes have been reviewed and those where the contractor has yet to start will be stopped, freeing up £300k of this slippage to go back in to the DSG central reserve.
	SEN Provision			*1.4*	2018-19	Pending the outcome of the SEND Sufficiency Plan, projects have either been put on hold or a revised scope has been developed which has resulted in planned spend being carried forward to future years
	Projects Contingency			*0.9*		This is funding set aside to meet variations in the cost of projects which only become evident after the initial costing and design stage has been agreed. Spending is therefore unpredictable. The level of contingency is regularly reviewed and if any surplus is identified this will be directed towards priority developments in other areas of the capital programme.
1.3	**Schools**	**3.8**	**3.8**	**0.0**		

Appendix A

Original Exp. Prog. 2017-18	Programme Detail	Revised Exp. Prog. 2017-18	Forecast Outturn	Variance Against Revised Programme	Expected Spend Year	Notes
1.0	**Fire & Rescue Service and Public Safety**	**8.0**	**3.0**	**5.0**		
	Fire Control			*0.2*	2018-19	Final costs relating to the new fire control room.
	Blue Light Integration Project			*4.7*	2019-20	Further facilities are expected to be delivered at Newmarket and Beccles. This roll out will continue until 2019-20 and it is expected that £3.6m will be carried forward for the future roll out of sites in Sudbury, Ipswich and Leiston
	Co-Responding Equipment			*0.1*	2018-19	Carried forward to complete expenditure in 2018-19
£m		£m	£m	£m		
29.0	**Strategic Development**	**47.8**	**29.3**	**18.5**		
	Beccles Relief Road			*3.6*	2018-19	Work on the Beccles Relief road began in August 2017 and is progressing well. Due to the initial delays caused by the complications of the public enquiry, £3.6m of funding will carried forward to 2018-19.
	The Hold			*13.6*	2018-19	This funding will be carried forward into 2018-19 when construction will begin. A contractor has been provisionally appointed and construction is expected to begin in May 2018. All of the above is dependent upon a successful bid for HLF funding. If this is not successful then the project will not proceed.
	Cornhill Enhancement			*0.8*	2018-19	IBC have asked us to hold back the SCC funding until next year as LEP funding has to be used first - Construction is due to start Summer 2018
	Corporate Regeneration Fund			*0.5*		
23.5	**Operational Highways and Passenger Transport**	**31.3**	**29.6**	**1.8**		
	Local Highways Budget			*1.8*	tbc	Cllr budget to support local projects - Each Cllr decides how and when they spend their allocation.
0.0	**Waste**	**12.9**	**0.0**	**12.8**		
	Waste Transfer Station			*12.8*	2018-19 and 2019-20	Construction of the delayed West Suffolk Operational Hub

Appendix A

Original Exp. Prog. 2017-18	Programme Detail	Revised Exp. Prog. 2017-18	Forecast Outturn	Variance Against Revised Programme	Expected Spend Year	Notes
£m		£m	£m	£m		
4.7	**Property**	**12.6**	**7.9**	**4.8**		
	Greenest County			*3.3*	tbc	The project is being redesigned. It was originally designed to look at how the corporate estate use green technologies, but the cost/benefit analysis has shown that it is more effective to continue to invest in energy efficiency measures to reduce costs.
	Mildenhall Hub (S106 School, Library, Health)			*0.8*	2018-19	Initial Feasibility and planning work has started. Will await results before the next stage and therefore the next tranche of costs are incurred.
	Smarter Workplaces - Ipswich			*0.3*	2018-19	This is the work to create, oasis points and mobile work spaces in corporate building to allow the workforce to work flexible.
	Eye Library			*0.5*	2018-19	The £0.6m provision of a new library for Eye Town will be funded from capital receipts as the old site is no longer financially viable to repair, with £0.5m of costs expected to occur in 2018-19.
2.9	**IT**	**5.0**	**4.4**	**0.5**		
	Records Man. Storage Solution			*0.5*	2018-19	Contract awarded in 2017-18 - will complete in 2018-19. It is the storage racking for files.
13.7	**Broadband**	**20.9**	**10.2**	**10.6**		
	Superfast Broadband			*10.6*	2018-19 and 2019-20	The programme is being rolled out with BT over the next two financial years.
97.7		**208.4**	**134.8**	**73.8**		

iii) How the first round of Transformation Programmes performed against their original savings targets, and any learning from this;

RESPONSE

The original savings targets for the programmes totalled £62m. The annual targets were reviewed each year as the programmes progressed. The main changes were the Health and Social Care Integration (HASCI) target was originally £10m which relied on savings from integrated working with Health. It became clear that the timescale for this was too ambitious and the pressures on NHS budgets meant that they were not going to be able to share savings with the Council at that time. The other significant change was a reduction in the expected savings from the Making Every Intervention Count (MEIC) transformation programme (where the target was originally £10.6m) as demand for purchased placements grew it became unrealistic to take significant savings from Children's Services budgets. Some further savings were identified in Highways and Public Protection programmes.

	Original 3 year Targets £'m	2015-16 £'m	2016-17 £'m	2017-18 £'m	TOTAL £'m
Health and Social Care Integration (HASCI)	**10.00**	4.10			**4.10**
Supporting Lives Connecting Communities (SLCC)	**18.00**	6.00	6.00	6.00	**18.00**
Making Every Intervention Count (MEIC)	**10.60**	5.10	0.50	1.40	**7.00**
Public Protection Organisational Design	**1.75**	0.50	0.60	1.15	**2.25**
Travel	**4.87**	1.20	2.20	1.35	**4.75**
Highways & Infrastructure	**2.20**	0.70	1.50	2.13	**4.33**
Waste	**4.00**	2.00	1.00	0.98	**3.98**
Support Services	**10.70**	5.00	2.20	3.47	**10.67**
Total	**62.12**	**24.60**	**14.00**	**16.48**	**55.08**

The evidence submitted to Scrutiny Committee on 29th June 2017 highlighted a number of areas of learning from the first round of Transformation Programmes and how this learning was being used to inform future developments.

One of the key findings identified the relative success of transformation across two types of service.

The programmes most successful at achieving savings are about services that have the most straightforward control over conditions, particularly through management of contracts and assets and reductions in headcount.

The programmes that have struggled to make savings involve services that have large budgets; large bases of customers that require individual treatment; and levels of demand that fluctuate with social conditions and population growth. The link between activity undertaken by these programmes and outcomes for customers that result in reduced demand and cost are typically long-term and are part of a wider web of public services (typically health and housing) that can nullify any outcomes that the programme seeks to achieve.

These two types of services and their transformation should be treated differently. Straightforward programme management and benefits realisation has worked well for the Council in the first type and should be continued. A more sophisticated approach is needed for the second type, including good business intelligence and advanced modelling of demand; rigorous portfolio management with flexibility about the delivery of projects and change; more business-like approaches to finances, change management and measuring and realising benefits.

This learning led to the establishment in July 2017 of a corporate programme management office to drive an even more focussed and rigorous approach to achieving the organisation's transformational goals and realising the benefits from these programmes.

All this learning will help to underpin the new Transformation Programmes that were launched in November 2017.

iv) The work taking place in Suffolk to plan for 100% Business Rates Retention and current expectations of the financial outcomes;

<u>RESPONSE</u>

In future Business Rates will be an even more important income stream for all local authorities and new arrangements need to be put in place to give the two-tier Suffolk system of local government a better understanding of, and more control and influence over, this income stream. Suffolk County Council are working with the Boroughs and Districts on new processes and models which will enable confidence in monitoring and modelling of future business rates for the purpose of budget forecasting and informing economic policy development.

In addition, Suffolk has been accepted as a pilot in 2018-19 for 100% Business Rate Pilot and this could generate an additional £10m into the Suffolk System. Work has begun with the Boroughs and Districts to clarify what this means for the whole Suffolk system.

The Suffolk proposal has the following key components:

SUFFOLK'S AMBITION

a) The proposal builds on the shared ambition across Suffolk's Public Sector to secure the best outcomes for Suffolk people and places through collaboration, integration and devolution.

b) Suffolk Leaders remain committed to devolution and are keen to continue to work with Government to secure this. Suffolk welcomed these pilots as a positive step to greater local autonomy that can maximise Suffolk's contribution to UK plc.
c) The mutual relationship between thriving economies and thriving communities to facilitate inclusive growth (growth that benefits as many as possible) and good health and wellbeing is fundamental to the Suffolk proposal.
d) As well as encouraging inclusive growth, the proposal will enable sustainable public services through early intervention and prevention and helping people to become as independent as possible.
e) Suffolk's approach is an innovative, place based model that combines strategic and local insight more effectively than simply changing the percentage allocation between council tiers.

SUFFOLK'S RECORD FOR DELIVERY AND ECONOMIC STRENGTHS

f) Suffolk's proposal builds on the Business Rates Retention pool it has successfully operated since 2013. As currently, Suffolk County Council is proposed to be the 'lead authority' for the pool.
g) Building on its shared evidence base, Suffolk's proposal identifies that its connected economy covers urban, rural and coastal communities, with key sectors, geographic clusters and growth corridors that come together to form a co-terminous strategic economic area called Suffolk.
h) The proposal has a clear vision for growth and action plans based on priorities in the LEPs' economic strategies, Suffolk's collaborative response to the Industrial Strategy Green Paper and the Suffolk Growth Delivery Plan. It highlights infrastructure (e.g., Ipswich northern route), key sectors (e.g., ICT at Adastral Park) and skills (e.g., Youth Pledge, Institute of Technology) as possible priorities for investing additional retained business rates.

SUFFOLK'S BUSINESS RATES RETENTION MODEL

i) The proposal uses the existing model of distribution for 50% of the retained rates. This approach will promote financial stability and sustainability.
j) Suffolk's model is an inclusive growth, place-based distribution for the remaining 50% retained Business Rates. This will be divided across the inter-connected functional economic areas as: West Suffolk, East Suffolk, Ipswich and Central Suffolk.
k) To ensure connectivity and strategic opportunities are maximised, decision making for these allocations will retain a county-wide perspective (and enable cross county collaboration) and be decided by Suffolk Public Sector Leaders.

Adult and Community Services

v) how assistive technology is being used, including how many people are currently benefiting from this, so that consideration can be given to whether further scrutiny of this topic should take place;

RESPONSE

Assistive Technology solutions that the Council has funded have included:

- Medication prompts
- Pressure and Movement sensors
- Epilepsy and enuresis sensors (this is technically Health's responsibility as telehealth)
- Falls detectors
- Calendar clocks
- Carer alerts
- GPS tracking devices
- Key safes

Customer solutions have varied in cost from £4.89 to £1,189 with average spend per customer of £208.

Since April 2017, the Council has commissioned £21,000 of Assistive Technology to support 75 customers. It is estimated that because of this investment, ACS has been enabled to avoid costs of £11,000 per week on more traditional service responses. Although the Council needs to better understand how long these items of Assistive Technology will be in use for by individual customers in order to project the actual cost benefit, they would all only have needed to be used for a fortnight to cover their cost when compared with the cost of other care provision. It is estimated that most items would certainly be in place for several weeks if not months. Therefore, the Council receives a significant return in terms of cost avoidance from the investment. As the Council owns these pieces of equipment they can also be redeployed as necessary when available.

In addition, the ACS Directorate has various contracts to test the effectiveness of other equipment (for example Just Checking and Canary Care monitoring systems). There is currently a project in the North of the County to understand the success, savings and outcomes of using Just Checking better to inform decisions about future investment in this type of technology.

In summary, it is clear that the equipment that the Council provides is beneficial both in meeting needs and in providing savings against other types of provision (i.e. domiciliary or residential care), but at present the process is not integrated into core practice and so realisation of benefits is marginal.

vi) Disability Facility Grants including the level of funding available, the roles of county and district/borough councils in allocating these grants and the reasons for any delays in allocation;

RESPONSE

Disabled Facilities Grants (DFGs) are a means-tested grant towards the cost of providing adaptations and facilities to a disabled person's home to enable them to continue to live independently in that home. Eligibility for a Grant is reliant upon such adaptations being recommended as a result of an Occupational Therapy (OT) assessment. Grants are payable by District and Borough Councils to individuals. The funding for DFG comes from the Department for Communities and Local Government (DCLG) to Suffolk County Council and is part of the Better Care Fund. SCC agrees with District and Borough Councils how much of the funding will be passed to them and how much is retained by the County to be invested in other areas supportive of DFG.

In Suffolk, the current DFG allocation for 2017-18 is £5.272m, of which £3.772m has been passed on to the District and Borough Councils. The Autumn 2017 Budget has also awarded an additional £0.507m to be spent within 2017-18 which will be passed directly to District and Borough Councils. Suffolk County Council and the seven District and Borough Councils have been working in partnership since 2015 to commission a Home Improvement Agency (HIA) service to provide a holistic service to underpin the spend of DFGs. This service not only carries out the necessary OT assessment, but also offers a housing advice service (not everyone wants their property adapted), as well as case management and a technical service to assist with applications for grant and the subsequent carrying out of the works. These elements underpin the DFG process, but the Home Improvement Agency service also provides a handy-person element to assist people with the installation of minor equipment.

Demand on this service has been high, with 3,200 referrals to the service, including 2,000 for grab rails/bannisters etc. and 600 requests for OT assessment in the first six months of 2017-18 alone. These latter referrals for OT assessment are a precursor for more major works that might be DFG eligible, but there have been delays in achieving these over the course of the contract which is a contributing factor to the delays in the spend of DFG allocations by the District and Borough Councils. In response the County Council has been working with Orbit East (the HIA provider), an external agency and in-house services to deploy additional OT resource to address these delays.

Resource Management

vii) the County Council's spend on traffic management, associated with Suffolk County Council funded roadworks;

RESPONSE

It is anticipated that in 2017-18 Suffolk Highways will spend £2.9m on Traffic Management.

Of that, it is estimated that £2.054m will be spent in relation to planned capital works and £0.846m on reactive works (defects).

These estimates do not include Traffic Management that is provided with pre-surface dressing patching contractors or other reactive works. The contractors or gangs provide their own traffic management and the cost of this is included within each of the orders that are placed for the work that is undertaken.

The total anticipated spend through Suffolk Highways (maintenance and infrastructure improvement/enhancement) is £52.9m for 2017-18 of which Traffic Management equates to approximately 4% of the total spend.

viii) the circumstances in which concessionary bus passes can be used on community transport;

RESPONSE

The English National Concessionary Travel Scheme was established on 1st April 2008. It entitles older and disabled residents to free off-peak bus travel on any registered local bus service after 09:30 hrs. In Suffolk this includes Community Transport services operating under Section 22 of the Transport Act 1985; specifically, registered services including Connecting Communities, to bus and rail points, and timetabled local bus services. It excludes Community Transport / Connecting Communities services operating under Section 19 of the Transport Act 1985; where door-to-door journeys are more appropriate for people with limited mobility.

Suffolk Community Transport operators have tailored their services to meet local demand. This means that some districts only operate Section 19 services for door-to-door journeys; these include Mid Suffolk, Waveney and Ipswich. The districts of Babergh, Forest Heath, St Edmundsbury and Suffolk Coastal manage a demand for Section 22 connections to bus and rail points; in line with demand, they also provide Section 19 door-to-door journeys.

In 2016/17 the Connecting Communities services completed 150,128 journeys, a total of 20,535 were made using concessionary bus passes, this is 14% of the total journeys.

ix) how the costs for minor traffic works compare with those charged in other authorities

RESPONSE

The table below provides some indicative costs for schemes in both Essex and Suffolk which might be funded by Councillors from their Local Highway Budgets.

Essex Highways are a collaboration between Essex County Council and Ringway Jacobs (which commenced in 2012) and are therefore considered to be similar in nature to Suffolk Highways, as both a geographical neighbouring authority (with comparable labour, materials and equipment rates) and an organisation that has a blend of public and private sector employees. Information on rates charged in other authorities is currently being sought.

Appendix A

Scheme Description	Details	Essex Indicative Costs	Suffolk Indicative Costs
Change to speed limit	Uncontentious and where minimal infrastructure is required	£15,000	£10,000
Change to speed limit	Where four new street lighting columns are required to illuminate a new 30 mph speed limit	£35,000	£30,000
2 Village Gateways	Including carriageway treatment	£17,500	£2,500 - £8,000 (depending upon number and complexity)
Build Outs		£5,000	£8,000 - £12,000 (including illuminated bollards)
20 mph Zone	Including 5 entry points and 20 speed cushions	£125,000	£50,000 - £100,000
Vehicle activated sign, solar powered, design and installation	Suffolk detail costs for Speed indicator Devices (SID) for supply and installation	£8,500	£4,000 - £5,000 (per SID including posts and traffic management to install)
Signage/road markings	Per sign/post	£500	£300 - £3,000 (depending upon number and complexity of signs/markings)
Dropped crossing	A pair with tactile paving	£4,000	£2,000 - £3,000
Pedestrian refuge/ island		£10,000	£8,000 - £12,000
Zebra crossing	Including street lighting upgrade and resurfacing	£65,000	Approx £25,000 (£50,000 to £70,000 for Puffin or Toucan crossings or more complex Zebras)
Stand-alone pedestrian/cycle crossing	Single carriageway; no utility apparatus to be removed; no additional highway infrastructure or resurfacing required	£70,000	£10,000 - £20,000
Bus stop pole and flag		£1,000	<£500
2-bay metal framed passenger shelter	Unlit	£6,000	£3,000 - £5,000
Raised access kerbs	Per Stop	£5,000	£1,500 - £5,000 (for bus stop hardstanding including kerbing)
Real-time information sign including installation		£12,000	£5,000 (assumes other infrastructure available to support screen)
Mini roundabouts		£3,000 - £60,000 (depending upon carriageway realignment requirements and improvements to street lighting)	£10,000 - £15,000 (depending upon size of scheme and street lighting requirements)
Parking restrictions		£4,000 - £30,000 (depending upon type)	£5,000 - £50,000 (depending upon location, extent and how contentious)

3. The Scrutiny Committee also agreed:
a) That the Committee will examine wider issues of connectivity when it considers an item on “Securing Better Broadband” on 19 December 2017;
b) To add an item to the Committee’s forward work programme to consider the Transformation Programme on High Cost Demand in Children and Young People’s Services later in 2018;
c) To review the arrangements for budget scrutiny and develop thinking around the process and information to be provided for next year.

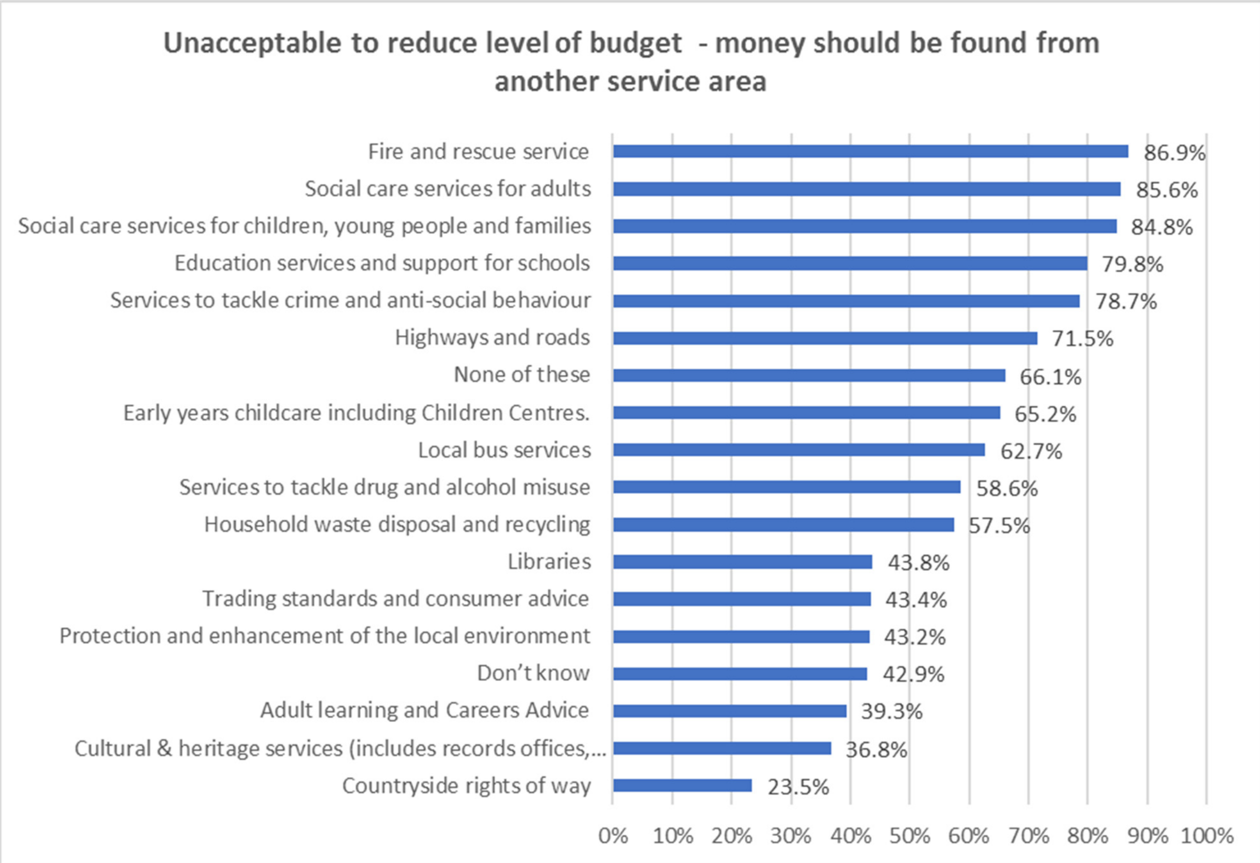
No response is required to these items.

Budget Consultation Autumn 2017 – Summary of Results

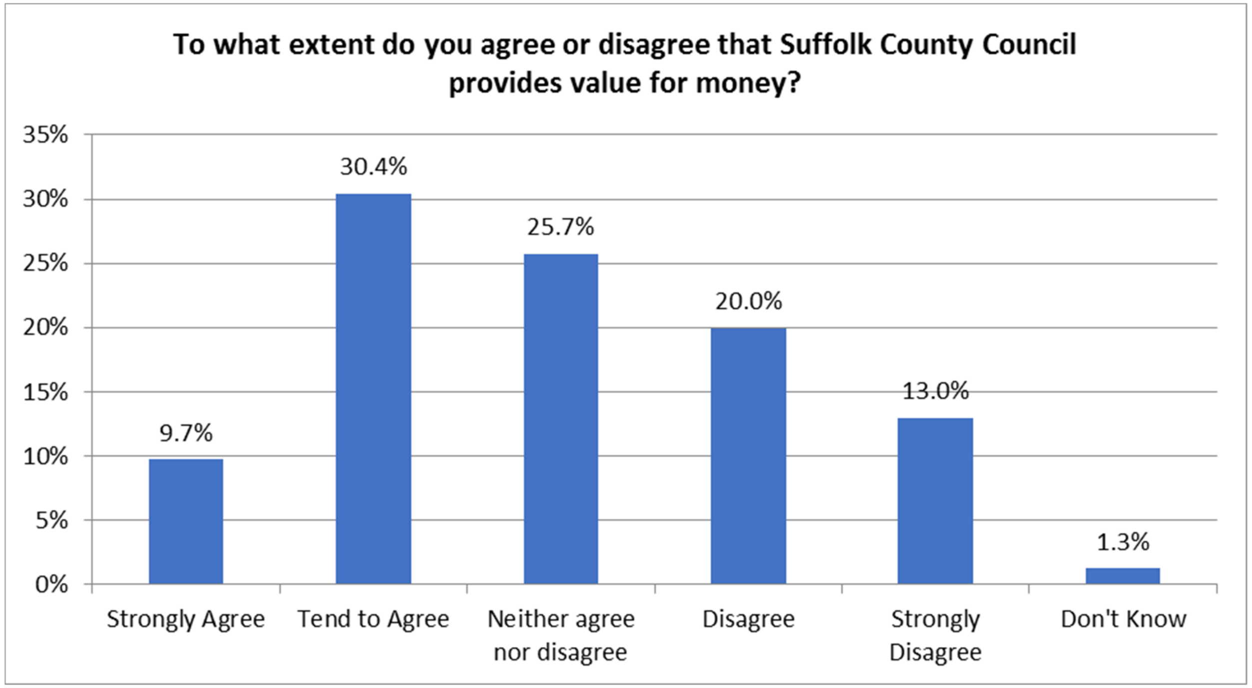
Scrutiny Committee did not specifically request information about the results of the budget consultation, but the details are provided below.

The Council carried out an on-line consultation on the budget which closed on 22nd December 2017. There were 418 responses in total and a summary of the questions and the responses is shown below.

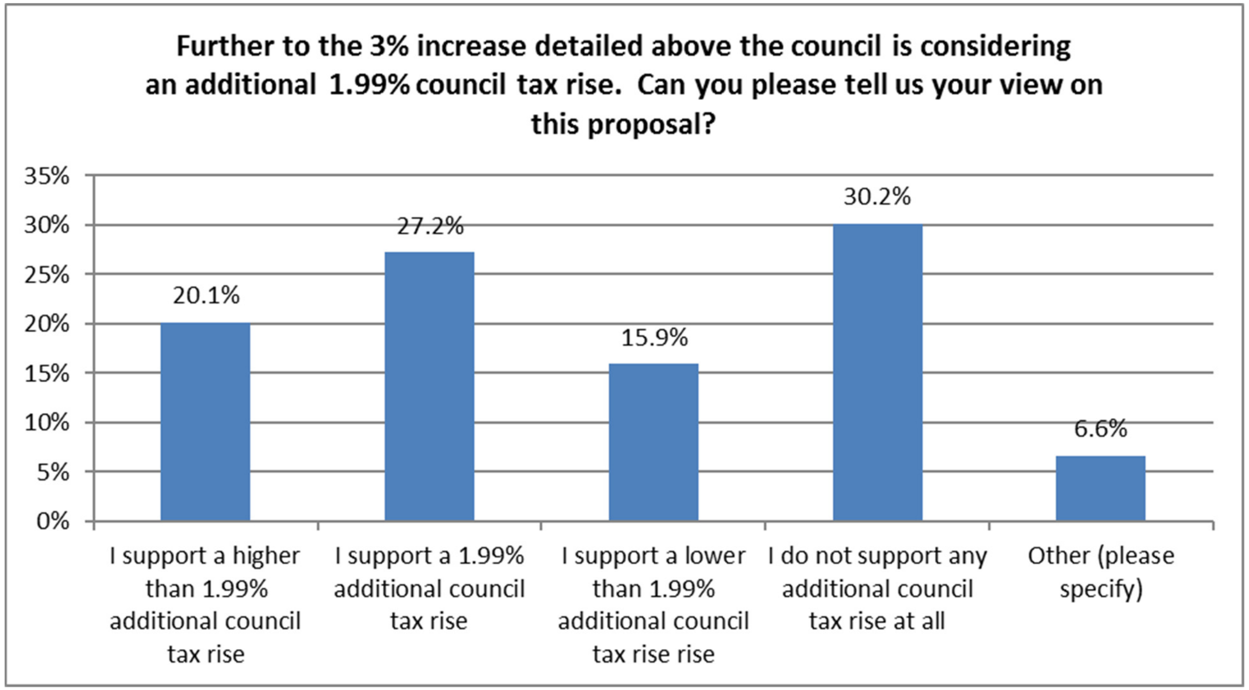
Q1 - For each of the service areas below please indicate whether you think it is acceptable or not acceptable to reduce the levels of budget.



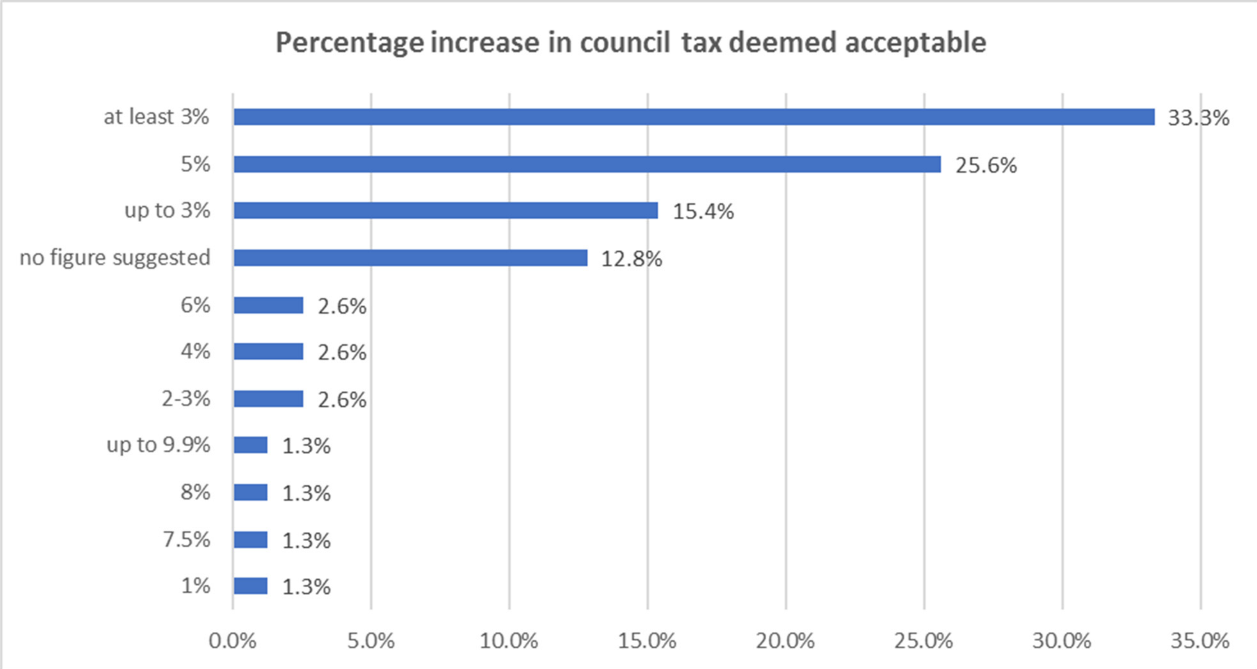
Q2 - To what extent do you agree or disagree that Suffolk County Council provides value for money?



Q3 - Further to the 3% increase in Social Care Precept the council is considering an additional 1.99% council tax rise. Can you please tell us your view on this proposal?



Q4 - **You have answered that you would be happy to see a rise in council tax above 1.99% Can you please tell us what percentage figure you feel is acceptable?**



Those who gave no figure chose only to comment that they either did not have enough information to suggest a figure, or that they would pay as much as is required to stop cuts to services, or that they would agree with the proposed 1.99% as long the extra money is used to maintain current levels of service

Report by the Head of Finance (Chief Finance Officer)

The Council's Budget for 2018-19

Summary

1. The County Council on 8th February 2018 will consider the recommendations of Cabinet on the budget for 2018-19 and set the council tax for that financial year. The Local Government Act 2003 places a personal duty on the "Chief Finance Officer" (Section 151 Officer) to make a report to the Council when it is considering its budget and council tax. The report must deal with:

   a) the robustness of the estimates; and
   b) the adequacy of financial reserves

2. The Act requires councillors to have regard to the report in making their decisions. Where this advice is not accepted, it should be recorded formally within the minutes of the Council meeting.

3. My assessment is that:

   a) the estimates are robust **at this stage** based on current assumptions and available information taking into account known risks and mitigating strategies. However, demand and costs of providing care for Adults and Children could change this position significantly.
   b) to ensure the Council's plans remain sound, firm financial management across all budgets needs to be exercised but particularly on those higher-risk activities of adult care purchasing, children in care, children with special educational needs and home-to-school transport. Adverse trends in these areas will require management action elsewhere to 'live within our means'.
   c) external factors can impact on the budget plan such as a changing economic environment, the financial health of partners and suppliers and the levels of demand and expectations of users of Council services. Whilst these cannot necessarily be foreseen or predicted with any degree of certainty, adequate provision has been made within the overall level of the Council's reserves.
   d) reserves are adequate for the 2018-19 budget and provide some limited buffer against the financial pressures and reductions to grants in the budget up to 2019-20. However, the Council should be under no illusion that the future

financial outlook continues to be extremely challenging. Over the period from 2011-12 to 2017-18 the Council has made £236m of savings in response to reductions in funding from Central Government. These savings have focussed the Council on delivering statutory services in the most efficient and effective way possible but there is little scope for any further such savings without real cuts to front-line services. The Council has responded to this challenge by launching a new transformation plan that aims fundamentally to change the basis of service provision. By working with partners, making use of technology and maximising the commercial approach to service delivery the Council will seek to re-shape the service offering, manage demand, and ensure the efficient and effective delivery of services that meet the needs of the population. Reserves can be used in the short-term to smooth the effects of service transformation, but it is the outcomes from the transformation plan itself that will help the Council to balance the budget in the medium-to-long term.

4. This appendix provides further information about how this assessment has been made, including:

a) The role of the Chief Finance Officer
b) The effectiveness of financial controls
c) The effectiveness of budget planning and budget management
d) The mitigation of strategic financial risks
e) The capital programme
f) The adequacy of insurance arrangements
g) Explanation of reserves

5. In order to deliver this challenging budget, continued effective financial management is essential. There can be no let-up on the financial discipline required to manage through this period of continued grant reductions as well as increased costs due to demographic change. In 2017-18 budget pressures are already evident, despite efforts to contain their impact. If these pressures cannot be managed, then not only will they deplete the level of reserves carried forward into 2018-19 but will add to the ongoing budget gap that needs to be managed over the period to 2022.

<u>a) Role of Chief Finance Officer</u>

6. The statutory role of the Chief Finance Officer in relation to financial administration and stewardship of the County Council, and its role in the organisation are both key to ensuring that financial discipline is maintained.

7. The statutory duties of the Chief Finance Officer are set out in the Financial Regulations which form part of the Council's constitution. These include the requirement to report to council if there is an unbalanced budget (under Section 114 of the Local Government Act 1988).

8. The Chartered Institute of Public Finance and Accountancy (CIPFA) published a Statement on the Role of the Chief Financial Officer (CFO) in Local Government. The Statement requires that in order to meet best practice the CFO:

   a) is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;

   b) must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and

   c) must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

   To deliver these responsibilities the CFO:

   d) must lead and direct a finance function that is resourced to be fit for purpose; and

   e) must be professionally qualified and suitably experienced.

<u>b) Financial Controls</u>

9. Alongside the statutory role of the CFO the Council has in place a number of financial management policies and financial controls which are set out in the Financial Regulations.

10. Other safeguards which ensure that the Council does not over-commit financially include:

    a) the statutory requirement for each local authority to set and arrange their affairs to remain within prudential limits for borrowing and capital investment;

b) the balanced budget requirement of the Local Government Finance Act 1992 (Sections 32, 43 and 93); and

c) the auditors' consideration of whether the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

11. The Council conducts an annual review of the effectiveness of the system of internal control and reports on this in the "Annual Governance Statement". With significant downsizing and the introduction of different service delivery vehicles it is critical that proper systems of internal controls are implemented in any new arrangements. This is supported through the continuous review of procedures and training and the governance arrangements for contract management and divested organisations.

12. Whilst proper systems of internal controls are in place, compliance with them is becoming more of an issue and must be addressed through effective leadership, training, use of self-service tools and be reinforced through performance management.

c) Budget Planning & Budget Management

13. The financial planning process is Councillor-led as Councillors decide the principles, policies and processes that underpin budget planning. The Cabinet report describes the budget strategy for 2018-19. This includes a light-touch online consultation process following on from the County Council elections in May 2017.

14. There has also been an examination by the Scrutiny Committee, in advance of the budget being approved. The recommendations made by the Committee have been included and responded to in Appendix A to the Cabinet report.

15. Officers prepare the budget forecasts that are used by Councillors as a basis for decision-making.

16. Once the budget has been agreed, the directorates are required to follow the Council's budgetary control policies where they are expected to manage in-year budget pressures within the sum total of their resources. If corrective action is required this should be implemented and, if necessary, service reserves held by each directorate should be used to cover any temporary shortfall pending a permanent financial solution being put in place. All underspends and overspends on directorate budgets are carried forward into service reserves at the year-end, in line with the financial policies.

17. A key factor in effective budget management is the Council's regular monitoring of spending against budgets throughout the year and at the year-end. Budget managers are required to update their forecasts during the year, and these are subject to review within directorate management structures, by the central finance function and by Cabinet on a quarterly basis. The development of budget managers and initiatives to strengthen budgetary control and financial management throughout the Council is ongoing.

18. The Council has a proven track record on budget management and this has been confirmed by Ernst & Young in the Annual Audit Letter for 2016-17. The Auditors are required under the National Audit Office's Code of Audit Practice (2015) to form a conclusion on the arrangements the Council has put in place to secure economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion which is based on the following criteria:

    The Auditors consider whether the Council had proper arrangements in place for:
    a) Taking informed decisions
    b) Deploying resources in a sustainable manner; and
    c) Working with partners and other third parties.

19. On 29 September 2017 the Auditors issued an unqualified value for money conclusion. They identified one significant value for money risk in relation to sustainable resource deployment: achievement of savings needed over the medium term. The Council has acknowledged this risk, and this is one of the drivers for its new transformation programme. The audit did not identify any significant matters in relation to the Council's arrangements.

d) Mitigation of Strategic Financial Risk

20. The estimates for 2018-19 are generally robust and are underpinned by effective financial policies and controls. However, the savings identified will be difficult to deliver within the required timescales and must be managed at the same time as

continuing to implement transformational change to deliver further substantial savings from 2019-20 and beyond. The Government has announced that in 2018-19 and 2019-20 Councils may levy an additional 1% on Council Tax over and above the 2% level that would trigger the requirement for a referendum. The Council has decided to use this flexibility in 2018-19 but to spread the remaining 3% Social Care Precept that it is able to levy over 2 years, (2% in 2018-19 and 1% in 2019-20). This strategy will not ease the challenge of managing the budget and expectations of what the Council can achieve with the resources available in 2018-19 but will provide additional benefit in subsequent years.

21. As the Council has already delivered budget savings in excess of £236m, finding more savings each year becomes much harder. Of the £23.9m savings planned for 2018-19, only the £7.0m reduction in Minimum Revenue Provision (MRP) can be considered to be deliverable without risk to front-line services. This represents just 29% of the total savings required.

22. Further savings of £11m are expected from care services for Adults and these should be considered high risk. The savings in care purchasing need to be set in the context of other changes to funding for adult social care purchasing. The Directorate is expecting increased recurring funding of £10.1m, social care precept and growth of £8.9m, and inflation funding from council funds of £4.4m. Taking into account the loss of the Adult Social Care Grant of £3.3m which was awarded in 2017-18 only, and the saving target of £11m, this means that the available funds for care purchasing will increase by £9.1m. This increase is around 3.8% of the total care purchasing budget, and on its own will not cover the underlying pressures on the budget, inflation in the care sector, and the increasing demand for Learning Disability (LD) services.

23. The introduction of the National Living Wage, which will rise by 4.4% in April 2018, has impacted particularly on the care sector. As well as a direct increase in costs to providers it also impacts on providers' ability to recruit staff as they compete with other low-wage employers such as the retail sector. This competition for staff results in higher wages having to be paid and can impact on the Council both in terms of the prices paid for care and the level of service provision available. An increase in the social care precept and the use of the Improved Better Care Fund should go some way to mitigating this pressure but it will still be very challenging for the council to contain the increasing costs of adult care within current budgets.

24. Adult Care Services has formulated a strategy for managing these risks that involves reducing demand and refining and targeting the care pricing model, but this will need to be carefully monitored to ensure that it is delivering the expected results.

25. The Health, Wellbeing & Children's Service are reporting an overspend of £6.4m in 2017-18, of this £0.5m is on budgets funded by the Dedicated Schools Grant (DSG) and £5.9m on base budgets. This is due to the costs of Home-to-School

transport, and an increase in the cost of supporting adolescents in care, who present with a range of behaviours that need to be accommodated with specialist provision to meet their complex needs. The average age at which children are coming into care is increasing, and as older children are more likely to have packages of care with a higher cost and placements of longer duration, future pressure on budgets is also likely from these root causes. In addition, there is increased demand for services for those children with Special Educational Needs (SEN) who are unable to attend school due to ill-health or exclusion, or to meet the SEN needs of children in mainstream education (including Post-16 learners). Again, the directorate has strategies in place to manage these risks that must be carefully monitored over the coming year.

26. When estimating the budget gap for 2018-19 it has been assumed that inflation on prices will be 2% but directorates will be expected to manage with only 1% of additional funding. CPI inflation was 3% in November 2017 but is forecast to fall to 2.2%% by 2019 and is not expected to return to the Bank of England target of 2% until after 2020. This sharp rise in inflation expectations is due to the fall in the value of the pound which is increasing the price of imported goods. This will put pressure on Council budgets, particularly within Highways and Corporate Property where the price of oil impacts on material costs and energy bills. In order for the services to manage contractual costs they will need to minimise annual cost increases, requiring suppliers to absorb cost increases such as inflation and the living wage as part of their general efficiencies.

27. In 2016-17 the out-turn was an overspend of £7.9m net of budgets funded from Dedicated Schools Grant (DSG). The latest out-turn forecast for 2017-18 is likely to be an overspend of £9.7m net of budgets funded from DSG. It is clear that the Council cannot continue to sustain funding annual overspends at this level from reserves and this is why the new transformation programmes are key in moving the Council forward to different ways of working and delivering the services needed by the people of Suffolk. Taking all factors into account it is unlikely that council spending would exceed the net budget by much more than 2% (about £10m) in 2018-19. This would be manageable within the Council's strategic contingency resources. However, it is clear that there is much work to do in the coming year to manage the financial challenges and demand pressures whilst investing in a transformation programme that will enable the Council to continue to support those most vulnerable in our communities.

28. The strategic contingency resources are made up of the contingency reserve, Council Tax/Business Rates Risk and the County Fund general reserve. The balance on these reserves at the end of 2017-18 is forecast to be £40.7m. This takes account of the £8.5m of funding required from reserves to balance the council's budget in 2017-18 and the absorption of £1.8m of the forecast overspend at quarter 2 from Health, Wellbeing and Children's Services for which there is insufficient directorate carry forward reserve. This amount would be sufficient to deal with any overspending/shortfall in savings in 2018-

19. However, the level of reserves held by the Council is reducing and continuing to fund any overspending/shortfall in savings from reserves will not be sustainable in future years.

29. Suffolk has been awarded 100% Business Rates pilot status for 2018-19 based on the proposal submitted on the 27 October 2017. The proposal builds on the Business Rates Retention Pool Suffolk has successfully operated since 2013. In all pilot areas, the councils within the pool have to forego the funding streams of revenue support grant and rural services delivery grant in return for higher shares of business rates. The Suffolk pilot is based on no-detriment to each of the councils and therefore the risk to the Council's budget of not achieving the business rates anticipated in the 2018-19 budget is low. Any additional business rates collected in Suffolk will be invested in inclusive growth.

<u>e) The Capital Programme</u>

30. The council has a significant capital programme for the next 3 years which is largely funded through grants and borrowing. The programme has been developed to support the key deliverables of the council including projects where it has a statutory responsibility to provide.

31. Moving forward, investment in strategic projects that support growth of the Suffolk economy will be needed to maximise its opportunities for council tax and business rate growth and therefore revenue income. The current programme includes a significant investment in two river crossings in Ipswich and Lowestoft which are going to take until 2023-24 to complete. These will require significant project management to ensure costs are controlled and projects are delivered on time

32. A key risk therefore to consider in the Council's budget planning is the interest cost and provision for repayment of debt that it will need to meet commitments on the borrowing it undertakes for capital purposes. This budget has been reduced by £7m in 2018-19 due to reprofiling of the debt repayment. A strategy is in place to rebuild the level of the provision held in this budget over the longer term. A further review of the capital programme will need to be undertaken to ensure that future borrowing is targeted on projects that deliver the most for the people of Suffolk and are affordable within the current revenue resources.

33. The capital financing strategy for the foreseeable future is to continue to limit new borrowing only to those schemes which are either invest-to-save schemes or where it is essential to the delivery of the Administration's key priorities, for example new school places and developing Suffolk's infrastructure.

34. All borrowing is undertaken within the parameters agreed by the Council each year when setting the budget. For 2018-19, the borrowing parameters are defined in the statement of Prudential Indicators (see **Appendix C, Section C**). The proposed borrowing strategy is for the Council to undertake any new borrowing that is required in 2018-19 by temporary borrowing (less than one year to maturity) up to £100m unless long term interest rates start to rise, at which point there would be a switch to long term borrowing to lock in a lower rate. The Council will limit the borrowing that is repayable within 12 months to no more than 50% of its total external debt and no more than 75% of its total debt that is repayable within less than 5 years. This means that the Council will continue to benefit from the low interest rates that are expected to apply to short-term borrowing in the period to March 2019, while ensuring the Council's susceptibility to any changes in short-term interest rates over the next five years is limited. The interest budget therefore has adequate cover for the next two financial years.

f) Adequacy of Insurance Arrangements

35. The Council operates an Insurance Provision that has sufficient sums set aside to meet the outstanding liabilities on claims brought against the Council in relation to its insurance policies. The balance on the Insurance Provision was £6.21m at March 2017.

36. The Council maintains an Insurance Reserve, which contains an amount set aside to meet the potential for further insurance claims that might arise in relation to previous years and any uninsured losses. The balance on the Insurance Reserve at March 2017 was £4.55m.

37. The Council has a contingent liability in relation to its insurance claims with Municipal Mutual Insurance (MMI). In 1992 MMI stopped accepting new insurance business and organised a Scheme of Arrangement to allow for the orderly run-off of the company. Under the Scheme, MMI can reclaim from policy holders any sums paid out against MMI insurance claims since 1993 if this is needed to avoid an insolvent liquidation. The Board of Directors of MMI wrote to policy holders on 13 November 2012 to advise that it had decided to trigger the scheme of arrangement, and control of the company passed to the administrators, Ernst and Young LLP. Ernst and Young advised of an initial levy of 15% of claims paid. The Council settled the initial levy during 2013-14 of the claims which had been received up to March 2014. Any future claims that it settles on behalf of MMI will be subject to a reduction, equivalent to the levy, with the shortfall being met by the respective policyholders. On 1 April 2016 Ernst and Young announced a second levy of 10%, increasing the aggregate levy to 25%. The Council settled the second levy during 2016-17. MMI reported a substantial deficit and there are also concerns in relation to future claims especially relating to child abuse and mesothelioma. There is sufficient cover in the Council's insurance reserve to fund the maximum amount of any further levy that may be imposed on claims paid to date by Ernst and

Young, as the levy would be £3.5m, however a further £4.6m remains outstanding in unpaid estimated claims which, if settled, would be subject to a further levy payment.

38. When reviewing the level of the insurance reserve the potential for unforeseen risks is considered, as well as advice from appointed brokers, insurers and other government guidance. The overall level of reserves would allow the Council to respond to emergencies (even if some reserves have to be redeployed from existing purposes). The recovery from an emergency may also require capital budgets to be diverted and/or schemes added to the capital programme and funded from borrowing.

g) Reserves

39. The Council's policies on the maintenance and use of reserves are set out in the Financial Regulations. The assessment of the adequacy of reserves is based on a review of the likely commitments falling against each category of reserve.

40. **It should be recognised that reserves can only be spent once** and they can impact on the Council's overall level of borrowing as currently they mitigate the need to borrow in the short term. Therefore, running reserves down in an unstructured way will have a cost as well as increasing the financial risks the Council faces as Revenue Support Grant will be virtually phased out by 2020-21 and the Council's resources will become more dependent on local economic performance and housing growth. It also reduces flexibility to respond to opportunities for working in partnership with other organisations or investing in transforming council services.

41. The balances on reserves at the beginning of April 2017 and forecasts for March 2018 and 2019 are shown in **Table 1** below.

Table 1: Summary of Reserves (excluding Schools)

	Opening Balance of Reserves 2017/18 £m	Forecast Reserve Balance 31/03/18 £m	Forecast Reserve Balance 31/03/19 £m
Contingency	39.7	27.9	24.8
Council Tax/Business Rates Risk	2.0	1.8	3.6
County Fund	10.9	11.0	11.0
Directorate Reserves	22.2	9.1	9.1
Public Health Ring-fenced Grant Reserve	4.0	3.4	3.4
Allocated Reserves for Defined Future Uses	51.7	35.2	30.1
Sub-total	**130.4**	**88.4**	**82.0**
Capital Financing Reserve	23.4	27.3	27.3
Capital Grants & Contributions Reserve	9.4	6.1	6.1
Capital Receipts Reserve	6.8	4.3	4.3
Renewals Reserves	3.0	3.1	3.1
Total reserves for future capital and infrastructure projects	**42.6**	**40.8**	**40.8**
Total Reserves excluding Schools	**173.1**	**129.2**	**122.8**

Unallocated Reserves

42. Unallocated reserves include the County Fund and Central Contingency Reserve. The County Fund General Reserve is a 'back-stop' to the central contingency and Services' Reserves to be deployed by either Cabinet or the County Council for any purpose within the legal power of the Council. Examples of the purposes for which it might be used include:

a) Dealing with unforeseen in-year budget pressures. Cabinet is empowered to approve in-year allocations to deal with such matters that it considers cannot reasonably be managed by Services;
b) Financing one-off items of expenditure;
c) Exceptional insurance claims;

d) Providing a strategic reserve to deal with such matters as major emergencies. Under the Bellwin Scheme, which provides emergency financial assistance to local authorities in England, the first £1m would have to be met by the Council before any costs were eligible for grant funding;

43. Sources of finance for the County Fund General Reserve come from savings on the central budgets of the Council. If the need arose, the reserve could be increased within the overall agreed budget plan for a particular year, or by transferring balances from other reserves. Both of these courses of action are becoming increasingly difficult to achieve given the ever-tighter financial climate within which the Council has to work.

44. Given the range of potential calls on the County Fund General Reserve, the Council has agreed that a prudential approach should be taken to maintaining its balance. The prudential guidelines require the minimum balance on the County Fund General Reserve to be about 1% of the net budget of the council. Such a percentage takes into account the other reserves that are held currently. It follows therefore that if other reserves become depleted the level of the County Fund General Reserve may need to be increased.

45. In the event of the County Fund General Reserve being reduced below 1% of net budget, Cabinet (as advised by the Head of Finance) will agree a plan as part of the budget strategy to restore the balance over the next two years. The current 1% prudential "minimum" balance for the reserve is £4.8m.

46. The forecast balance at 31 March 2018 is £11.0m equivalent to 2.2% of the net budget. This is deemed adequate in the current financial climate, taking into account the level of other reserves such as the Central Contingency Reserve, to cope with unexpected events in 2018-19.

47. The Contingency Reserve and Council Tax/Business Rates Risk Reserve exist to enable the Council to deal with uncertainty in future funding. The decreases in 2016-17 and 2017-18 reflect the planned use of this reserve to balance the overall budget pending further savings being identified and transition programmes being implemented.

Directorate Reserves

48. Under the Financial Regulations, Directorates are allowed to hold carry forward reserves for their Services. This allows services to:

(a) Manage any delays to service provision
(b) Deter and control overspending
(c) Finance non-recurring expenditure
(d) Provide a contingency for dealing with unforeseen in-year cost pressures, such as excess inflation costs and increases in demand for services e.g. rises in the numbers of children in care above forecasts, increases in the requirements for purchased-care and the impact of severe winter weather.

49. Service reserves are an essential component in the Council's overall framework for financial management. They permit a control regime whereby services are required to be self-reliant and deliver agreed service plans within the resources available. Services are expected to finance in-year budget overspending whilst sustainable solutions are put in place to bring plans back on target. The Council's financial policies incentivise services to achieve savings. Each year as the financial situation becomes more challenging these reserves are likely to reduce, with Children's Services exhausting all of their allocation by the end of this financial year unless the demand for services can be reduced.

50. The Public Health Grant is ring-fenced for expenditure on Public Health activities. Therefore, any underspend in year on the grant is transferred to a reserve which is also ring-fenced and must be spent on expenditure that is legitimately chargeable to the grant.

<u>Allocated Reserves for Defined Future Use</u>

51. Allocated reserves for defined future use are used to pay for specific commitments or set aside for anticipated projects and programmes. **Table 2** overleaf sets out the main reserves with explanations for the more significant items.

Appendix B

Table 2: Forecast Balances on Allocated Reserves for Defined Future Uses

Reserve	Opening Balance of Reserves 2017-18 £'m	Forecast Reserve Balance 31/3/18 £'m	Forecast Reserve Balance 31/3/19 £'m
My Life My Future	0.1	0.1	0.0
Mental Health Projects	0.1	0.1	0.1
Buurtzorg Test	0.1	0.1	0.0
Youth Offending Service	0.2	0.2	0.2
Universal Childrens Health Services	0.8	0.6	0.2
Troubled Families	0.5	0.5	0.5
County Music Service	0.5	0.5	0.5
Children's Services - Other	4.3	0.6	0.4
Public Health Projects	1.0	1.0	0.2
Fire PFI Project	2.6	2.5	2.3
Fire Other	0.5	0.5	0.5
Public Protection Transformation	1.3	1.3	1.0
Corporate Regeneration	1.0	0.7	0.0
Energy & PV Panels	0.3	0.3	0.3
Building Maintenance	0.4	0.4	0.3
On Street Parking	2.0	1.3	1.3
Green Travel Plan	0.5	0.5	0.5
Strategic Development	0.8	0.8	0.8
Waste	2.6	2.1	1.6
Highways Transformation	0.6	0.0	0.0
Developer Contribution Fees	0.3	0.0	0.0
Commuted Sums for Highways Maintenance	9.0	8.0	7.0
Other Growth, Highways and Infrastructure	2.9	0.0	0.0
Election	1.0	1.0	1.0
Insurance	4.5	5.0	4.8
Redundancy	0.2	0.0	0.0
Endeavour Card	0.7	0.7	0.6
Raising the Bar	0.1	0.1	0.0
Schools Organisation Review	2.0	1.5	1.0
Transition Fund	0.4	0.1	0.1
Transformation Fund	4.1	2.1	2.1
Broadband Project	4.5	1.2	1.2
Digital Customer Service	0.8	1.0	1.0
Apprenticeships	0.9	0.5	0.5
Total	51.7	35.2	30.1

52. The My Life My Future reserve is for funding the roll out of a programme to improve the independence and confidence of people with a learning disability when using public transport.

53. The Mental Health Projects reserve exists to cover the costs of the review of the Section 75 Partnership working agreement between ACS and the Norfolk and Suffolk NHS Foundation Trust to ensure arrangements between the two bodies are working in the most effective and efficient way.

54. The Buurtzorg reserve is to fund the setting up of pilots for a new way of working that brings together community health and social care staff. The model empowers individuals to deliver all the health and care that customers need. Practitioners will work alongside nurses and work in self-managing teams of up to twelve professionals who provide care for 40-50 clients in a specific locality.

55. The Youth Offending Service reserve is funded from a range of resources including grant income and contributions from Health, the Probation Service and the Police. The grant that the Council receives from central government has been reduced so this reserve is being used to mitigate pressure on the budget before the service is re-shaped.

56. The Universal Children's Health Service reserve provides the Community Nursing and Health Visitors that work in close partnership with the Integrated Teams. This service is entirely funded by Clinical Commissioning Groups (previously the NHS) and Public Health grant. Higher than expected levels of vacancies have led to the current level of reserves, although these will reduce as recruitment increases.

57. The Troubled Families reserve holds income from a Central Government grant that is the main funding source for this initiative. This funding is for local authorities to work with specific families that have serious problems, to provide targeted support to assist in turning their lives around and 'breaking the cycle' of inter-generational crime, unemployment and low aspirations. As the service has engaged with more families than originally planned more grant income has been received than forecast so the use of this reserve in the short term is minimal.

58. The County Music Service (OFSTED rating: Outstanding) reserve has built up as a result of successful trading activity with schools and is available to be used to continue its programme to enable schools to plan, provide and deliver a comprehensive music curriculum for all pupils including, where appropriate, specialist instrumental tuition.

59. Other Children's Services reserves includes funding for a variety of programmes, including the Safeguarding Children Board, 14-19 development and Suffolk & Norfolk Initial Teacher Training (SNITT)

60. The Public Health Projects reserve is set aside for specific projects including sexual health services, GP contraception training and smoking/drugs/alcohol prevention programmes.

61. The Fire Private Finance Initiative (PFI) reserve exists to equalise the cost of the contract over the 25 years as the payments in earlier years were smaller than those in later years. An annual contribution was made in the earlier years to ensure funds were available to make payments in later years. This is a combination of base budget provision and PFI grant.

62. The Other Fire reserves will be used for a number of programmes including Firebike which is to promote road safety and bike awareness in particular for motorcyclists, Emergency Service Cadets is a joint partnership cadet scheme combining Fire and Police services to develop social skills of young people, and Firefighter Fit and Healthy to support young people and their families who are suffering from weight and health issues.

63. The reserves set aside for Public Protection Transformation are to continue to support the changes that have been implemented as part of Suffolk's Fire and Rescue Integrated Risk Management Plan (IRMP) and for service re-design. Examples include supporting the on-call crewing reserve to help alleviate on-call availability in areas which have low availability and to continue to increase collaboration with blue-light partners which is being encouraged as part of the Fire reform to improve efficiency and collaboration.

64. The Corporate Regeneration reserve provides match-funding money for capital grants to organisations throughout Suffolk, enabling them to qualify for external grants. To be eligible for support projects must benefit the people of Suffolk by delivering community, economic or environmental regeneration, or a combination of all these.

65. The Energy and PV Panels reserve exists to support the revenue costs associated with the roll-out of energy saving schemes across the council's estate.

66. The Building Maintenance reserve exists as schools pay up-front for some maintenance services that are delivered by Vertas through Corporate Property.

67. The On-Street Parking Schemes reserve is funded by money collected on behalf of the Council by St Edmundsbury Borough Council and Ipswich Borough Council from On-Street parking. The projects that the surplus funds can be spent on are governed by the Road Traffic Regulation Act. The funds can be used for providing and maintaining car parks, improving the highway, environment improvements and passenger transport improvements

68. The Green Travel Plan reserve exists as in some years the contribution to the cost of implementing and running green travel arrangements is less than the income collected from staff parking. When the cost is more than the income the reserve is used to fund the difference.

69. Strategic Development reserves include environment and economic development reserves. The latter was created out of the proceeds from the Local Authority Business Growth Incentive (LABGI) scheme. This was set up in 2005-06 to give local authorities a financial incentive to encourage local business growth. The remaining balance is being focused on the Ipswich Waterfront Innovation Centre, supporting key sectors and inward investment activities.

70. The Waste reserve will be used to fund a long-term lease for a transfer station and is available to fund one-off expenditure associated with the Energy-from-Waste contract and capital improvements to waste infrastructure.

71. The Highways Transformation reserve exists to fund one-off expenditure associated with the highways transformation programme.

72. The Developer Fees reserve exists because the level of fees collected by the highways service varies from year to year. In any year where the level collected exceeds the budget the surplus is transferred to this reserve to be used in other years when there is a shortfall against the budget.

73. The Highways Commuted Sums reserve contains the amounts paid by developers to cover the additional maintenance work arising from their developments. The amounts held in this reserve can therefore only be used to fund future liabilities associated with highways maintenance.

74. The Other Growth, Highways and Infrastructure reserve contains unspent revenue grants that have been allocated for future use.

75. The Elections reserve exists to fund the costs of local elections. The reserve has been used to fund the cost of the May 2017 election. The reserve will need to be restored to £1m in preparation for the next County Council election.

76. The Council maintains an Insurance reserve, which contains an amount set aside to meet the potential for further insurance claims that might arise in relation to previous years and any uninsured losses. The balance on the Insurance reserve at March 2017 was £4.5m which is sufficient to meet the estimated level of any additional claims and uninsured losses from previous years.

77. The Redundancy reserve was created in 2010-11 to finance potential redundancies arising from downsizing the Council's workforce. At the end of 2018–19 this reserve will need to be replenished in order to support the current funding arrangements of redundancies.

78. The Endeavour Card is for 16-19 year olds to help reduce transport costs for young people. The reserve is being used to fund the running costs of the scheme.

79. The Raising the Bar reserve is being used to fund a structured improvement in pupil attainment and improve capabilities for young people in the world of work together with addressing the recommendations in the RSA report 'No School an Island'.

80. The Schools Organisation Review (SOR) reserve is being used to fund the remaining revenue costs of the reorganisation including the commitments for salary safeguarding, redundancy and premature retirement costs; these will be completed in 2019-20. Any balance left on this reserve will be transferred to the Council's redundancy reserve.

81. The Transition Fund was set up in 2011-12 in order to allow some services to continue which would otherwise have been stopped due to budget cuts. This continues to provide time for local organisations to put proposals together, undertake due diligence and discuss options with the Council.

82. The Transformation Fund is being used to help deliver the Council's transformation programmes and investment in IT, particularly in Adult and Community Services.

83. The Broadband reserve will be used to fund the council's contribution to the Better Broadband for Suffolk programme.

84. The Customer Service/Digital reserve was established to enable a one-off investment to develop the Council's digital presence and processes on an invest-to-save basis.

85. The Apprenticeship reserve was established to fund a local Apprenticeship Service. This includes the delivery of a series of targeted marketing campaigns to promote the importance of apprenticeships and drive greater take up by businesses and young people.

86. It is my firm opinion that the balances on allocated reserves for defined future use are appropriate for the future commitments against them.

Schools' Reserves

87. Schools are legally entitled to hold balances under the delegation arrangements within which they work. Their balances appear within the County Council's balance sheet but can only be used by schools – these balances cannot be spent by the County Council. This similarly applies to the Dedicated Schools Grant which can only be applied to activities legitimately chargeable to the DSG and agreed by the Schools Forum.

88. At 31 March 2017, schools' balances amounted to £19.8m (10.6% of budget). At March 2015 the balance was £25.8m. It is forecast that the balance will decline by March 2018 as more schools transfer to Academy status and Maintained schools start to spend in-year to meet the financial challenges that they face.

89. At the beginning of the financial year there were 17 schools that already have, or were forecasting, budget deficits. Under the Scheme for the Local Management of Schools (LMS scheme) all schools are required to draw up recovery plans to clear these deficits in a maximum of three years if they overspend. However, there is still a potential risk to the local authority if a school closes or becomes a sponsored academy when it has a deficit. In mitigation CYP makes termly risk assessments of all schools and will use its powers to intervene if a school's finances are not robust.

90. A small number of schools have been identified as holding large balances built up from consistent underspending against budget over a number of years. CYP will continue to work with these schools, to identify which schools are holding balances as prudent budget management or where funds are being saved for specific purposes, such as capital spend, and those schools where these balances are excessive and there are no robust plans in place for their use. Where balances are deemed excessive, Children's Services Education and Learning team will work with the schools governing body to ensure that the funds are properly used for the benefit of the pupils in the school.

91. At 31 March 2017 the balance of the Dedicated Schools Grant reserve was £1.1m. It is forecast that the balance at 31 March 2018 will be nil. This large drawdown of reserves in 2017-18 is mainly due to forecast overspending on the budget for providing services for children with special educational needs. However, Schools Forum have agreed a planned transfer to the reserve from the school's block of £0.97m in 2018-19.

Recommendation

92. The Council is asked to have regard to this report when making its decisions on the 2018-19 Budget. Where advice in this report is not accepted, this should be recorded formally with reasons in the minutes of the County Council meeting.

Louise Aynsley
Head of Finance
23rd January 2018

Appendix C

REVENUE BUDGET 2018-19
AND CAPITAL PROGRAMME 2018-21
(including Treasury Management Strategy and Prudential Indicators)

Councillor Richard Smith MVO
Cabinet Member for Finance and Transformation

Louise Aynsley
Head of Finance

8 February 2018

Revenue Budget 2018-19 and Capital Programme 2018-2021
(including Treasury Management Strategy and Prudential Indicators)

Contents

A. Background to the 2018-19 Budget and Local Government Finance Settlement

1. The key elements of the budget are explained in the Cabinet report. This appendix and annexes provides supporting information in terms of the budget process and detailed supporting figures. They also include explanations of the Council's grant and business rates settlement and the national context of the budget.

2. The key dates for the budget setting process are provided below:

November 2017 – December 2017	Budget Consultation on the SCC website
22nd November 2017	Autumn Budget
23rd November 2017	Scrutiny Committee
19th December 2017	Provisional Local Government Finance Settlement
23rd January 2018	Cabinet to consider and recommend the budget to be considered by County Council in February
Mid January – Early February	Final Local Government Finance Settlement
8th February 2018	County Council to agree the Budget and Council Tax

Forecast Budget Gap 2018-21

3. As part of the Pre-Cabinet Decision, the 2018-19 Revenue and Capital Budgets were presented to Scrutiny Committee in November, with a forecast budget gap to 2021. Details of the assumptions about levels of funding and financial pressures that had been incorporated into this forecast, shown in **Table 2**. The papers for the scrutiny committee can be found here:

   https://committeeminutes.suffolk.gov.uk/DocSetPage.aspx?MeetingTitle=(23-11-2017),%20Scrutiny%20Committee

4. Since the Scrutiny meeting the Council has received updated taxbase figures from the District and Borough Councils, details of a pay offer of 2% and the Provisional Local Government Finance Settlement. As a result, the budget gap to 2021, in **Table 2**, has been updated and is now based on the following expected level of funding, which is seen in **Table 1**.

Table 1: Expected Level of Funding 2018-22

2017-18 £'m		2018-19 £'m	2019-20 £'m	2020-21 £'m	2021-22 £'m
45.2	Revenue Support Grant		16.3		
1.7	Rural Services Delivery Grant		1.7		
2.0	Transitional Grant				
97.9	Business Rates and Top Up Grant	133.1	104.5	106.6	108.7
275.2	Council Tax	287.4	295.7	305.0	314.5
4.1	Collection Fund Surplus	3.0	2.0	2.0	2.0
3.0	New Homes Bonus	2.0	1.8	1.0	1.0
1.4	Education Services Grant				
3.3	Adult Social Care Grant				
13.9	Social Care Precept	19.9	23.2	23.4	23.7
15.0	Improved Better Care Fund	20.3	24.9	24.9	24.9
8.5	Funding from Contingency Reserve				
30.8	Public Health Ringfenced Grant	30.0	30.0	30.0	30.0
502.0	**Total**	**495.6**	**500.1**	**492.9**	**504.8**

5. The Council accepted a four-year grant allocation at the start of 2016-17, which provided some certainty about the level of Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG) and Transitional Grant for the period to 2021. As part of the move to more self-sufficient local government, the Revenue Support Grant will be phased out.

6. The four-year allocations are confirmed annually with a final determination taking into account Consumer Price Index (CPI) increase on the business rates multiplier and any transfers of functions or responsibilities to local government, along with other unforeseen events.

7. The provisional Local Government Finance settlement, announced in December 2017, awarded Suffolk with Business Rates pilot status therefore RSG and RSDG are now rolled into the Business Rates figure within **Table 1**. There is no detriment to the level of funding being received through this method. The Suffolk pilot will include all seven District and Borough councils along with the County Council.

8. The Government also announced its aim to increase the local share of business rates retention to 75% in 2020-21, through incorporating existing grants into business rate retention including the Revenue Support Grant, and the Public Health Grant. The remaining 25% central share will be returned to HM Treasury and recycled back to Local Government in a form yet to be determined.

9. The Revenue Support Grant (RSG) shown in 2019-20 has not changed since the four-year figures were announced in 2016-17. Pilot status is only for one year therefore RSG is assumed to be received as a separate grant in 2019-20.

10. The Rural Services Delivery Grant, as announced in February 2016, is an un-ringfenced Section 31 grant paid to authorities until 2019-20. The grant has been rolled into business rates in the same way as RSG for 2018-19.

11. The level of business rates and top-up grant is based on the assumptions made by central government in the 2017-18 local government finance settlement for every year up to

2020. In addition, the forecast includes the existing Section 31 grant of £2m which compensates for the impact of the cap on rates for small, empty and rural businesses. For 2020-21 and 2021-22 it is assumed that the level of business rates and top-up grant will increase by 2% per annum whilst the introduction of 75% rates retention is being introduced.

12. The Business Rates Pilot status for Suffolk means that the level of Business rates retained by the Council has increased to take account of RSG and RSDG, along with an inflationary increase.

13. Any additional income from Business Rates as part of the pilot scheme will be divided across the economic areas: West Suffolk, East Suffolk, Ipswich and Central Suffolk and spent on agreed priorities to support growth. This is projected to be in the region of £10m across the whole of Suffolk.

14. The council tax collection fund surplus is treated as one-off, as it can fluctuate considerably each year. The current estimate of the surplus for 2018-19 is £3.0m.

15. General council tax will be increased by 2.99% in 2018/19 and then 1.99% per annum from 2019-20 to 2021-22. The Government has given authorities the flexibility to increase council tax by 3% in 2018-19 and 2019-20. This flexibility has been linked to the rate of inflation. The current estimate of the increase in the council tax base is 1.24% for 2018-19 and 1% per annum from 2019-20 to 2021-22.

16. The Government has given authorities with social care responsibilities the flexibility to raise council tax in their area by up to 8% over four years (2016-17 to 2019-20) to fund adult social care services. This flexibility is being offered in recognition of the impact of the National Living Wage and demographic changes which are leading to growing demand for adult social care, and increased pressure on council budgets. Suffolk agreed a 2% and 3% increase in 2016-17 and 2017-18 respectively. Therefore, the Council has the option to increase by a further 3% in 2018-19 but has taken the option to increase by 2% and then a further 1% in 2019-20. The Social Care Precept is shown separately on the face of the council tax bill. From 2020-21 it is assumed that no further increases will be permitted and therefore the value of the Social Care Precept will increase only with increases in the council tax base. The additional funding raised from the increase in the Social Care Precept will be added to the Adult Care budget.

17. The level of New Homes Bonus is based on the provisional 2018/19 finance settlement for 2018-19 up to 2020. Final allocations depend on actual number of houses delivered by authorities and is therefore likely to change.

18. When the Government reformed the New Homes Bonus in 2017-18 some of the national reduction in funding was redistributed as a one-off Adult Social Care Grant which was £3.3m for Suffolk. Therefore in 2018-19 this funding will not re-occur and the budget in Adult Care reduces accordingly.

19. The Government announced in the 2015 Spending Review that the general rate element of the Education Services Grant would cease with effect from September 2017. This has been used to fund duties that local authorities deliver for maintained schools. As a result, £1.4m of funding that the Council has received will not continue into 2018-19.

20. In 2017-18 the Government implemented the Improved Better Care Fund to fund existing and future pressures caused by increasing demand for care. This is also ring-fenced for Adult Care and therefore the increases expected in this funding in 2018-19 and 2019-20 will be added to the Adult Care budget. Beyond 2019-20 it is not anticipated that the funding will be removed but no further increases are expected.

21. The Public Health Grant will reduce from £30.8m in 2017-18 to £30m in 2018-19. There is expected to be a further reduction in grant of £0.8m to an indicative £29.2m in 2019-20. As this grant is ring-fenced, the Public Health service will need to identify savings to meet the reduced level of grant. The ringfenced status of the grant is due to end from 2020-21 subject to the national introduction of business rates retention.

22. When the 2017-18 budget was set it was assumed that £8.5m would be needed from the contingency reserve to balance the budget. As this is not a sustainable source of funding for the Council's budget it is assumed when calculating the budget gap that no contingency reserve funding will be used from 2018-19.

23. On the spending side of the equation and the figures shown in **Table 2**, assumptions have been made for inflation of 2% for non-pay budgets and 1% on pay budgets. A pay award of 2% has been proposed and the additional cost of this has resulted in a further financial pressure which has been factored into the revised budget gap within Central Resources. External income budgets, except for those relating to grants and contributions, are expected to increase by 3% and care charges by 2%. This reflects the inflation uplift plus a real increase in fees and charges to the extent that the rules around certain charges allow that level of increase.

24. For 2018-19, the extra raised through the 1% flexibility in general council tax will be allocated to adult care services as demand and demography funding. Assumptions about demand and demography will be reviewed on an annual basis if current spending pressures cannot be managed.

25. As no further increases are expected in the Improved Better Care Fund or the Social Care Precept after the 1% rise in 2019-20, it is estimated that a further £5.0m will be required in 2021-22 to fund demand and demography pressures for adult care services.

26. It is expected that from 2019-20 it will be necessary to add £0.65m per annum to the capital financing budget to ensure that the budget is sufficient to fund the cost of debt repayment.

27. In 2016-17 all funding for the implementation of the Care Act 2014 was included in the Revenue Support Grant. Within

the grant settlement it is estimated that if the second phase of the Care Act implementation goes ahead in 2020 it will cost the Council an additional £2.1m.

28. **Table 2** summarises the position discussed above and sets out the level of savings required over the three years to 2021, which total £58m.

Table 2: Forecast Budget Gap 2018-22

	2018-19 £'m	2019-20 £'m	2020-21 £'m	2021-22 £'m
Previous Years Budget	502.0	495.6	500.1	492.9
Inflation	7.5	7.5	7.5	7.5
Adult Care Demand & Demography	2.9			5.0
Adult Social Care Grant	-3.3			
Additional Social Care Cost	6.0	3.2	0.2	0.2
Improved Better Care Fund	5.2	4.6		
Minimum Revenue Provision		0.7	0.7	0.7
Reduction in Public Health Grant	-0.8			
Pay Strategy	1.0			
Potential Pay Agreement	1.7			
Care Act		2.1		
Sub-Total	**522.3**	**513.7**	**508.6**	**506.3**
Less:				
Funding	495.6	500.1	492.9	504.8
Forecast Budget Gap	**26.8**	**13.6**	**15.7**	**1.5**

Core Spending Power

29. As part of the Local Government Finance Settlement the government makes an assessment of a local authorities' core spending power, which sets out indicative figures for the potential income that could be available to authorities each year. Core funding considers the main resources available to Councils. It comprises of council tax income and the Settlement Funding Assessment (business rates baseline and Revenue Support Grant).

30. **Table 3** shows the Core spending power for Suffolk for the three years from 2017-18.

Suffolk County Council	**2017-18 £m**	**2018-19 £m**	**2019-20 £m**
Settlement Funding Assessment	141.1	129.2	117.3
S31 Grant (Business Rates)	1.2	2.1	3.1
Estimated Council Tax	275.2	288.1	301.6
Social Care Precept	13.9	23.4	24.5
Improved Better Care Fund	15.0	20.3	24.9
Adult Social Care Support Grant	3.3	0.0	0.0
New Homes Bonus	3.0	2.0	1.8
Rural Services Delivery Grant	1.7	1.7	1.7
Transitional Grant	2.0	0.0	0.0
	456.5	**466.8**	**474.8**
Percentage change		2.2%	1.7%

31. The Government figures indicate an increase of 2.2% in the Core Spending Power in 2018-19 and a further 1.7% in 2019-20. The reduction to the Settlement Funding Assessment (SFA) in 2018-19 compared to 2017-18 is 8.4%.

32. The S31 Grant compensates for the reduced income, as a consequence of switching the uprating of the business rates multiplier to CPI in 2018-19, rather than 2020-21 as previously announced. It also compensates for the 2% cap on rate increases imposed in 2014-15 and 2015-16.

33. The Government figures assume that local authorities increase their Band D council tax in line with the referendum principle of 2.99% each year. The Council Tax estimate is based on applying average annual growth in council tax base between 2013-14 and 2017-18 throughout the period to 2019-20.

34. The potential Social Care Precept is updated to show actuals for each authority in 2017-18 and then for 2018-19 and 2019-20 assuming authorities use the maximum allowable level given their past decisions.

35. New Homes Bonus for 2017-18 and 2018-19 are final allocations with 2019-20 estimated based upon legacy payments. Final allocations depend on actual number of houses delivered by authorities and therefore will change.

36. The Rural Services Delivery grant is increased in 2018-19 to the same level as 2017-18 and is distributed to the top-quartile of authorities ranked by sparsity.

<u>Business Rates</u>

37. The Council along with District and Borough Councils in Suffolk put forward a bid for Business Rates Pilot status in November 2017. Following the Provisional Local Government Finance Settlement, Suffolk was awarded pilot status along with nine other authorities in England.

38. Under the pilot the Council will receive business rates instead of Revenue Support Grant and Rural Services Delivery Grant.

39. The Local Government Finance Act allowed local authorities to form pools for the purposes of business rates retention. The aim being to offer local authorities the opportunity to retain more of the rates generated in their local areas and allow them to use that additional revenue more effectively to drive future economic growth, which in turn should increase future business rates yield.

40. The small business rates multiplier changes from 46.6p in 2017-18 to 48.0p in 2018-19, which is calculated using CPI for indexation rather than RPI. Local authorities will be compensated for the switch if it results is a reduction of income from rates collected.

41. The business rate safety net remains but will be set at 3% rather than 7.5% given Suffolk’s pilot status. It ensures no authority’s income from business rates falls below 3% of their individual baseline funding level for the year. The safety net is funded from the tariff payments made by some authorities, which will include Suffolk.

Schools Funding

42. The majority of funding for schools is allocated through the ring-fenced Dedicated Schools Grant and the Pupil Premium Grant.

43. The Dedicated Schools Grant (DSG) - the Department for Education (DfE) have published a new national funding formula for schools and high-needs respectively that will be implemented over a number of years, commencing in 2018-19.

44. The DSG is comprised, as previously, of a schools block, a high-needs block, an early-years block but there is also a new fourth element, the central school services block.

45. The central school services block is funded partly from the current schools block and from the funding previously allocated via the Education Services Grant – retained element, which was transferred to become part of DSG funding in 2017-18.

46. The transition to an early years national funding formula (EYNFF) for three and four year olds began last year and will be completed in 2018-19.

47. A full list of grants for Suffolk is shown in **Annex F**.

B. Capital Programme for 2018-21 and Minimum Revenue Provision Policy

1. **Appendix C, Annex E** shows the proposed capital programme for 2018-21 and how it will be financed.

2. The Council has received capital grant settlements for most of the services as shown in **Table 1** and the programme for 2018-21 is based on these allocations. However, the Department for Education (DfE) has not announced all the education capital allocations so a programme has been put in place based on expected grant funding. The spending plans will be adjusted when the actual level of grant is announced. The paragraphs below give more details about the schemes included.

3. The capital financing strategy will continue to limit new borrowing only to those schemes which are either invest-to-save schemes or where it is absolutely essential to the delivery of the Administration’s key priorities.

Table 1: Capital Settlement 2018-21

	Grant Approvals 2018-19 £m	Grant Approvals 2019-20 £m	Grant Approvals 2020-21 £m
Ring-Fenced Grants:			
Free Schools Grant	1.9	0.0	0.0
Schools Devolved Formula Grant	1.2	1.1	1.0
Disabilities Facilities Grant	5.7	TBC	TBC
Dept for Transport	0.0	26.4	88.4
	8.8	**27.5**	**89.4**
Non Ring-Fenced Grants:			
Schools Maintenance	7.6	6.8	6.2
Schools Basic Need	11.9	3.7	3.5
Integrated Transport	3.3	3.3	3.3
Highways Capital Maintenance	17.6	17.6	17.6
Highways Incentive Fund Capital Maintenance	3.7	3.7	3.7
Pot Hole Action fund	1.4	0.0	0.0
National Productivity Fund	3.8	0.0	0.0
Housing Infrastructure fund TBC	2.8	0.0	0.0
	51.8	**35.0**	**34.1**
Total Government Support	**60.6**	**62.5**	**123.5**

Adult & Community Services (ACS)

4. The Adult and Community Services (ACS) programme is made up solely of the Disabled Facilities Grant. The grant allocation has been announced for 2018-19 at £5.7m, but information is still awaited on whether the grant will continue into the future. The grant will predominantly be transferred to District and Borough Councils to support housing adaptations to enable customers to continue to live in their own home. A small proportion will be pooled and held by Suffolk County Council to purchase equipment used in the re-ablement of customers and community capacity initiatives.

Health, Wellbeing and Children's Services

5. The Health, Wellbeing and Children's Services (HWCS) capital programme, includes an estimate of funding for 2019-21 onwards. This will be revised once allocations are announced by the Department for Education.

6. Provision of school places for children remains a key responsibility of the Council, with the strategy set out in the Education & Learning Infrastructure Plan. The programme includes construction of seven new primary schools, in Felixstowe, Haverhill, Saxmundham, Bury St Edmunds and Ipswich (3), the completion of the new schools in Red Lodge and Lakenheath, and extensions to at least twenty existing schools.

7. The HWCS programme also includes £5.6m for Special Educational Needs provision at The Bridge in Ipswich and Riverwalk in Bury St Edmunds. This is to provide more local services to vulnerable children, which will reduce the reliance on expensive out-of-county provision and better meet the needs of children and young people.

Fire and Rescue Services and Public Safety

8. The strategic co-ordinating centre is a shared command used by the Emergency services to jointly manage the response to an emergency incident in Suffolk. The current centre is based in Martlesham but is coming to the end of its useful life. The £110k is Suffolk Contributing to re-locate the centre to Beacon House. Work on this will not commence until the other partners agree to contribute their share.

9. The Fire & Rescue Service and Public Safety programme provides for ongoing replacement of vehicles, equipment and communications.

Strategic Development

10. The Strategic Development programme will deliver transport infrastructure and improvements to support economic growth across Suffolk. Schemes planned include improvements to the flow of traffic and better conditions for pedestrians, cyclists and buses on the main routes into Ipswich and Bury St Edmunds. There are also planned improvements to the A140. The schemes will be funded from integrated transport grant that is expected to remain constant from 2018-19.

11. The programme also includes £1.5m for the initial design and planning costs for the new river crossings in Ipswich and Lowestoft. This is funded from the £10m borrowing agreed by Cabinet in May 2016. The first stage of construction will be covered by a government grant. The Department for Transport are contributing a total of £154.9m to the projects which are expected to be complete in 2022 for the Lake Lothing third river crossing and in 2023-24 for the upper Orwell crossing. It is therefore assumed that no further Council funding will be required in this three-year budget period. However, the financing of the projects assumes other contributions in 2022-23 and 2023-24 of £16.9m. If the bids are unsuccessful or if the scheme overspends the Council may need to contribute additional funding in the future.

12. In July 2015 the cabinet approved the Hold Heritage Centre project, which is a partnership between the council and the University of Suffolk (UCS). Construction of the site is due to start in 2018-19.

13. A bid to the National Productivity Investment Fund to make improvements to the Eye Airfield junction on the A140 has been successful, totalling £3.8m. A further bid to the Housing Infrastructure Fund (HIF) has been submitted to support projects in East Suffolk (primarily Adastral Park) and Bury St Edmunds. These total £2.8m, the Council is yet to be informed if the bid was successful.

14. A business case has been submitted to the DfT for funding for SEGWay (Suffolk Energy Gateway, formerly known as four villages by-pass). If successful the council will require some match funding, which could amount to £7m. As the bid is in the very early stages no reflection of this has been made in the capital programme at this stage.

Operational Highways

15. The combined capital maintenance allocation equates to £21.3m per annum throughout this three-year period, £17.6m is the needs-based element and £3.7m is the incentive element based on Suffolk maintaining Band 3 status. The Incentive element is funding set aside by the Department for Transport (DfT) to reward local highway authorities who demonstrate they are delivering value for money in carrying out cost effective improvements to its highway service. Band 3 is the highest level a council can achieve.

16. In addition, to resurface and repair more of our roads, the Council will be spending a further £18m, over the next three years, funded by additional borrowing.

17. A programme will be announced in due course by Suffolk Highways on the exact schedule of maintenance.

Waste & Environment

18. Delays in securing planning permission for the waste transfer sites have significantly slowed progress, resulting in slippage of the 2017-18 budget. Therefore, the planned additional funding to complete the project will now not be needed until 2019-20.

Property

19. The Property programme includes structural maintenance on existing Council properties and investment in energy reduction and efficiency schemes.

20. There is also £4.5m for the Mildenhall Hub which is a campus of public services co-located to achieve savings and efficiency through joint-working. This will be funded from borrowing and capital receipts from buildings sold when offices are vacated in Mildenhall.

21. At the December 2016 Cabinet meeting a £6m investment in Barley Homes (Group) Ltd was approved. Barley Homes is a company jointly owned by Suffolk County Council, Forest Heath District Council and St Edmundsbury Borough Council, limited by shares for the purpose of developing housing for sale, private and affordable rent and shared ownership.

Broadband and IT

22. The IT programme includes on-going investment to ensure the Council's own IT systems run efficiently, by replacing kit, investing in networks and continuing investment in cyber security.

23. It is envisaged that some funding will be needed to help support the transformation programmes on an 'invest to save' basis. The programmes are currently being developed and costed. The required investment is likely to be funded through borrowing.

24. There will be continued investment in the Suffolk Better Broadband programme. This £7.2m is the last tranche of the council's agreed funding. The extension programme aims to provide 98% of premises in Suffolk with access to superfast

broadband speeds. The government target is to provide 100% coverage by 2020.

Capital Prudential Indicators and Minimum Revenue Provision Policy

25. The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (CIPFA Prudential Code) when determining how much money it can afford to borrow.

26. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. The Prudential Code sets out the following indicators that must be set and monitored each year

    (a) Estimates of Capital Expenditure

    (b) Estimates of Capital Financing Requirement

    (c) Estimates of the ratio of financing costs to the net revenue stream

    (d) Estimates of the incremental impact of capital investment decisions on council tax.

Estimates of Capital Expenditure

27. **Table 2** shows the Council's planned capital expenditure and how it will be financed. The figure for 2018-19 includes the estimated slippage of £73.8m from the 2017-18 programme and the proposed capital programme for 2018-21 in **Appendix C, Annex E**.

Table 2: Capital Expenditure and Financing

	2017-18 Revised £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m
Adult & Community Services	9.3	7.9	-	-
Health, Wellbeing and Children's Services	41.1	46.1	29.5	45.9
Fire and Rescue Services and Public Safety	3.0	6.2	1.0	1.0
Strategic Development	29.3	35.5	29.7	91.7
Operational Highways	32.6	31.4	28.2	25.2
Waste	0.0	12.8	4.6	-
Property	7.9	12.8	4.8	2.0
Broadband & IT	14.6	20.7	2.3	2.3
Total Expenditure	**137.8**	**173.3**	**100.0**	**168.2**
Capital Receipts	6.9	4.9	1.8	1.0
Government Grants	52.2	74.2	62.5	123.5
External Contributions	24.9	23.5	14.5	24.7
Revenue and Reserves	11.9	7.7	3.4	3.4
Borrowing	41.8	63.0	17.8	15.7
Total Financing	**137.8**	**173.3**	**100.0**	**168.2**

Capital Financing Requirement

28. **Table 3** shows the Capital Financing Requirement (CFR) which measures the Council's underlying need to borrow for capital purposes. The CFR is forecast to rise by £68m by 2021 due to planned capital expenditure financed by borrowing.

Table 3: Capital Financing Requirement

	31.3.18 Estimate £m	31.3.19 Estimate £m	31.3.20 Estimate £m	31.3.21 Estimate £m
Capital Financing Requirement	**724**	**779**	**787**	**792**

Ratio of Capital Financing Costs to Net Revenue Stream

29. The net revenue stream is defined as income from taxation and non-specific grant income. Table 4 shows the ratio of Capital Financing Costs to net revenue stream, which is an indicator of affordability. This highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income. The increase in this ratio over the next three years is a combination of a reduction in RSG and increases in borrowing costs.

Table 4: Ratio of Financing Costs to Net Revenue Stream

	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Ratio of financing costs to net Revenue Stream	4.53%	4.96%	5.64%	6.22%

Incremental Impact of Capital Investment Decisions

30. **Table 5** shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the previously approved programme (2017-18) and the revenue budget requirement arising from the capital programme proposed for 2018-21. This shows the cumulative impact of the proposed changes, so the 2020-21 estimate in Table 5 shows the increased cost of the capital expenditure financed by borrowing for the three years 2018-19 to 2020-21.

Table 5: Incremental Impact of Capital Investment Decisions

	2018-19 Estimate £	2019-20 Estimate £	2020-21 Estimate £
Increase in annual Band D Council Tax	0.34	1.57	4.11

Annual Minimum Revenue Provision Statement

31. Where the Council finances capital expenditure by borrowing, it must put aside resources to repay debt in later years. The amount charged to the revenue budget for the repayment of debt is known as the Minimum Revenue Provision (MRP).

32. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's (CLG) guidance on Minimum Revenue Provision most recently issued in 2012. The aim of the guidance is to ensure that debt is repaid over a period in line with which the capital expenditure provides benefits. A consultation on a revised Minimum Revenue Provision was

released in December 2017, with the aim of the new guidance coming into force in 2018-19 and therefore affecting the MRP provision from 2019-20 onwards. Unless there are substantial changes to the draft, it is not envisaged the changes will cause any issues to Suffolk County Council and our current Minimum Revenue Provision policy.

33. For 2018-19 the policy for calculating the Minimum Revenue Provision is detailed below:

    a. For capital expenditure incurred before 1 April 2008, the MRP policy will be to provide an annual sum calculated on an annuity basis on the balance outstanding at 31 March 2008 over 50 years using the average interest rate on outstanding Council loans at 31 March 2015, which was 3.852%.

    b. For expenditure since 1 April 2008 the MRP policy will be to repay borrowing within the expected life of the asset being financed. This is in accordance with the "Asset Life" method in the guidance. The repayment profile will follow an annuity repayment method, which is one of the options set out in the guidance.

34. For new borrowing, an average asset life for each project will normally be used. There will not be separate MRP schedules for the components of any assets. A standard schedule of asset lives will generally be used, however, advice from appropriate advisers may also be taken into account.

35. MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except where an asset is not yet operational, in which case MRP will commence the year after the asset becomes operational.

36. For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

37. The Council may make additional voluntary debt repayment provision from revenue or capital resources. Any additional repayments will be authorised by the S151 Officer.

38. Where loans are made to third-parties for capital purposes, the loan would be treated as capital expenditure. The capital receipt received each year for the annual loan repayment will be set aside in order to re-pay the principal borrowed over the life of the loan. MRP will only be accounted for if an accounting provision has been made for non-repayment of the loan, or there is a high degree of uncertainty regarding the repayment.

39. The estimated MRP cost for 2018-19 is £8.0m.

C. Treasury Management Strategy Statement and Prudential Indicators

Introduction and external context

1. The CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code requires local authorities to determine a treasury management strategy statement and set prudential indicators on an annual basis. The Department for Communities and Local Government also requires an investment strategy to be included in the treasury management strategy statement.

2. Prudential indicators relating to the capital programme are shown in Section B. Those relating to the treasury management strategy are included in this section.

3. The treasury management strategy takes into account the impact of the Council's revenue budget and capital programme on the balance sheet position, the current and projected treasury position, the investment strategy and treasury prudential indicators and the outlook for interest rates.

4. Treasury risks present themselves in many forms, from failure to optimise performance by not taking advantage of opportunities, to managing exposure to changing economic circumstances. The Council seeks to manage its risks with regard to credit and counterparty risk, liquidity risk, interest rate risk, refinancing risk, legal and regulatory risk, fraud, error and corruption, contingency management and market risk.

5. The risk appetite of the Council is low, with security and liquidity of investments taking precedence over the rate of return. For borrowing, the Council manages the portfolio of debt to minimise refinancing risk.

Economic Background

6. The major external influence on the risks and returns in economic markets and hence on the Authority's treasury management strategy for 2018-19 will continue to be the UK's progress in negotiating its exit from the European Union. Although the domestic economy has remained robust since the referendum there are indications that uncertainty is now weighing on growth.

Credit Outlook

7. High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

8. Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own

plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities

9. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council. Returns from cash deposits however remain very low.

Interest Rate Forecast

10. The Council's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018-19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

11. Future expectations for higher short-term interest rates are subdued and on-going decisions remain data dependant with negotiations on exiting the EU casting a shadow over monetary policy decisions. Gilt yields are expected to remain broadly stable across the medium term. Upward movement will be limited, with the UK government's fiscal stance as a risk in this projection.

Local Context

12. The Council had £401m of borrowing and £29m of investments at 31 March 2017. Forecast changes in these sums are shown in the balance sheet analysis in **Table 1**:

Table 1: Balance Sheet Summary and Forecast

	31.3.17 Actual £m	**31.3.18 Estimate £m**	**31.3.19 Estimate £m**	**31.3.20 Estimate £m**	**31.3.21 Estimate £m**
CFR	689.0	724.0	779.0	787.1	792.4
Less: Other debt liabilities	- 63.2	- 60.4	- 57.6	- 54.6	- 51.6
Borrowing CFR	**625.8**	**663.6**	**721.4**	**732.5**	**740.8**
Less : External borrowing	- 401.3	- 288.7	- 286.3	- 283.9	- 281.5
Internal borrowing	**224.5**	**375.0**	**435.1**	**448.6**	**459.2**
Less: Usable reserves	- 193.9	- 156.7	- 153.7	- 153.7	- 153.7
Less : Working capital	- 59.3	- 72.9	- 64.4	- 55.4	- 46.9
Investments/ (New borrowing)	**28.7**	**-145.3**	**-217.0**	**-239.4**	**-258.6**

The investments/ new borrowing are split as follows:

Borrowing	0.0	-155.3	-227.0	-249.4	-268.6
Investments	28.7	10.00	10.00	10.00	10.00

13. The Council has an increasing Capital Financing Requirement (CFR) due to repayments of minimum revenue provision being outweighed by the financing of capital spend through borrowing. Planned reductions in the usable reserves held by the Council leads to a reduction in the internal borrowing available and therefore the Council is expected to be required to borrow up £258.6 million over the forecast period.

Advisors and Treasury management staff

14. Arlingclose provides advice on investment, debt and capital finance issues. The Council considers this advice alongside information from other sources such as banks, media and other local authorities before making decisions.

15. The needs of the Council's treasury management staff for training are assessed every three months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Borrowing Strategy

16. External debt is based on the Council's gross external borrowing plus its other long term liabilities (comprising of PFI and other liabilities that are not borrowing but form part of the Council's debt). **Table 2** shows the estimates of external debt compared to the CFR, Operational Boundary and Authorised Limits.

Table 2: External Debt

	31.3.18 Estimate £m	31.3.19 Estimate £m	31.3.20 Estimate £m	31.3.21 Estimate £m
Capital Financing Requirement	**724**	**779**	**787**	**792**
Debt:				
Borrowing	444	513	533	550
PFI Liabilities	60	58	55	52
Total Debt	**504**	**571**	**588**	**602**
Operational Boundary	**650**	**700**	**700**	**700**
Authorised Limit	**724**	**779**	**787**	**792**

17. Borrowing is forecast to rise over the three years by £106m which is more than the increase in CFR. This is due to the forecast reduction in internal reserves over the period which are used by the Council in lieu of external borrowing.

18. The Operational Boundary is based on the Council's estimate of the most likely scenario for external debt and takes account of short term fluctuations in managing the Council's cash flow. The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The Authorised Limit has been based on the Council's estimated CFR.

19. The Council's gross external borrowing at the end of November 2017 was £421.1 million (£392.5m in November 2016). The balance sheet forecast in **Table 1** shows that the Council expects to borrow £145.3m by the end of 2017-18.

20. The Council's main objective when borrowing money is to strike an appropriately low-risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

21. Given the significant reductions in public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is more cost

effective in the short-term to either use internal resources, or to borrow short-term.

22. By using internal resources, the Council is able to reduce net borrowing costs despite forgoing investment income. It also removes some of the need to invest, therefore reducing the credit risk associated with investing. The benefits of short term borrowing and internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise.

23. The Council does not place any specific restrictions on approved sources of long-term and short-term borrowing. The use of sources of finance other than by way of temporary borrowing or overdraft will be subject to prior approval by the Section 151 Officer.

24. The Council has previously raised all of its long-term borrowing from the Public Works Loan Board (PWLB) and from Commercial Banks in the form of Lender Option Borrower Option Loans (LOBO) but it continues to investigate other sources of financing, such as local authority loans and bank loans that may be available at more favourable rates.

25. The Council currently holds £130m of LOBO (Lender Option Borrower Option) loans where the lender has the option to propose a change in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £80m of the LOBO loans have options during 2018-19, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so. The Council does not anticipate taking any further borrowing through LOBO loans.

26. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

27. The Council held £15m of invested funds at 30 November 2017 (£65m November 2016), representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £10 and £38m, lower than last year's balances due to the Council being in a net borrowing position. Very low investment levels are expected to be maintained in 2018-19 as revenues for the Council are expected to fall and cash held on behalf of third parties (e.g. New Anglia Local Enterprise Partnership) is reduced.

28. The Council may invest its surplus funds in any of the Investment Instruments shown in **Table 3** and **Table 3a** below, subject to the cash limits (per counterparty) and the time limits shown.

29. These tables should be read in conjunction with the notes below them.

Table 3: Approved Investment Instruments

Country Credit Rating	Banks secured Rating (Minimum Rating) Max. Amount & Duration See Table 3a	Banks Unsecured Rating (Minimum Rating) Max. Amount & Duration	Government	Corporates Rating (Minimum Rating) Max. Amount & Duration	Registered Providers Rating (Minimum Rating) Max. Amount & Duration
UK (Min. A- rating)	A £200m 2 years	A £10m 13 months	£200m 50 years Gilts, UK Index Linked Bonds, Treasury Bills, Bonds and deposits with DMO	AA £10m per issuer 5 years	A £10m per issuer 5 years
	A- £50m 6 months	£25m Deposit Account (Lloyds only)	N/A		
Foreign Counterparties (Min. AAA Country rating)	AA- £200m 4 years	AA- £15m 13 months	£200m 50 years	AA £10m per issuer 5 years	N/A
	BBB+ £50m 6 months	N/A			
UK Local Authorities (Min. A- if applicable)	N/A	N/A	£20m per authority 5 years	N/A	N/A
Multilateral Development Banks (AAA)	N/A	N/A	£200m £25m per issue 50 years	N/A	N/A
Pooled Funds (No rating)	£25m (or 1% of fund whichever is lower) · Money Market Funds · Government Funds · Cash Plus Funds · Property Funds				

Table 3a: Approved Collateral Instruments Taken Against Repurchase Agreements through secured bank deposits

Issuing Country	Collateral: Max. Amount, Duration and Type
UK	£200m 50 years Gilts, UK Index Linked Bonds, Treasury Bills, Bonds and CREST Gilt DBV
G7 Government Debt (Canada,France,Germany,Italy,Japan, UK & USA)	£200m 50 years Gilts, UK Index Linked Bonds, Treasury Bills and Bonds
Multilateral Development Banks (AAA)	£200m 50 years Bonds £25m per issue

30. **Credit Rating**: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody’s or Standard & Poor’s. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

31. **Banks Secured**: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank’s assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

32. **Banks Unsecured**: Accounts, deposits and certificates of deposit with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

33. **Government**: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

34. **Corporates**: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made, following an external credit assessment, as part of a diversified pool in order to spread the risk widely.

35. **Registered Providers**: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

36. **Pooled Funds**: Shares in diversified investment vehicles consisting in any of the above investment types, plus equity shares and property. These funds have the advantage of providing diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be

used as an alternative to instant bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

37. **Operational bank accounts:** The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than A- and with assets greater than £25 billion. The Council's current banker Lloyds meets these requirements. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity. Although these accounts are not classed as investments, but are still subject to the risk of a bank bail-in, balances with Lloyds will therefore be kept below £25m.

38. **Risk Assessment and Credit Ratings**: Credit ratings are obtained and monitored by the Council's treasury advisors, Arlingclose, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria, then:

    a) No new investments will be made;

    b) Any existing investments that can be recalled or sold at no cost will be; and

    c) Consideration will be given to the early repayment of all other existing investments with the affected counterparty, depending on the severity of the downgrade.

39. Where a credit rating agency announces that a credit rating is on review for possible downgrade so that it may fall below the approved rating criteria, then only overnight investments will be made with that organisation until the outcome of the review is announced.

40. **Other Information on the Security of Investments**: The Council understands that credit ratings are not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet credit rating criteria.

41. **Specified Investments**: Specified investments are defined as sterling currency investments which are not defined as capital expenditure by legislation with a maturity up to a year invested with the UK Government, UK local authorities (including parish and community councils) or a body of 'high credit quality'

42. The Councils defines high credit quality organisations and securities are those with an A or above credit rating domiciled within the UK, or AA domiciled within a foreign country.

43. **Non-specified investments**: These are any investment not meeting the definition of a specified investment. The Authority does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, expenditure defined as capital expenditure by legislation i.e. company shares, and investments with bodies and schemes not meeting the definition on high credit quality. The total limit for non-specified investments will be limited to £90m in total.

44. The Council uses cash-flow forecasting to determine the maximum period for which funds may be prudently committed. The forecast is compiled on a prudent basis, with receipts underestimated and payments overestimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.

Investment of Money Borrowed in Advance of Need

45. The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks. The maximum period between borrowing and expenditure is to be up to two years, although the Council is not required to link particular loans with particular items of expenditure.

Non-Treasury Investments

46. Although not classed as treasury management activities and therefore not currently covered by the CIPFA Code or the CLG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes, for example as loans to local businesses and landlords, or as loans to the Authority's subsidiaries

47. Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

Policy on the Use of Financial Derivatives

48. The Council has previously made use of LOBO loans which have embedded financial derivatives. The Council will not make use of stand-alone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds, may be used, and the risks that they present will be managed in line with the overall treasury management strategy.

Other Treasury Management Indicators

49. The Council measures and manages its exposures to treasury management risks using the Operational Boundary and Authorised Limits for borrowing (**Table 2**) and the following indicators:

50. **Interest Rate Exposures** – this indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be:

Table 4: Limits on interest rate exposures

	2018-19 £m	2019-20 £m	2020-21 £m
Upper limit on fixed interest rate exposure	650	700	700
Upper limit on variable interest rate exposure	250	250	250

51. The limit on fixed interest rate exposure is based on the operational boundary. The variable rate is based on the difference between the CFR and operational boundary, with allowance for debt maturing within 12 months.

52. Fixed-rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the year are classed as variable rate.

53. **Maturity Structure of Borrowing** – this indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Table 5: Maturity structure of borrowing

<table>
<tr><th></th><th>Lower</th><th>Upper</th></tr>
<tr><td>Under 12 months</td><td>0%</td><td>50%</td></tr>
<tr><td>Over 12 months and within 24 months</td><td>0%</td><td>50%</td></tr>
<tr><td>Over 24 months and within 5 years</td><td>0%</td><td>60%</td></tr>
<tr><td>Over 5 years and within 10 years</td><td rowspan="2">25%</td><td>70%</td></tr>
<tr><td>10 years and above</td><td>100%</td></tr>
</table>

54. The Council will maintain a minimum of 25% of its debt with a maturity date of at least five years. The maturity structure of the Council's loans will be analysed according to the earliest date at which the lender can exercise the option to vary the interest rate.

55. **Principal Sums invested for Periods longer than 364 days** – The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be a total of £90m, of which £70m maximum could be invested for up to 2 years and £50m maximum invested for 3 years.

Recommendations for Treasury Management Strategy

56. The overall treasury management strategy is to manage cash, investments and borrowing on a daily basis with regard to the current estimate position at the end of the year and the next three years. For 2018-19 the strategy will be to invest cash balances during the year in short to medium term investments with a borrowing position anticipated by the end of the year to finance the capital programme. The capital programme is reported to cabinet on a quarterly basis and the treasury management strategy will take into account any amendments to the capital programme as well as any anticipated changes to reserves and third-party cash which may also impact on the requirement for borrowing during the year.

57. Borrowing necessary for short term cash-flow will be undertaken by short-term loans. Borrowing for the capital programme will also be undertaken by short-term loans unless interest rates or maturity constraints indicate that long-term borrowing is more suitable, in which case any loans will be approved by the S151 Officer and will adhere to the maturity constraints as shown in **Table 5**.

58. The investment strategy for 2018-19 will be to make short to medium term specified investments (cash flow permitting) within the approved instruments shown in **Table 3**. The aim of the investment strategy is to ensure the security and liquidity of the investment before seeking the highest rate of return, or yield.

59. The council will "opt-up" to professional status under MiFiD II to allow continued access to investments. To ensure the Council compiles with the requirements of professional status a £10m investment will be held separately from the Council cash available for day to day cash flow.

D. Acknowledgements

1. The foregoing mass of information comprises the third budget for which I have borne political responsibility. It has been much the most difficult to compile so far, as the County Council works ever-harder to identify the savings needed to produce a balanced budget, whilst protecting those most vulnerable across our Suffolk communities.

2. Officer-wise, the last few months have been a time of change. Geoff Dobson retired as planned; Louise Aynsley deservedly succeeded him as Head of Finance and Section 151 Officer; Tracey Woods is away on maternity leave; and Geoff Wilson has stepped-in temporarily to fill the gap as Chief Accountant. To those mentioned, and all finance staff, I give them my sincere thanks for their advice, experience, skills and hard work. Suffolk County Council is well-served by them all.

Cllr Richard Smith MVO
Cabinet Member for Finance and Transformation

Update on the Economy and Autumn Budget 2017

1. This was the first Autumn Budget as part of the Government's return to a single fiscal event each year.

2. The Office for Budget Responsibility (OBR) was established to provide independent economic forecasts and analysis of public finances. The OBR have produced the following main forecasts for the economy (percentage change on a year earlier):

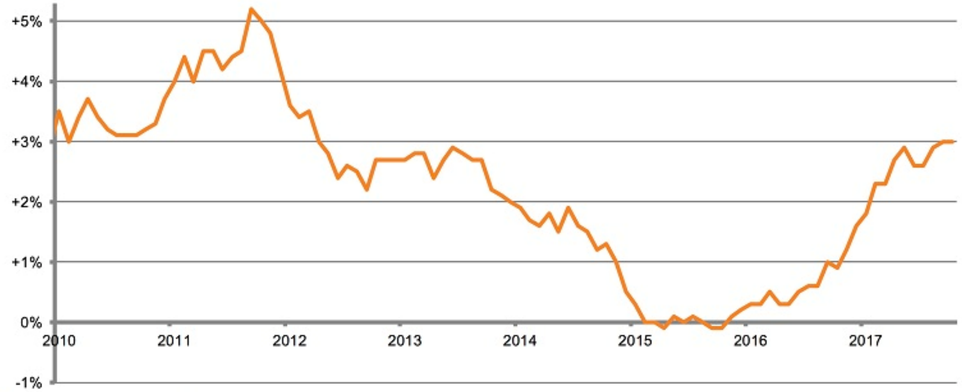
Table 1: Economic forecasts

	2016	2017	2018	2019	2020	2021	2022
Gross Domestic Product	1.8	1.5	1.4	1.3	1.3	1.5	1.6
Productivity Growth	0.4	0.0	0.9	1.0	1.3	1.3	1.3
CPI Inflation	0.7	2.7	2.4	1.9	2.0	2.0	2.0

3. Gross Domestic Product (GDP) forecasts were revised downwards from the figure of 2%, partly due to lower productivity growth. GDP is one of the primary indicators used to gauge the health of a country's economy and represents the value of the goods and services produced over a specific time. GDP is used by the Bank of England and its Monetary Policy Committee (MPC) as one of the key indicators in setting interest rates.

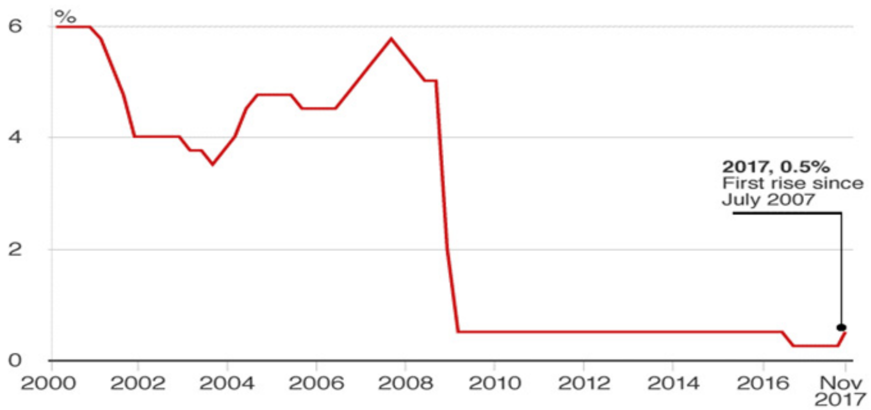
4. The Consumer Price Index (CPI) has been forecast to peak at 3% at the end of 2017 and then ease through 2018 as the effect of sterling's depreciation wanes. CPI measures changes in the price level of a basket of household consumer goods and services and is used to calculate inflation. The inflation target remains at 2%.

Chart 1: Consumer Price Index



5. The MPC decided on 1 November 2017 to increase the bank interest rate by 0.25 percentage points to 0.5%. This was the first rise since July 2007 and the decision was reached due to record low unemployment, rising inflation and stronger global economic growth. The MPC believes inflation is unlikely to return to 2% without raising interest rates.

Chart 2: Annual interest rates from 2000 to 2017



6. Public sector net borrowing (PSNB) represents the Government's expenditure less receipts and is the measure of fiscal surpluses and deficits. The OBR forecasts are shown in Table 2:

Table 2: PSNB

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
PSNB (% of GDP)	2.3%	2.4%	1.9%	1.6%	1.5%	1.3%
PSNB (£bn)	45.7	49.9	39.5	34.7	32.8	30.1
PS Net Debt (% of GDP)	85.8%	86.5%	86.4%	86.1%	83.1%	79.3%

7. The fiscal rules approved by Parliament commits the Government to reducing the deficit to below 2% of GDP and having debt as a share of GDP falling by 2020-21. The OBR forecasts that the Government will meet its fiscal targets and that borrowing will reach its lowest level since 2001-02. The UK is on course for a balanced budget by the middle of the next decade.

8. Borrowing in 2017-18 is forecast to be £49.9bn, a reduction of £8.4bn from the forecast published in the Spring. This is due to an increase in receipts of tax due to stronger returns and lower spending on welfare, tax litigation and the reclassification of English Housing Associations to the private sector.

9. The government has made progress since 2010 in reducing the deficit to its lowest level since before the financial crisis however, despite these improvements, borrowing and debt remains too high and must be reduced in order to improve fiscal sustainability and lessen the burden on future generations.

10. The OBR has not attempted to predict the precise outcome of Brexit negotiations with the EU but has instead made broad assumptions in its forecasts.

11. The government is continuing its EU exit negotiations seeking new partnership deals and whilst it is anticipating success it is prudently planning for a range of outcomes. To date, £700 million has been provided to support its preparations. The Budget sets aside an additional £3 billion to ensure the government can continue to prepare effectively for the EU exit.

Key Points from the Autumn Budget 2017

12. Although there were a number of announcements regarding increases for targeted areas of public services, most areas of public spending will become increasingly overstretched with reductions of another 7% over the next five years.

13. Between 2010 and the end of this financial year, £6bn will have been cut from councils' adult social care budgets and £2.4bn in children services budgets, whilst demands on these service areas have been rising.

14. The targeted area for increases in funding are where the government believes investment is needed most. The main announcements that may have a direct or indirect effect on the strategic planning of local services are as follows:

Health and Social Care

15. The government announced it will provide an additional £2.8bn of funding for the NHS in England, to enable the NHS to meet the A&E four-hour target next year, make inroads into waiting lists and improve performance against waiting time targets. The funding is allocated as follows:

    a) £335m this year to assist with winter pressures.
    b) £1.6bn in 2018-19.
    c) £900m in 2019-20, to help address future pressures.

16. The government has published a Green Paper in December 2017 on its plans to transform mental health services for children and young people.

17. An additional £42m will be provided for the Disabled Facilities Grant in 2017-18, supporting people to stay in their own homes.

18. A further £3.5bn of new capital funding for local groups of NHS organisations, for estate transformation and improvement and efficiency schemes so that the NHS can locally deliver more integrated care for patients and better meet demand which will be allocated as follows:

    a) £2.6bn to help Sustainability and Transformation Partnerships improve their ability to meet demand for local services, subject to the usual approvals process.
    b) £700m to support turnaround plans in those trusts facing the biggest performance challenges, and to tackle the most urgent/critical maintenance issues.
    c) £200m to support efficiency programmes, e.g. to reduce spending on energy and fund technology that frees resources and staff time for treating patients.

Housing

19. The Government has made a commitment to increase the number of houses being built and to invest in the infrastructure needed to support those additional homes.

These measures include:

a) The government will introduce planning reforms to help ensure more land is available for housing, and that better use is made of underused land in towns and cities and has pledged to develop a central register of residential planning permissions from local authorities. Changes to the planning system will encourage better use of land in cities and towns. This means more homes can be built while protecting the green belt.

b) An additional £15.3bn of new financial support for housing will be available over the next five years in pursuit of the government target of building 300,000 homes a year by the end of the current Parliament. The Budget confirms an additional £2bn for the Affordable Homes Programme, taking the programme total to £9.1bn by 2020-21.

c) An additional £2.7bn has been committed to the Housing Infrastructure Fund, to support delivery in high-demand areas to be allocated through competitive bids with a further £630m to be made available, via the National Productivity Infrastructure Fund (NPIF), to accelerate building on small, stalled sites by funding on-site infrastructure and land remediation. £400m of loan funding will also be available to regenerate run-down estates and provide new homes in high demand areas.

d) Local authorities in high demand areas will be invited to bid for increases in their Housing Revenue Account caps from 2019-20, up to a total of £1bn by the end of 2021-22. The government will monitor the response to this and consider whether further action is needed.

e) Local authorities will be able to increase the Council Tax premium on empty homes from 50% to 100%.

f) To tackle homelessness, the government launched the Homelessness Reduction Taskforce, which will develop a cross-government strategy aimed at halving the number of rough sleepers by 2022 and eliminating it by 2027. £20m will be provided for schemes to support people at risk of homelessness, and to acquire and maintain tenancies in the private rented sector.

Infrastructure

20. The Government set out a range of infrastructure investments and other projects aimed at supporting regional growth. These include:

a) A £98m contribution to support a new bridge in Great Yarmouth, to alleviate congestion and help stimulate growth in the Enterprise Zone.
b) Up to £1bn of lending for local authorities to support high value for money infrastructure projects, at a new discounted interest rate of gilts + 60 basis points. Details of the bidding process for this will be available in the new year.

21. The government is launching a new £190m Challenge Fund against which local areas will be able to bid for funding to encourage faster roll-out of full-fibre networks.

22. An additional £76m will be spent over three years on flood and coastal defence schemes, £40m of which will be focused on deprived communities at high risk of flooding and the government also announced an additional £45m in 2017-18 to help repair up to 900,000 potholes.

23. Support for low carbon electricity will be maintained, including up to £557m for further Contracts for Difference. There will be no new low carbon electricity levies until the burden of such costs are falling. On current forecasts, there will be no new levies until 2025.

24. An update of the National Infrastructure and Construction Pipeline was published in December 2017, setting-out a ten-year projection of public and private investment in infrastructure.

Education and Skills

25. There was a strong package of training and education initiatives announced to support the skills required in the workforce market, which includes £8.5m made available over the next two years to support UnionLearn, to help boost learning in the workplace. In addition, the government will create a GovTech Catalyst within the Government Digital Service to give businesses and innovators a clear access point to the government. The Catalyst will help them navigate government and collaborate to help solve public sector challenges and from 2018-19, up to £20m will be committed over three years for a GovTech Fund. This will be open to public bodies to help support procurement of innovative products through the Small Business Research Initiative.

26. £34 million will go towards teaching construction skills like bricklaying and plastering. £30 million will go towards digital courses using artificial intelligence. This funding is provided in advance of launching a National Retraining Scheme that will help people get new skills. It will be overseen by the government, the Trades Union Congress (TUC) and the Confederation of British Industry (CBI). They will decide on other areas of the economy where new skills and training courses are needed.

27. The government will give particular support to maths, including:

    a) £27m to expand the Teaching for Mastery programme.
    b) An additional £600/pupil for schools for every pupil taking Maths/ Maths A-level or Core Maths.
    c) £18m to fund an annual £350k for every school operating under specialist maths school model.
    d) £8.5m to support pilot approaches to improve maths GCSE resit results.
    e) £40m to establish Further Eduction Centres of Excellence to train maths teachers.

Public Value Review

28. The government has accepted the central recommendation of the Barber Review (Delivering Better Outcomes for Citizens: Practical Steps for Unlocking Public Value) and will introduce a Public Value Framework – a tool to measure how effectively public spending delivers results that improve people's lives. This will be piloted in 2018.

Pay

29. Further to the government's announcement in September 2017 that it will move away from the 1% public sector pay cap, relevant Secretaries of State will shortly write to chairmen of Pay Review Bodies (PRBs) to initiate the 2018-19 pay round. PRBs will make their recommendations by the summer of 2018, with Secretaries of State making final decisions, taking into account recommendations of affordability.

30. The Low Pay Commission (LPC) is an independent body set up to advise the government in regard to minimum pay rates. Following recommendations from the LPC the government will increase the National Living Wage (for those aged 25 years and over) by 4.4% from £7.50 to £7.83 from 1 April 2018. This is estimated to benefit over 2 million workers.

Business Rates

31. In October 2015 the Government announced its intention to enable local government as a sector to retain all business rates raised locally by 2020. Currently local government, collectively retains half of the income from business rates, the other half is paid by councils to central government, which uses the income to fund grants to local authorities. As part of the first stage of implementation the government has agreed a pilot of 100% business rate retention in London in 2018-19. The Greater London Authority and London boroughs are to form a pool to strategically invest for revenue growth. The government will continue to pilot additional rates retention for LAs across England. New pilots for 2018-19 were announced as part of the Provisional Settlement. Suffolk will be one of the pilot sites.

Annex B

Summary of 2018-19 Revenue Budget by Directorate

A summary of the movements between the 2017-18 and the 2018-19 budget is shown below:

2017-18 Net Budget	Service	Funding Adjustments	2017-18 Adjusted Comparator Budget	Inflation	Other Changes	Savings	2018-19 Net Budget
£'000		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
215,508	Adult & Community Services (ACS)	13,566	229,074	4,132	10,894	-12,000	232,100
136,734	Health, Wellbeing & Childrens Services (HWCS)	935	137,669	1,065	-801	-250	137,683
24,290	Fire Service & Public Safety	193	24,483	255		-239	24,499
51,168	Growth, Highways and Infrastructure*	0	51,168	434	0	-1,344	50,258
25,983	Corporate Services*	752	26,735	15	0	-370	26,380
34,179	Capital Financing & Central Resources*	-1,272	32,907	3,311	1,000	-9,700	27,518
487,862	**Total Net Expenditure Budget**	**14,174**	**502,036**	**9,212**	**11,093**	**-23,903**	**498,438**
2,981	New Homes Bonus		2,981	New Homes Bonus			1,980
1,743	Rural Services Delivery Grant		1,743	Rural Services Delivery Grant**			0
30,793	Public Health Ring-Fenced Grant		30,793	Public Health Ring-Fenced Grant			29,992
1,364	Education Services Grant		1,364	Education Services Grant			0
1,978	Transitional Grant		1,978	Transitional Grant			0
8,501	Funding from Contingency Reserve		8,501	Funding from Contingency Reserve			2,857
3,276	Adult Social Care Support Grant		3,276	Adult Social Care Support Grant			0
870	Improved Better Care Fund	14,174	15,044	Improved Better Care Fund (Part 1)			10,986
			0	Improved Better Care Fund (Part 2)			9,274
436,356	**Budget Requirement**	**0**	**436,356**	**Budget Requirement**			**443,349**
				Funded by:			
45,191	Revenue Support Grant		45,191	Revenue Support Grant**			0
74,934	Top up Grant		74,934	Top up Grant**			0
22,979	Business Rates		22,979	Business Rates**			133,049
279,333	Council Tax		279,333	Council Tax including Collection Fund Surplus			290,355
13,919	Social Care Precept		13,919	Social Care Precept			19,945
436,356		**0**	**436,356**	**Total**			**443,349**

*The Growth, Highways and Infrastructure Directorate and the Corporate Services Directorate are new directorates following the division of Resource Management. Capital Financing & Central Resources remains unchanged, but the heading has changed from Corporate to Central.

**In 2018-19 Suffolk has accepted Business rates pilot status, therefore Revenue Support Grant, Rural Services Delivery Grant and the Business Rates Top Up are all funded from 100% business rates retention.

Adult & Community Services Revenue Budget

2017-18 Adjusted Comparator Budget	Directorate Service	2018-19 Net Budget	Movements	Notes
£'000		£'000	£'000	
5,205	Management & Workforce Development	4,527	-678	Inflation (£0.022m), Improved Better Care Fund (-£0.700m)
185,827	Care Purchasing	193,379	7,552	Inflation (£3.583m), Improved Better Care Fund (£9.289m), Adult Social Care Support Grant withdrawal (-£3.276m), Adult Social Care Precept and Demand (£8.954m), Adult Care savings (-£11.000m)
18,336	Area Social Work Teams	18,508	172	Inflation (£0.134m), Improved Better Care Fund (£0.038m)
9,119	Reablement, Equipment & Assistive Technology	9,178	59	Inflation (-£0.031m), Improved Better Care Fund (£0.090m)
2,706	Family Carers Support	2,735	29	Improved Better Care Fund (£0.029m)
4,604	Business & Transformation	4,650	46	Inflation (£0.046m)
6,126	Housing Related Support	5,126	-1,000	Savings (-£1.000m)
14,736	Commissioners & Specialist Services	11,912	-2,824	Inflation (£0.376m), Improved Better Care Fund (-£3.200m)
-17,585	Care Act & Better Care Funding	-17,915	-330	Improved Better Care Fund (-£0.330m)
229,074	**Total Budget**	**232,100**	**3,026**	

Summary of Budget Movements for Adult & Community Services between 2017-18 and 2018-19

	Category of Expenditure	Commentary	
			£'000
	2017-18 Budget (adjusted)		**229,074**
1	Inflation	Pay inflation of 1% has been allocated to all pay budgets - total allocated is £0.369m 0.5% inflation has been allocated for non pay budgets and between 2% & 3% for income amounting to a net £0.483m. Of this, £0.462m has been allocated to care purchasing with the remainder for grants and the Library contract.	4,132
2	Demand & Demography	Demand for ACS services is rising due to increasing numbers of customers and increased frailty of existing customers.	-
3	Other Changes	This includes the Improved Better Care Fund (£5.216m), the 2% Social Care Precept and Demand (£8.954m), Adult Social Care Support grant withdrawl (-£3.276m).	10,894
4	Savings	ACS 1: Adult Care (-£11.000m) ACS 2: Housing Related Support (-£1.000m)	- 12,000
	2018-19 Net Budget		**232,100**

Saving references throughout Annex C refer to those listed in Annex D

Health, Wellbeing and Children's Services Revenue Budget

2017-18 Adjusted Comparator Budget	Directorate Service	2018-19 Net Budget	Movements	Notes
£'000		£'000	£'000	
	Health and Wellbeing			
190	Director of Public Health and Protection	190	0	
27,603	Health Improvement and Health Protection	26,834	-769	Inflation (£0.004m).Public Health Ring Fenced Grant Reduction (-£0.773m)
587	Knowledge and Intelligence	586	-1	Public Health Ring Fenced Grant Reduction (£0.001m)
9,423	Localities and Partnerships	9,413	-10	Inflation (£0.067m). Savings (-£0.050m). Public Health Ring Fenced Grant Reduction (-£0.027m)
753	Public Health Support to Commissioning	753	0	
	Children's Services			
9,455	Directorate-wide Resources	9,421	-34	Pay Inflation increase of £0.066m. Savings of £0.1m that will be made from the systems transformation programme
69,328	Early Help & Specialist Services	69,909	582	Inflation of £0.682m. Savings of £0.1m from an increase in income from acadamies through trading of services.
2,310	Commissioning	2,319	9	Pay Inflation
17,830	Home to School Transport	18,009	178	Non-pay inflation
44,353	Education & Learning	44,385	32	Pay Inflation
51,444	Inclusion & Skills	51,471	27	Pay Inflation
159,433	Maintained Schools	159,433	0	
-255,039	Childrens Services Grant Income*	-255,039	0	
137,669	**TOTAL BUDGET**	**137,683**	**14**	

***Includes Dedicated Schools Grant (DSG) and the Pupil Premium Grant (PPG) and Sixth Form specific grants.**

Summary of Budget Movements for Health, Wellbeing and Children's Services between 2017-18 and 2018-19

	Category of Expenditure	Commentary	
			£'000
	2017/18 Budget (adjusted)		**137,669**
1	Inflation	This figure represents pay inflation of 1%, 1% on non pay budgets and 3% on Income budgets as required. Libaries (£0.067m) and Most Active County (£0.004m)	1,065
2	Other Changes	Public Health Ring Fenced Grant Reduction (-£0.801m)	-801
3	Savings	Childrens Services: HW&CS 1: £0.1m increase in income from trading with acadamies. HW&CS 2: £0.1m savings from transforming services. HW&CS 3: £0.05m, Libraries.	-250
	2018-19 Budget		**137,683**

Fire & Rescue Service and Public Safety Revenue Budget

2017-18 Adjusted Comparator Budget	Directorate Service	2018-19 Net Budget	Movement	Notes
£'000		£'000	£'000	
21,587	Fire Service	21,768	181	Inflation (£0.231m) and Fire Service Savings (-£0.050m)
368	Health and Safety	351	-17	Inflation (£0.004m) and Health and Safety Savings (-£0.021m)
383	Joint Emergency Planning Unit	383	0	
1,761	Trading Standards	1,629	-132	Inflation (£0.016m) and Trading Standards Service Savings (-£0.148m)
385	Citizens Advice Bureau	369	-16	Inflation (£0.004m) Service Savings (-£0.020m)
24,483	**TOTAL BUDGET**	**24,499**	**16**	

Summary of Budget Movements for Fire & Rescue Service and Public Safety between 2017-18 and 2018-19

	Category of Expenditure	Commentary	
			£'000
	2017-18 Budget (adjusted)		**24,483**
1	Inflation	This figure represents pay inflation of 1%, 1% on non pay budgets and 3% on Income budgets as required.	255
3	Savings	FPS 1: Trading Standards (-£0.148m) FPS 1: Citizens Advice Bureau (-£0.020m) FPS 2: Fire Service (-£0.050m) FPS 3: Health and Safety (-£0.021m)	-239
	2018-19 Budget		**24,499**

Growth, Highways and Infrastructure Revenue Budget

2017-18 Adjusted Comparator Budget	Directorate Service	2018-19 Net Budget	Movement	Notes
£'000		£'000	£'000	
18,740	Operational Highways	17,844	-895	Inflation (£0.105m), Savings (-£1.000m)
11,538	Passenger Transport	11,394	-144	Inflation (£0.106m), Savings (-£0.250m)
3,996	Strategic Development	3,915	-81	Inflation (£0.013m), Savings (-£0.094m)
16,895	Waste & infrastructure	17,105	210	Inflation (£0.210m)
51,168	**TOTAL BUDGET**	**50,258**	-910	

Summary of Budget Movements for Growth, Highways and Infrastructure between 2017-18 and 2018-19

	Category of Expenditure	Commentary	
			£'000
	2017-18 Budget (adjusted)		**51,168**
1	Inflation	This figure represents pay inflation of 1%, 0.5% on non pay budgets and 3% on Income budgets as required.	434
2	Savings	GHI 1: Operational Highways - Winter Maintenance (-£0.300m), GHI 1: Operational Highways - Charges for externally commissioned services (-£0.200m), GHI 1: Operational Highways - Capital Funded Works (-£0.500m), GHI 2: Strategic Development - Income generation from charges to developers (-£0.030m), GHI 3: Passenger Transport - Connecting Communities (-£0.100m), GHI 4: Passenger Transport - Commercialisation of sponsored routes (-£0.100m), GHI 4: Passenger Transport - Further savings (-£0.050m), GHI 5: Strategic Development - Brandon Country Park (-£0.050m), GHI 6: Strategic Development - Natural Environment (-£0.014m).	-1,344
	2018-19 Budget		**50,258**

Corporate Services Revenue Budget

2017-18 Adjusted Comparator Budget	Directorate Service	2018-19 Net Budget	Movement	Notes
£'000		£'000	£'000	
333	Chief Executive & Support Team	333	0	Inflation (£0.003m) and Allocation of RM Support Services Target (-£0.003m)
878	Commercial Team	875	-3	Inflation (£0.007m) and Allocation of RM Support Services Target (-£0.010m)
537	Communications	537	0	Inflation (£0.005m) and Allocation of RM Support Services Target (-£0.005m)
7,312	Corporate Property	7,059	-254	Inflation (-£0.020m), Savings (-£0.070m) and Allocation of RM Support Services Target (-£0.164m)
1,532	Finance	1,493	-39	Allocation of RM Support Services Target (-£0.039m)
1,906	Human Resources	1,867	-39	Inflation (-£0.001m) and Allocation of RM Support Services Target (-£0.038m)
3,311	Scrutiny & Monitoring	3,202	-109	Inflation (-£0.025m) and Allocation of RM Support Services Target (-£0.084m)
11,419	Strategy and IT	11,015	-404	Inflation (£0.060m), Savings (-£0.300m) and Allocation of RM Support Services Target (-£0.164m)
-493	RM Income Target	0	493	Inflation (-£0.015m) and Allocation of RM Support Services Target (0.508m)
26,735	**TOTAL BUDGET**	**26,380**	-355	

Summary of Budget Movements for Corporate Services between 2017-18 and 2018-19

	Category of Expenditure	Commentary	
			£'000
	2017-18 Budget (adjusted)		**26,735**
1	Inflation	This figure represents pay inflation of 1%, 0.5% on non pay budgets and 3% on Income budgets as required.	15
2	Savings	CORP 1: Savings in IT contracts (-£0.300m), CORP 2: Corporate Property (-£0.070m).	-370
	2018-19 Budget		**26,380**

Capital Financing and Central Resources Revenue Budget

2017-18 Adjusted Comparator Budget	Directorate Service	2018-19 Net Budget	Movements	Notes
£'000		£'000	£'000	
27,452	Capital Financing	20,452	-7,000	£7m saving from reducing the Minimum Revenue Provision (MRP) as approved in February 2017 within the annual MRP Policy statement.
1,505	Premature Retirement and Pensions	1,505	0	
710	Flood Defence Committee Levies	725	15	Inflation
289	Eastern Inshore Fisheries and Conservation Authority	295	6	Inflation
1,353	Councillors	1,364	11	Inflation
121	External Audit Fees	121	0	
600	Locality Budget	600	0	
-1,624	Suffolk Group Holdings Ltd	-2,124	-500	Targeted increase in the returns from the Councils wholly owned companies Vertas, Concertus and Opus.
-150	Barley Homes Ltd	-150	0	
650	Apprenticeship Levy	450	-200	Reduction in training budgets across Council services
0	Income Review	-400	-400	A saving derived from maximising income by reviewing existing income budgets. The saving will be allocated across services during 2018/19.
0	Pay Strategy	2,680	2,680	Costs associated with one year collective agreement in pay budgets. To be allocated across directorates in 2018/19.
2,000	Council Tax/Business Rates Risk	2,000	0	
32,907	**TOTAL BUDGET**	**27,518**	**-5,388**	

Summary of Budget Movements for Capital Financing and Central Resources between 2017-18 and 2018-19

	Category of Expenditure	Commentary	
			£'000
	2018-19 Budget (adjusted)		**32,907**
1	Inflation	Allocation of 1% inflation has been allocated to the Levies and Councillor Allowances budgets. Inflation of £1.600m not allocated to directorates which is offset by the saving below. £1.680m of pay inflation.	3,311
2	Other Changes	Pay Strategy - In 2018/19 the current collective agreement for pay will come to an end and national changes to the single status pay spine are expected from 2020. The Council will agree a new one-year collective agreement with Unison which will likely result in an increase in pay costs. A pay budget of £1.000m has been allocated to Central Resources and will be distributed as required to directorates in 2018/19.	1,000
3	Savings	CENT1 – Reducing the Minimum Revenue Provision (£7.00m) CENT2 – Increased Dividend from Suffolk Group Holdings (£0.500m) CENT3 – Reduce allocation for Non-pay inflation (£1.600m) CENT4 – Use of the Apprenticeship Levy (£0.200m) CENT5 – Income Review (£0.400m)	-9,700
	2018-19 Budget		**27,518**

Summary of Savings Proposals

Annex D

The table below provides a summary of the savings proposals for 2018-19. Paragraphs 1-49 provide more information on each of the savings proposals and the risks associated with them.

Savings Reference	Savings Proposals (by Directorate)	Amount £'m
	Adult & Community Services (ACS)	
ACS1	Mitigation of care purchasing demand increases	11.00
ACS2	Housing Related Support	1.00
	Health, Wellbeing & Childrens Services (HW&CS)	
HW&CS1	Childrens' Services Income Review	0.10
HW&CS2	Systems Transformation	0.10
HW&CS3	Library Services Contract	0.05
	Fire & Public Safety	
FPS1	Trading Standards & Citizens Advice Bureaux partnership grant	0.17
FPS2	Income from shared facilities and integration - SFRS	0.05
FPS3	Reduce Health and Safety budget	0.02
	Growth, Highways & Infrastructure	
GHI1	Operational Highways	1.00
GHI2	Development Management	0.03
GHI3	Passenger Transport - connecting communities	0.10
GHI4	Passenger Transport - sponsored services	0.15
GHI5	Brandon Country Park	0.05
GHI6	Natural Environment	0.01
	Corporate Services	
CORP1	Savings in IT contracts	0.30
CORP2	1% from Property budget	0.07
	Capital/Central	
CENT1	Reducing the Minimum Revenue Provision	7.00
CENT2	Increased Dividend from Suffolk Group Holdings	0.50
CENT3	Reduce allocation for Non-pay inflation	1.60
CENT4	Use of the Apprenticeship Levy	0.20
CENT5	Income review	0.40
	TOTAL SAVINGS PROPOSALS	**23.90**

ACS1 - Mitigation of care purchasing demand increases (£11.00m)

1. The savings in care purchasing need to be set in the context of other changes to funding for adult social care purchasing. The Directorate is expecting increased recurring funding of £10.1 million, social care precept and demand funding of £8.9 million, and inflation funding from Council funds of £4.4 million. Taking into account the loss of the Adult Social Care Grant of £3.3 million which was awarded in 2017-18 only and a saving target of £11 million this means that the available funds for care purchasing will increase by £9.1 million. This increase is around 3.8% of the total care purchasing budget, and on its own will not cover the underlying pressures on the budget, inflation in the care sector, and the demand for Learning Disability (LD) services. The ACS strategy therefore will be based on:
   a) Reducing the number of people who need local authority funded care. This will be done though stepping up the SLCC programme and seeking reductions in the number who need care. The ACS practice model will be enhanced though the adoption of the 'Signs of Safety and Wellbeing' approach, and develop a new 'front door' function to ensure consistency of decision making and early signposting and diversion of those who do not need Council-funded care and whose needs can be best met elsewhere. ACS will look to strengthen support to carers as a positive way of reducing demand.
   b) The ACS MH/LD strategy will look at changing how services are planned and commissioned to create a more diverse range of provision, and increase personalisation to try to reduce the rate of growth in demand for LD services. ACS are strengthening and developing staff teams to support this and improve the quality and timeliness of assessments.
   c) ACS will continue to refine the care pricing model and build on the move away from flat-rate increases that was started last year. ACS will look to target resources to those providers who need it the most in order to remain sustainable, and to reward those who provide higher-quality care.

2. This is not a new situation and the SLCC programme has now been in operation for four years. What ACS is doing is attempting to move from keeping demand static to reducing the demand for local authority funded services. A recent consultation has been undertaken on the LD Strategy, My Life My Future, and the results were reported to the Cabinet in September. As ACS develops its care pricing strategy for 2018-19 it will be consulting care providers directly and through their representative body the Suffolk Association of Independent Care Providers.

3. The ACS strategy is based on continuing to meet the needs of those who rely on the Council to provide care and support in Suffolk. The way that care is provided and the offer that individuals could receive may be different, for example where it is appropriate ACS may offer enhanced home-care or extra-care housing in place of a residential placement. Over time more people will benefit from assistive technology and digital care, and more people will be supported in community through tier one services.

4. As ACS develops the alliances it will seek to work more closely with partners, and integrate services locally based on the model of neighbourhood teams. ACS will also seek to work more closely with Borough and District Councils around housing services for vulnerable people.

5. As always, the main partnership is with care providers who are responsible for delivering almost all care that is funded for Suffolk residents. This year ACS plans to consult them on a different approach to care pricing. As set out above ACS recognises the challenges that the care sector is facing and will continue to discuss with the sector how best to respond.

6. The biggest single risk is that the steps taken to reduce demand are not successful and the number of customers requiring local authority care continues to increase. This would result in an overspend against the budget, it would not result in the Council failing to meet its duties to provide care as set out in the Care Act.

7. There are also risks of continuing to see episodes of provider failure in the care market. Up to a point these are manageable, for example when this has happened in the past year new providers have been able to step in and take on the care. However, if new providers were not to be found this could result in delays to vulnerable people receiving care or increased costs as emergency arrangements are put in place.

8. There is finally a risk that market pressures push up pay and the care market cannot recruit and retain staff at current rates. This could result in care prices increasing, providers handing back packages of care, or care providers dropping out of the care market.

ACS2 - Housing Related Support (£1.00m)

9. For 2018-19 a further £1 million saving has been identified for this service area. It is proposed that the savings are realised by ending the grant that is available to support older people living in Sheltered Housing and removing a contingency fund that is no longer required which was originally set up to support the transition to new service models for single homeless.

10. The possibility of the Sheltered Housing Grant ending in March 2018 has been shared with providers since 2016 when the grant was last extended. During this period, providers have been encouraged to make alternative arrangements for the sustainability of the low-level support offered within sheltered housing services, and the Council has been kept informed of their plans.

11. Any reduction even in low levels of support increases the risk of people's needs escalating faster. The proposals developed by providers include the introduction of charges to maintain service levels, reductions in levels of support or accessing alternative forms of funding, for example from charitable sources. District/Borough Council partners are significant recipients of these grants. It must be noted that

the SCC funding is only a small part of the overall funding package for these services.

12. Whilst most providers of sheltered housing have developed sustainable plans for the ending of the Sheltered Housing Grant a small number have not yet done so and as a result, there are likely to be some reductions in the levels of support available for older people supported by these providers. However, housing-related support is not a statutory responsibility for the County Council.

HW&CS1 – Children's Services Income Review (£0.10m)

13. The savings will be made through increased income from traded services. The directorate is currently analysing how the success of the Attendance Officer Service, which is a service traded with Academies, can be strengthened to increase further the levels of income currently budgeted. In addition, there is the potential to work up an offer to sell to an Education Welfare Officer (EWO) service, which is currently provided to Academies at zero cost within the Early Help service.

14. Whilst there is capacity to bring in more income by charging academies for services that they are currently receiving at no cost, most of this work will be fast-track work that is essential when considering a prosecution. EWOs currently carry out other activities beyond fast-track work to support good school attendance. These include preventative work and some targeted family support work that will be difficult to sell to academies but are essential to maintain our improved levels of attendance. If Academies do not buy the service and EWO numbers are consequentially reduced, then some work will need to be reallocated within Early Help.

HW&CS2 - Systems Transformation (£0.10m)

15. The Systems Transformation programme spans both CYP and ACS, and is working on four key projects:
    a) Replace the Case Management System
    b) Paper-Light Office
    c) Single Data View
    d) Digital Personalisation

16. The main benefits to the directorate and its customers will include:
    a) Increased customer control and choice through the provision of new channels for information, guidance and advice
    b) Customers experiencing quicker timescales due to more efficient and effective processes and improved productivity
    c) More time with customers and less on time spent recording information

d) Clinicians and practitioners having the whole customer picture available to them, reducing risk and improving customer outcomes

e) Commissioners and senior managers having access to accurate and timely data, including cost and quality, to facilitate effective decision making and excellent commissioning outcomes

17. The efficiencies that the new Care Management System will bring mean that a range of budgets are likely to see a reduction in expenditure. This includes the budgets allocated for staff travel costs, and how much administrative support is required to support front-line functions. These savings will not have a negative impact on residents or partner organisations, and the efficiencies will improve the quality and quantity of front-line services provided. The detail of how these savings will be made will be refined as the productivity savings from the use of the system are confirmed and then implemented, but could include a reduction of up to four posts.

HW&CS3 - Library Services Contract (£0.05m)

18. The service is outsourced to Suffolk Libraries, and the budget amount is the contract price paid. Suffolk Libraries must balance its budget each year in order to remain both legally compliant and a viable charitable business. It is proposed that the contract price is reduced by £50,000 in 2018-19 and is then fixed for a further four years. Suffolk Libraries is engaged in a transformation exercise to reduce its staffing costs, so that it is able to remain viable within its budget.

FPS1 - Trading Standards & Citizens Advice partnership grant (£0.17m)

19. Trading Standards and Citizens Advice have projected savings of £168,000 for 2018/19. These are comprised of £148,000 for Trading Standards and £20,000 for Citizens Advice.

20. The Trading Standards budget is made up of 85% salary costs. The proposed savings will be made from

a) The training budget being reduced by half (£20,000);

b) Cessation of funding of officer memberships to the Chartered Trading Standards Institute (£4,000);

c) Reduction of the legal budget used to fund prosecutions (£40,000);

d) Not recruiting to a vacant Trading Standards Officer post and additional reduction to staff salaries budget (£84,000).

21. The delivery of savings in previous years means that further savings will impact on delivery of the service and the changes will reduce some front-line operational capacity. This will impact on the ability to deliver to the service's aim of a '*Rogue trader-free county*' and to support achievement of the Council's priorities in areas such as prevention and support for residents vulnerable to scams and rogue trading, response to animal disease outbreaks, support to start-up and small businesses, and inspections of petroleum and fireworks storage.

22. Most of these contribute to improved health and economic prosperity in Suffolk and as such there is a risk of increased demand in other areas because of less action from the Trading Standards service. Trading Standards officers will continue to identify ways to mitigate the impact of changes made through 2018-19.

23. The current County Council funding to the nine Citizens Advice charities covering Suffolk totals £385,000 per annum. It is proposed that a reduction in funding of £20,000 be applied for 2018-19. Citizens Advice services have been aware of the likelihood of further reductions in funding from local government for several years and have been making plans to accommodate these changes. Many have appointed fundraising officers to generate income from other sources to try and minimise the effects on services. The proposed reduction for 2018-19 means an average funding reduction of just over £2,000 for each of the nine charities.

24. The return on investment for Citizens Advice is high and the service prevents demand reaching the County Council through its recognised contribution to mental health and wellbeing. It also ensures that money due to those it advises is retained in the Suffolk economy.

FPS2 - Income from shared facilities and integration – Suffolk Fire & Rescue Service (£0.05m)

25. The Service will be using £50,000 of income from blue-light property collaboration to support the wider County Council savings plan. No external consultation has taken place for savings associated with fire and rescue. The impact of the proposed change for fire and rescue is expected to be minimal and there are no notable uncertainties and risks associated with this saving.

FPS3 - Reduce Health and Safety budget (£0.02m)

26. It is proposed that savings of £21,000 will be made in the Health and Safety budget by reducing both staff and non-pay expenditure. No external consultation has taken place and the impact is expected to be minimal. There are no notable uncertainties and risks associated with these proposed savings.

GHI1 – Operational Highways (£1.0m)

27. It is proposed that the highway maintenance revenue budget is reduced by £1m in 2018-19. There is some scope to achieve £0.3m of savings in winter maintenance by adjusting the trigger temperature at which gritting is considered necessary, minor adjustments to gritting routes such as some cul-de-sac that are difficult and therefore costly to negotiate, and a move towards zoned treatment rather than simultaneous whole-county treatment. The remaining saving would need to be achieved by generating additional income from externally-funded work and charging of staff costs to capital projects.

28. A report to the Cabinet in September 2016 highlighted that there was an inconsistent approach taken within the highways service for charging for time taken on developing

scheme options, design and implementation. With the formal establishment of an integrated Suffolk Highways service on 4th September 2017, all personnel will be charging for these activities. However, there has been a phased introduction of this approach, particularly where parish and town Councils are making contributions towards schemes being implemented with Local Highways Budget funds. The possible changes to the winter maintenance service are predominantly operational and are not expected to impact on stakeholders.

29. Any changes to the winter service carry a proportion of risk. The proposed changes will reduce the number of occasions on which gritting may be needed and where. However, they are not expected to have a significant impact on the extent of the network currently treated which, at 51%, is one of the very highest in the country.

GHI2 – Development Management (£0.03m)

30. This saving will be met by generating income from pre-application charges to developers. This will require the co-operation of the District and Borough Councils to implement. There is a risk that this could be considered to be a block to development by planning authorities.

GHI3 – Passenger Transport Connecting Communities (£0.10m)

31. £0.10m savings will be made from the Connecting Communities (Community Transport services) contracts set up in June 2016 that has an annual funding reduction for five years, these services were previously grant-funded but are now commissioned to encourage a more commercial focus.

32. The Connecting Communities alternative model was the subject of extensive engagement in 2015-16 with the voluntary and community sectors before procurement took place and the contracts began in June 2016.

33. The Connecting Communities contracts were procured with a reducing cost per year so the operators planned this into their long-term financial plans without an impact on residents or on the level of service.

34. The long-term financial planning for the contracts included increased income from additional work and the potential for additional new contract work for home-to-school transport. Current uncertainty with licensing and permits in the Community Transport sector has limited their ability to tender for additional local authority home-to-school transport contracts and this may impact on their long term financial viability which in turn could impact on the Council's ability to provide sustainable services. Officers are working closely with operators, monitoring progress.

GHI4 – Passenger Transport Sponsored Services (£0.15m)

35. £0.15m savings will be made from Sponsored bus services with a proportion from the inflation hold on contracts and the remaining proportion from a reduction in

bus services. The principle is that whilst transport operators may experience inflationary pressures from fuel prices or staffing costs, they will not receive funding for those pressures, and they will have to absorb them from their existing budgets. Specific bus service reductions are to be identified from reviews currently taking place.

36. The identified reduction in funding for some bus services will involve engagement with the local County Councillors. Where service reductions are identified, there is likely to be an impact on residents however this will be minimised, wherever possible, by working with local Councillors on potential local solutions.

GHI5 – Brandon Country Park (£0.05m)

37. Over the last 3 years the net budget at Brandon Country Park has been reduced from nearly £80,000 down to £48,000. The savings proposal will mean finding ways to bring the new budget at Brandon to zero looking at mechanisms such as increased income from the café, events and/or car park as well the possibility of future divestment. A staff engagement process about the future of the Park is underway and consultations will be held with partners at the appropriate time. The aim is to reduce the cost to the Council while keeping the Park as a successful and attractive destination for local communities and visitors.

GHI6 – Natural Environment (£0.01m)

38. Over recent years reductions to the net budget for Natural Environment have been achieved through a mixture of staff savings and income generation through planning performance agreements with major developers. In order to generate a further saving of £14,000 in 2018-19, the Natural Environment budget will be reviewed particularly focussing on any remaining areas that are low priorities for SCC, staff savings and project contributions. Savings will solely be focussed on those areas considered no longer a priority to SCC and although this may impact on some project partners it is not thought that this will be to a significant degree.

CORP1 - Savings in IT Contracts (£0.30m)

39. In total, the IT Service has saved £4.1m since the end of the CSD contract. This includes £0.9m of savings in IT contracts over the last 2 years and a further £0.3m is planned for 2018-19. This will require the service to continue to negotiate the best deal on renewals and new technology, ensuring that value for money and the benefits for the Council from these contracts are maximised. Alongside this the service will continue to review management arrangements and staffing.

40. Stakeholder engagement is with the relevant 3rd parties/contract providers and with partner organisations whereby working together can reduce costs for all involved. One example is the Wide Area Network (WAN) re-procurement which involves partners from the NHS and District and Borough Councils to achieve economies of scale.

41. The implications of the proposals to save money from contracts will have limited direct impact on residents and

partners. The reduction in contract cost seeks to pass the savings challenge to third party suppliers and this can result in a reduction in the quality and quantity of services available, particularly to staff which could impact on the delivery of other services. Where possible, IT seeks to make pragmatic decisions which can require some changes in processes and policy to accommodate changes in technology.

42. Future contract savings are becoming harder to realise due the significant cuts made in previous years. The risk in making further reductions in this space is the ability to deliver services to colleagues across the Council and divested organisations. The need to digitally transform services is increasing the demand on the IT Service and one-off additional resources will be required to meet specific demands. This investment will need to be supported by business cases.

CORP2 – 1% from Property Budget (£0.07m)

43. The Corporate Property Service has made dramatic cost reductions through building sharing with partner organisations, estate rationalisation and portfolio improvement. These initiatives are in line with the Suffolk-wide Single Public Sector Estate, and the national One Public Estate initiatives. The move of Babergh and Mid-Suffolk District Councils, and the Clinical Commissioning Group to Endeavour House form part of this work and contribute significantly to the £1 million (12%) savings in 2017-18. These moves were facilitated by a major reorganisation of staff locations and better building utilisation.

44. The scope for further savings is related to the extent to which the County Council can further reduce its space requirements, largely through either organisation shrinkage or adoption of new technology and working practices, thus freeing further space for partner organisations. Corporate Property believes most current opportunities have largely been exploited, but some on-going work is expected to generate further savings equivalent to 1% of the Corporate Property budget.

CENT1 – Reducing the Minimum Revenue Provision (£7.00m)

45. Where the Council finances capital expenditure by borrowing, it must set aside resources in revenue to repay debt in later years. This provision is known as the Minimum Revenue Provision (MRP). The Council is required to follow guidance on the calculation of MRP, the aim of this is to ensure debt is repaid over a period in line with that over which the capital expenditure provides benefits. When the Budget Strategy was approved by the County Council in February the method used to calculate the Minimum Revenue Provision was changed and as a result the capital financing budget can be reduced by £7m. The new method effectively reprofiles the repayment of debt and will require £0.65m to be added to the budget in each year from 2019-20 to ensure the budget is sufficient in future years.

CENT2 – Increased Dividend from Suffolk Group Holdings (£0.50m)

46. The Council will target an increased dividend from Suffolk Group Holdings, which includes the three wholly owned companies of Vertas, Concertus and OPUS. These companies continue to expand and take on new customers and as a result they are all expecting to return a higher dividend to the Council.

CENT3 – Reduce allocation for Non-pay inflation (£1.60m)

47. The Council spends over 70% of its revenue budget on contracted goods, services and works and therefore a commercial approach is required to ensure value for money through managed contracts and relationships. Within the budget gap a pressure of 2% for inflation relating to non-pay budgets has been identified but it is planned that only 1% will be allocated to all service budgets except for Adult & Community Services. In order for the services to manage contractual costs the services will need to minimise annual cost increases, therefore requiring suppliers to absorb cost increases such as inflation and the living wage as part of their general efficiencies. Bearing in mind the level of savings delivered from contracts and external spend to date this will put service budgets under further pressure.

CENT4 – Use of the Apprenticeship Levy (£0.20m)

48. First announced in the 2015 Summer Budget, the Apprenticeship Levy was introduced in April 2017 and is payable by employers with pay bills in excess of £3m per year. The Levy is charged at a rate of 0.5% of an employer's basic pay bill with each employer receiving an allowance of £15,000 to offset against their Levy payment. The cost of the Levy for the Council in 2017-18 is forecast to be £0.59m against a budget of £0.65m, so some of this saving can be found from reducing this budget. The balance of the saving is expected to be made from training budgets across services. This is because the training costs associated with apprenticeships can be charged against this levy.

CENT5 – Income Review (£0.40m)

49. The Council will continue to maximise income and a review of existing income budgets is currently in progress. This review includes ensuring that charges for services are competitive and comparable to other authorities. It is important to consider that some charges are limited by statute. This saving will be allocated across services in due course.

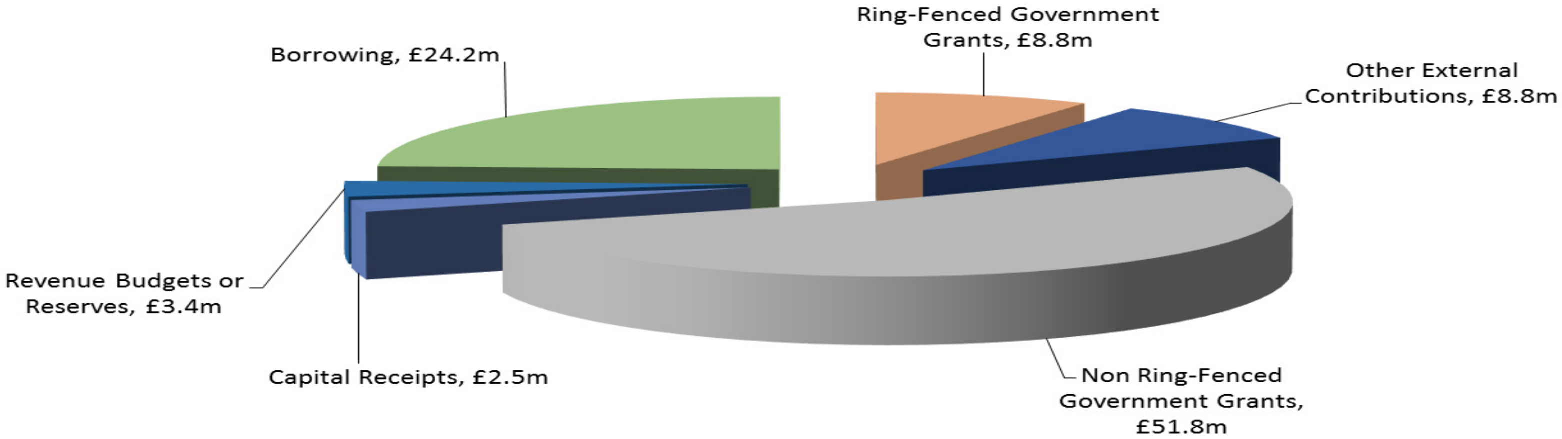
Annex E

Summary of Capital Programme 2018 to 2021

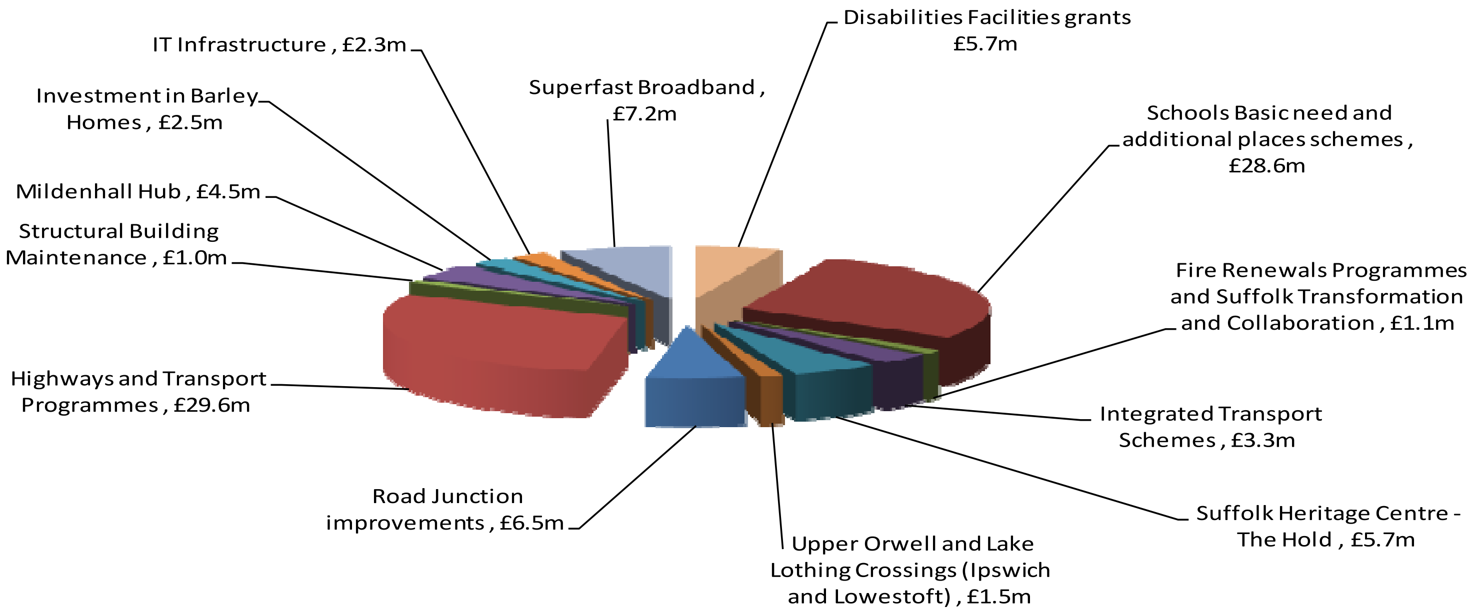
	Approvals up to 2017-18	2018-19	2019-20	2020-21	**Total scheme costs**
	£'000	£'000	£'000	£'000	**£'000**
Programme by service:					
Adult & Community Services	-	5,719	-	-	**5,719**
Health, Wellbeing and Children Services	10,730	28,553	29,460	45,936	**114,679**
Fire & Rescue Service and Public Health	-	1,140	1,030	1,030	**3,200**
Strategic Development	23,100	16,994	29,650	91,650	**161,394**
Operational Highways	-	29,584	28,200	25,200	**82,984**
Waste & Environment	-	-	4,550	-	**4,550**
Property	1,700	8,000	4,800	2,000	**16,500**
Broadband and IT	17,017	9,539	2,339	2,339	**31,234**
	52,547	**99,529**	**100,029**	**168,155**	**420,260**
Consisting of:					
Contractually committed schemes	52,547	39,124	37,542	88,400	217,613
Schemes starting in 2018-19	-	13,054	10,640	2,510	26,204
Schemes starting in 2019-20	-	-	6,130	15,714	21,844
Schemes starting in 2020-21	-	-	-	20,133	20,133
Rolling Programmes	-	47,351	45,717	41,398	134,466
	52,547	**99,529**	**100,029**	**168,155**	**420,260**

	Scheme Specific Funding		Other Funding				
	Ring-Fenced Government Grants	Other External Contributions	Non Ring-Fenced Government Grants	Capital Receipts	Revenue Budgets or Reserves	Borrowing	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
By service:							
Adult & Community Services	5,719	-	-	-	-	-	**5,719**
Health, Wellbeing and Children Services	5,094	44,772	39,718	1,250	-	13,115	**103,949**
Fire & Rescue Service and Public Health	-	-	-	110	3,090	-	**3,200**
Strategic Development	114,800	3,240	16,254	-	-	4,000	**138,294**
Operational Highways	-	-	64,984	-	-	18,000	**82,984**
Waste & Environment	-	-	-	-	-	4,550	**4,550**
Property	-	-	-	4,000	-	10,800	**14,800**
Broadband and IT	-	-	-	-	7,017	7,200	**14,217**
	125,613	**48,012**	**120,956**	**5,360**	**10,107**	**57,665**	**367,713**
Year of expenditure:							
2018-19	8,798	8,797	51,805	2,560	3,369	24,200	**99,529**
2019-20	27,460	14,548	35,038	1,800	3,369	17,814	**100,029**
2020-21	89,355	24,667	34,113	1,000	3,369	15,651	**168,155**
Total all schemes	**125,613**	**48,012**	**120,956**	**5,360**	**10,107**	**57,665**	**367,713**

Where the £99.5 million Capital funding is coming from in 2018-19



...and what it is being spent on



Adult and Community Services Capital Programme 2018-2021

Scheme	Approvals up to 2017-18	2018-19	2019-20	2020-21	**Total Scheme Costs**	2018-19 to 2020-21 expenditure financed by: Scheme Specific Funding: Ring-fenced Government Grants	Scheme Specific Funding: Other Contributions	Other Funding: Non Ring-fenced Grants	Other Funding: Capital Receipts	Other Funding: Revenue	Other Funding: Borrowing	**Total Financing**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contractually committed schemes												
Disabilities Facilities Grant	-	5,719	TBC	TBC	**5,719**	5,719	-	-	-	-	-	**5,719**
	-	**5,719**	**-**	**-**	**5,719**	**5,719**	**-**	**-**	**-**	**-**	**-**	**5,719**
Total Capital Programme	**-**	**5,719**	**-**	**-**	**5,719**	**5,719**	**-**	**-**	**-**	**-**	**-**	**5,719**

$\underbrace{\textbf{5,719} \quad - \quad -}_{\textbf{5,719}}$

Annex E

Health, Wellbeing and Children Services Capital Programme 2018-2021

Scheme	Approvals up to 2017-18	2018-19	2019-20	2020-21	**Total Scheme Costs**	2018-19 to 2020-21 expenditure financed by: Scheme Specific Funding: Ring-fenced Government Grants	Scheme Specific Funding: Other Contributions	Other Funding: Non Ring-fenced Grants	Other Funding: Capital Receipts	Other Funding: Revenue	Other Funding: Borrowing	**Total Financing**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contractually Committed Schemes												
Red Lodge Primary, Newmarket (New)	4,000	1,875	-	-	**5,875**	-	222	1,653	-	-	-	**1,875**
Lakenheath Primary (New)	4,000	2,610	1,670	-	**8,280**	-	2,059	1,891	-	-	330	**4,280**
Riverwalk Special School, BSE	-	2,800	534		**3,334**		692	2,642				**3,334**
Claydon Primary School	1,500	580	720	-	**2,800**	-	1,300	-	-	-	-	**1,300**
Sir Robert Hitcham, Framlingham	700		868	-	**1,568**	-	868	-	-	-	-	**868**
West Row Primary, Mildenhall	530	450	-	-	**980**	-	-	450	-	-	-	**450**
The Limes Primary, Lowestoft	-	2,350	-	-	**2,350**	1,900			450			**2,350**
The Bridge - Secondary Phase II, Ipswich	-	1,300	-	-	**1,300**	-	231	1,069	-	-	-	**1,300**
	10,730	**11,965**	**3,792**	**-**	**26,487**	**1,900**	**5,372**	**7,705**	**450**	**-**	**330**	**15,757**
Schemes Starting in 2018-19												
Bosmere Primary, Needham Market	-	450	1,050		**1,500**		1,267	233	-	-	-	**1,500**
Brooklands Primary, Brantham	-	500	1,000	-	**1,500**	-	950	550	-	-	-	**1,500**
Whitehouse Primary- Phase II, Ipswich	-	300	700	-	**1,000**	-	-	1,000	-	-	-	**1,000**
Copleston High, Ipswich	-	2,000	-	-	**2,000**	-	1,187	813	-	-	-	**2,000**
Barrow Primary, BSE	-	440	-	-	**440**	-	440					**440**
Fressingfield CEVCP	-	130	390	130	**650**	-	536	-	-	-	114	**650**
Sybil Andrews Academy, BSE phase II		780	2,340	780	**3,900**		1,578	2,053	-	-	269	**3,900**
The Glade Primary - Phase III	-	240	360	-	**600**		195	405	-	-	-	**600**
Thurston Primary		1,600	4,800	1,600	**8,000**		3,881	170	800		3,149	**8,000**
	-	**6,440**	**10,640**	**2,510**	**11,590**	**-**	**10,034**	**5,224**	**800**	**-**	**3,532**	**19,590**
Schemes Starting in 2019-20												
Moulton Primary, Newmarket	-	-	566	1,698	**2,264**	-	911	589	-	-	764	**2,264**
Felixstowe Primary (New)	-	-	1,677	5,030	**6,707**	-	3,153	1,288	-	-	2,266	**6,707**
North West Haverhill Primary (New)	-	-	1,400	4,402	**5,802**	-	5,100	-	-	-	702	**5,802**
St Peter and St Paul Primary, Eye	-	-	550	1,284	**1,834**	-	858	892	-	-	84	**1,834**
Saxmundham Primary, (New)	-	-	314	-	**314**	-	-	300	-	-	14	**314**
Trinity CEVAP, Stowmarket	-	-	314	733	**1,047**	-	304	300	-	-	443	**1,047**
Shotley Primary	-	-	471	1,100	**1,571**	-	449	450	-	-	672	**1,571**
St Benedict's Catholic School	-	-	838	1,467	**2,305**	-	1,700	-	-	-	605	**2,305**
	-	-	6,130	15,714	**21,844**	-	12,475	3,819	-	-	5,550	**21,844**
Schemes Starting in 2020-21												
Chilton Primary, Stowmarket	-	-	-	472	**472**	-	193	-	-	-	279	**472**
Chantry Academy, Ipswich	-	-	-	2,096	**2,096**	-	275	-	-	-	1,821	**2,096**
Bacton Primary	-	-	-	1,467	**1,467**	-	298	-	-	-	1,169	**1,467**
Abbots Green Primary, BSE	-	-		692	**692**	-	692	-	-	-	-	**692**
Abbots Vale New Bury Primary Schhol, BSE	-	-	-	1,467	**1,467**	-	1,467	-	-	-	-	**1,467**
New Bury School (Town Centre)	-	-	-	1,153	**1,153**	-	1,153	-	-	-	-	**1,153**
Bury st Edmunds 1FE Expansion	-	-	-	629	**629**	-	195	-	-	-	434	**629**
Ipswich Garden Surburb New Primary 1 of 3	-	-	-	1,258	**1,258**	-	1,258	-	-	-	-	**1,258**
Ipswich Garden Surburb New High School	-	-	-	4,611	**4,611**		4,611	-	-	-	-	**4,611**
Adastral Park New High School, Martlesham	-	-	-	6,288	**6,288**	-	6,288	-	-	-	-	**6,288**
	-	**-**	**-**	**20,133**	**20,133**	**-**	**16,430**	**-**	**-**	**-**	**3,703**	**20,133**
Rolling Programmes												
Property Maintenance	-	4,500	4,500	4,500	**13,500**	-	-	13,500	-	-	-	**13,500**
Emergency Building Programme	-	1,491	2,347	1,663	**5,501**	-	-	5,501	-	-	-	**5,501**
Devolved Formula Capital	-	1,179	1,060	955	**3,194**	3,194	-	-	-	-	-	**3,194**
Basic Need Contingency	-	2,978	991	-	**3,969**	-	-	3,969	-	-	-	**3,969**
Other Programmes Contingency	-	-	-	461	**461**	-	461	-	-	-	-	**461**
	-	**10,148**	**8,898**	**7,579**	**26,625**	**3,194**	**461**	**22,970**	**-**	**-**	**-**	**26,625**
Total Capital Programme	**10,730**	**28,553**	**29,460**	**45,936**	**106,679**	**5,094**	**44,772**	**39,718**	**1,250**	**-**	**13,115**	**103,949**
			103,949									

Fire and Rescue Services and Public Safety Capital Programme 2018-2021

Scheme	Approvals up to 2017-18	2018-19	2019-20	2020-21	Total Scheme Costs	2018-19 to 2020-21 expenditure financed by: Scheme Specific Funding		Other Funding				Total Financing
						Ring-fenced Government Grants	Other Contributions	Non Ring-fenced Grants	Capital Receipts	Revenue	Borrowing	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Schemes Starting in 2018-19												
Strategic Co-ordinating Centre	-	110	-	-	**110**	-	-	-	110	-	-	**110**
	-	**110**	**-**	**-**	**110**	**-**	**-**	**-**	**110**	**-**	**-**	**110**
Rolling Programmes												-
Replacement of Fire Vehicles & Equipment	-	1,030	1,030	1,030	**3,090**	-	-	-	-	3,090	-	**3,090**
	-	**1,030**	**1,030**	**1,030**	**3,090**	**-**	**-**	**-**	**-**	**3,090**	**-**	**3,090**
Total Capital Programme	**-**	**1,140**	**1,030**	**1,030**	**3,200**	**-**	**-**	**-**	**110**	**3,090**	**-**	**3,200**

3,200

Strategic Development Capital Programme 2018-2021

Scheme	Approvals up to 2017-18	2018-19	2019-20	2020-21	Total Scheme Costs	2018-19 to 2020-21 expenditure financed by: Scheme Specific Funding		Other Funding				Total Financing
						Ring-fenced Government Grants	Other Contributions	Non Ring-fenced Grants	Capital Receipts	Revenue	Borrowing	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contractually Committed Schemes												-
Upper Orwell and Lake Lothing Crossings (Ipswich and Lowestoft)	8,500	1,500	26,400	88,400	**124,800**	114,800	-	-	-	-	1,500	**116,300**
Suffolk Heritage Centre	14,600	5,740	-	-	**20,340**		3,240	**-**	-	-	2,500	**5,740**
	23,100	**7,240**	**26,400**	**88,400**	**145,140**	**114,800**	**3,240**	**-**	**-**	**-**	**4,000**	**122,040**
Schemes Starting in 2018-19												
Eye Airfield Junction improvements and Link road	-	3,754	-	-	**3,754**	-	-	3,754	-	-	-	**3,754**
Housing Infrastructure fund	-	2,750	-	-	**2,750**	-	-	2,750	-	-	-	**2,750**
	-	**6,504**	**-**	**-**	**6,504**	**-**	**-**	**6,504**	**-**	**-**	**-**	**6,504**
Rolling Programmes												
Integrated Transport schemes		3,250	3,250	3,250	**9,750**	-	-	9,750	-	-	-	**9,750**
	-	**3,250**	**3,250**	**3,250**	**9,750**	**-**	**-**	**9,750**	**-**	**-**	**-**	**9,750**
Total Capital Programme	**23,100**	**16,994**	**29,650**	**91,650**	**161,394**	**114,800**	**3,240**	**16,254**	**-**	**-**	**4,000**	**138,294**

138,294

Operational Highways Capital Programme 2018-2021

Scheme	Approvals up to 2017-18	2018-19	2019-20	2020-21	**Total Scheme Costs**	2018-19 to 2020-21 expenditure financed by: Scheme Specific Funding: Ring-fenced Government Grants	Scheme Specific Funding: Other Contributions	Other Funding: Non Ring-fenced Grants	Other Funding: Capital Receipts	Other Funding: Revenue	Other Funding: Borrowing	**Total Financing**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rolling Programmes												
Pothole Action Fund - Carriageways	-	1,040	TBC	TBC	**1,040**	-	-	1,040	-	-	-	**1,040**
Pothole Action Fund - Drainage	-	344	TBC	TBC	**344**	-	-	344	-	-	-	**344**
Capital Maintenance - Carriageways	-	21,000	21,000	18,000	**60,000**	-	-	42,000	-	-	18,000	**60,000**
Capital Maintenance - Footways	-	1,200	1,200	1,200	**3,600**	-	-	3,600	-	-	-	**3,600**
Capital Maintenance - Drainage	-	2,200	2,200	2,200	**6,600**	-	-	6,600	-	-	-	**6,600**
Capital Maintenance - Structures	-	2,100	2,100	2,100	**6,300**	-	-	6,300	-	-	-	**6,300**
Capital Maintenance - Street lighting	-	1,600	1,600	1,600	**4,800**	-	-	4,800	-	-	-	**4,800**
Intelligent Transport System	-	100	100	100	**300**	-	-	300	-	-	-	**300**
	-	**29,584**	**28,200**	**25,200**	**82,984**	**-**	**-**	**64,984**	**-**	**-**	**18,000**	**82,984**
Total Capital Programme	**-**	**29,584**	**28,200**	**25,200**	**82,984**	**-**	**-**	**64,984**	**-**	**-**	**18,000**	**82,984**

$\underbrace{\text{2018-19 to 2020-21}}_{\textbf{82,984}}$

Waste & Environment Capital Programme 2018-2021

Scheme	Approvals up to 2017-18	2018-19	2019-20	2020-21	**Total Scheme Costs**	2018-19 to 2020-21 expenditure financed by: Scheme Specific Funding: Ring-fenced Government Grants	Scheme Specific Funding: Other Contributions	Other Funding: Non Ring-fenced Grants	Other Funding: Capital Receipts	Other Funding: Revenue	Other Funding: Borrowing	**Total Financing**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contractually Committed Schemes												
Waste Infrastructure	-	-	4,550	-	**4,550**	-	-	-	-	-	4,550	**4,550**
	-	**-**	**4,550**	**-**	**4,550**	**-**	**-**	**-**	**-**	**-**	**4,550**	**4,550**
Total Capital Programme	**-**	**-**	**4,550**	**-**	**4,550**	**-**	**-**	**-**	**-**	**-**	**4,550**	**4,550**

$\underbrace{\text{2018-19 to 2020-21}}_{\textbf{4,550}}$

Property Capital Programme 2018-2021

						2018-19 to 2020-21 expenditure financed by:						
						Scheme Specific Funding		Other Funding				
Scheme	Approvals up to 2017-18	2018-19	2019-20	2020-21	**Total Scheme Costs**	Ring-fenced Government Grants	Other Contributions	Non Ring-fenced Grants	Capital Receipts	Revenue	Borrowing	**Total Financing**
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	
Contractually Committed Schemes												
Mildenhall Hub	1,000	4,500	-	-	**5,500**	-	-		1,000		3,500	**4,500**
Investment in Barley Homes	700	2,500	2,800		**6,000**						5,300	**5,300**
	1,700	**7,000**	**2,800**	**-**	**11,500**	**-**	**-**	**-**	**1,000**	**-**	**8,800**	**9,800**
Rolling Programmes												
Structural Building Maintenance	-	1,000	1,000	1,000	**3,000**	-	-	-	3,000	-	-	**3,000**
Energy Reduction and Efficiency	-	-	1,000	1,000	**2,000**	-	-	-		-	2,000	**2,000**
	-	**1,000**	**2,000**	**2,000**	**5,000**	**-**	**-**	**-**	**3,000**	**-**	**2,000**	**5,000**
Total Capital Programme	**1,700**	**8,000**	**4,800**	**2,000**	**16,500**	**-**	**-**	**-**	**4,000**	**-**	**10,800**	**14,800**
			14,800									

Broadband and IT Capital Programme 2018- 2021

2018-19 to 2020-21 expenditure financed by:

Scheme	Approvals up to 2017-18	2018-19	2019-20	2020-21	**Total Scheme Costs**	Scheme Specific Funding: Ring-fenced Government Grants	Scheme Specific Funding: Other Contributions	Other Funding: Non Ring-fenced Grants	Other Funding: Capital Receipts	Other Funding: Revenue	Other Funding: Borrowing	**Total Financing**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contractually Committed Schemes												
Broadband Superfast Extension Programme	17,017	7,200	-	-	**24,217**	-	-	-	-		7,200	**7,200**
	17,017	**7,200**	**-**	**-**	**24,217**	**-**	**-**	**-**	**-**	**-**	**7,200**	**7,200**
Schemes Starting In 2018-19												
IT to support Digital transformation		TBC	TBC	TBC	**-**							**-**
	-	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Rolling Programmes												
IT Infrastructure		2,339	2,339	2,339	**7,017**	-	-	-	-	7,017	-	**7,017**
	-	**2,339**	**2,339**	**2,339**	**7,017**	**-**	**-**	**-**	**-**	**7,017**	**-**	**7,017**
Total Capital Programme	**17,017**	**9,539**	**2,339**	**2,339**	**31,234**	**-**	**-**	**-**	**-**	**7,017**	**7,200**	**14,217**
		$\underbrace{}_{\textbf{14,217}}$										

Annex F

Analysis of Government Grants by Directorate 2018-19

Directorate	Government Grant	2017-18 £'000	2018-19 £'000
ACS	Local Reform and Community Voices	452	452
ACS	Care Act - Social Care in Prisons	197	197
ACS	War Pensions Scheme Disregard	196	196
ACS	Independent Living Fund Grant	2,475	2,397
	Total ACS	**3,320**	**3,242**
Childrens	Dedicated Schools Grant (DSG)	262,568	224,279
Childrens	Pupil Premium	14,705	9,196
Childrens	Universal Infant Free School Meals	7,357	4,009
Childrens	Newly Qualified Social Workers	329	329
Childrens	Moderation	26	26
Childrens	Leaving Care	-	80
Childrens	Staying Close	-	245
Childrens	Mockingbird Fostering Scheme	34	-
Childrens	Unaccompanied Asylum Seekers	1,695	2,450
Childrens	Family Focus Initiative	1,404	1,404
Childrens	Extended Rights to Free Transport	509	509
Childrens	Youth Justice Board (YJB)	663	665
Childrens	Legal Aid, Sentencing and Punishment of Offenders (LASPO)	79	79
Childrens	Music	938	938
Childrens	Special Educational Needs and Disabilities (SEND) Implementation	525	290
Childrens	Staying Put	238	238
Childrens	Physical Education and Sport Funding	1,871	1,871
Childrens	School Improvement Monitoring and Brokering Grant	386	341
Childrens	Skills Funding Agency	2,782	2,782
	School Funding		
Childrens	Sixth Form	7,041	5,308
	Total Childrens Services	**303,148**	**255,039**

Directorate	Government Grant	2017-18 £'000	2018-19 £'000
GHI	Bus Service Operators	615	615
GHI	Waste Infrastructure Grant	7,864	7,864
GHI	Lead Local Flood Authority	55	58
	Total Growth, Highways & Infrastructure	**8,534**	**8,537**
FPS	Firelink	226	226
FPS	New Dimension	21	21
FPS	Service and Maintenance Grant	48	48
FPS	Fire Private Finance Initiative	2,193	2,193
	Total Fire & Rescue and Public Safety	**2,489**	**2,489**
Central	Eastern Inshore Fisheries Conservation Authority	114	114
	Total Central Resources	**114**	**114**
General	New Homes Bonus	2,981	1,980
Health & Wellbeing	Public Health	30,793	29,992
General	Transitional Grant	1,978	-
General	Education Services Grant	1,364	-
General	Rural Services Delivery Grant	1,743	-
General	Improved Better Care Fund (Part 1)	870	10,986
General	Improved Better Care Fund (Part 2)	-	9,274
General	Adult Social Care Support Grant	3,276	-
	Total General	**43,005**	**52,232**
	Total Grants	**360,610**	**321,654**

2018-19 grant allocations are provisional and are subject to change during 2018-19 when Government announce the final allocations.

Annex G

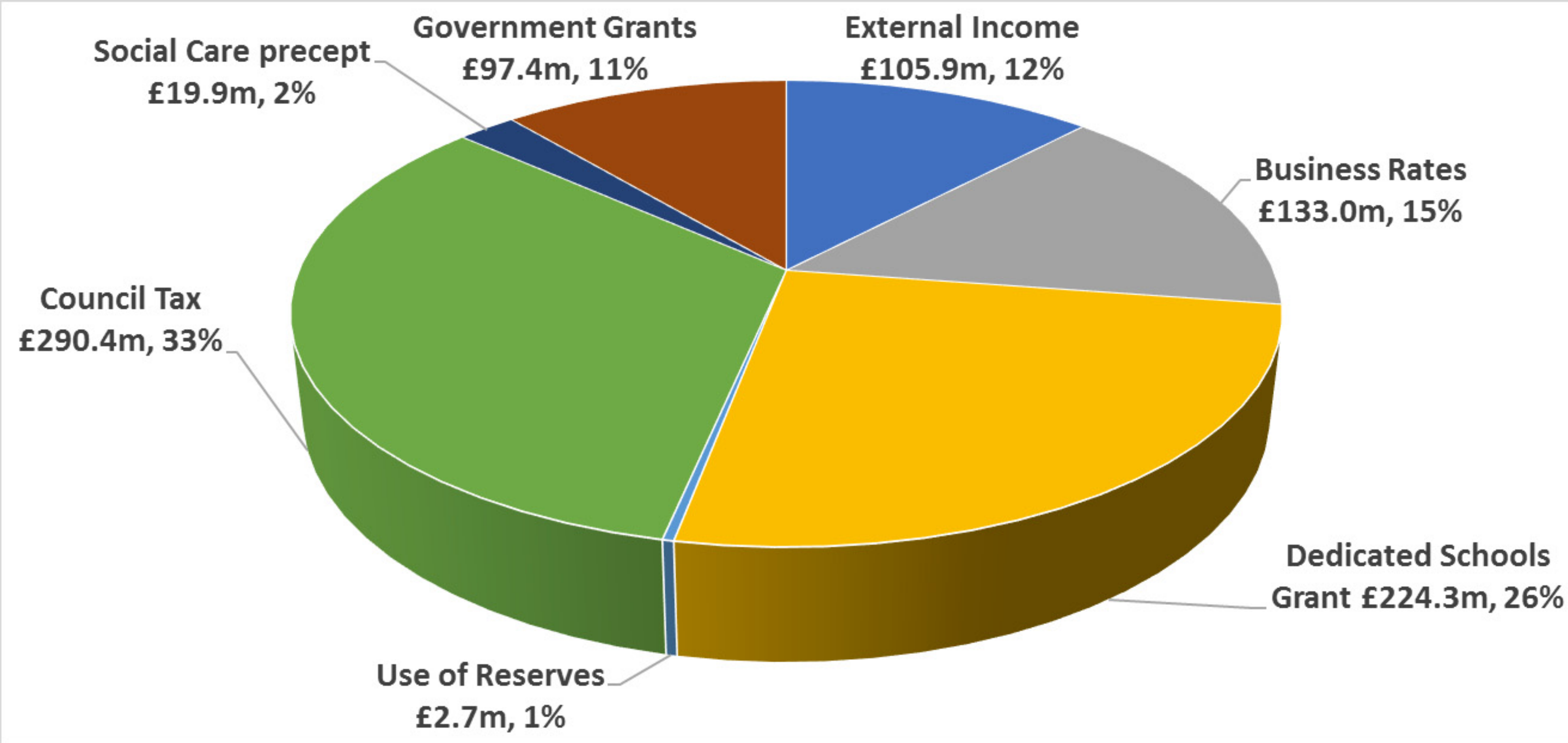
Summary Subjective Analysis by Directorate 2018-19

Service	Employee Expenses £'000	Premises £'000	Transport £'000	Supplies & Services £'000	Agency & Contracted Services £'000	Transfer Payments £'000	Capital Financing £'000	Internal Charging £'000	Gross Budget £'000	Use of Reserves - Planned £'000	Contribution to Reserves - Renewals £'000	Grants £'000	External Income £'000	2018-19 Net Budget £'000
Adults & Community Services														
Management & Workforce Development	2,367		73	1,206	69			1,206	**4,921**			-394		**4,527**
Care Purchasing	1,383	90	1,685	1,034	207,429	26,778		44	**238,444**		11	-2,593	-42,483	**193,379**
Area Social Work Teams	17,528	27	580	211	577			74	**18,997**				-489	**18,508**
Reablement, Equipment & Assistive Technology	6,443	4	772	485	1,444			29	**9,178**					**9,178**
Family Carers Support				1,045		1,690			**2,735**					**2,735**
Business & Transformation	4,988	1	36	336.91	138			-191	**5,308**	-466			-192	**4,650**
Housing Related Support				597	4,652				**5,249**				-123	**5,126**
Commissioners & Specialist Services	4,862	0	120	4,274	2,760			39	**12,056**			-58	-86	**11,912**
Care Act & Better Care Funding									**0**			-197	-17,718	**-17,915**
Total Adult & Community Services	**37,571**	**123**	**3,266**	**9,190**	**217,070**	**28,467**	**-**	**1,201**	**296,887**	**-466**	**11**	**-3,242**	**-61,090**	**232,100**
Health, Wellbeing and Childrens Services														
Health & Wellbeing														
Director of Public Health	178		4	8					**190**					**190**
Health Improvement and Protection	1,793		47	18,375				8,169	**28,385**	-205			-593	**27,586**
Knowledge and Intelligence	463		5	116				2	**586**					**586**
Localities and Partnerships	1,379		40	2,315	5,952			0	**9,687**	-40			-233	**9,413**
Childrens Services														
Directorate Management/Overheads	7,862	406	45	2,568	9			-739	**10,149**				-728	**9,421**
Early Help & Specialist Services	45,219	1,155	1,774	6,721	25,386	1,149		-7,672	**73,731**				-3,822	**69,909**
Commissioning	1,362		6	842	907			23	**3,140**				-821	**2,319**
Home to School								18,009	**18,009**					**18,009**
Education & Learning	10,309	116	407	28,690	8,362			927	**48,810**	-15			-4,410	**44,385**
Inclusion and Skills	8,068	18	1,009	27,906	15,090	15		403	**52,510**				-1,040	**51,471**
Maintained Schools				159,433					**159,433**					**159,433**
Grant Income									**0**			-255,039		**-255,039**
Total Health, Wellbeing and Childrens Services	**76,634**	**1,695**	**3,336**	**246,973**	**55,705**	**1,164**		**19,122**	**404,630**	**- 260**	**-**	**- 255,039**	**- 11,647**	**137,683**
Fire & Rescue Service and Public Safety														
Suffolk Fire & Rescue Service	15,450	1,118	587	6,171			253	12	**23,592**	-122	999	-2,489	-212	**21,768**
Health and Safety	317		8	28				-2	**351**					**351**
Joint Emergency Planning Unit	574		19	13				11	**616**				-233	**383**
Trading Standards - External Funding	183		3	14					**200**				-200	**0**
Trading Standards	1,454		24	605				5	**2,087**				-90	**1,998**
Total Fire & Rescue Service and Public Safety	**17,978**	**1,118**	**641**	**6,831**	**0**	**0**	**253**	**25**	**26,846**	**-122**	**999**	**-2,489**	**-735**	**24,499**

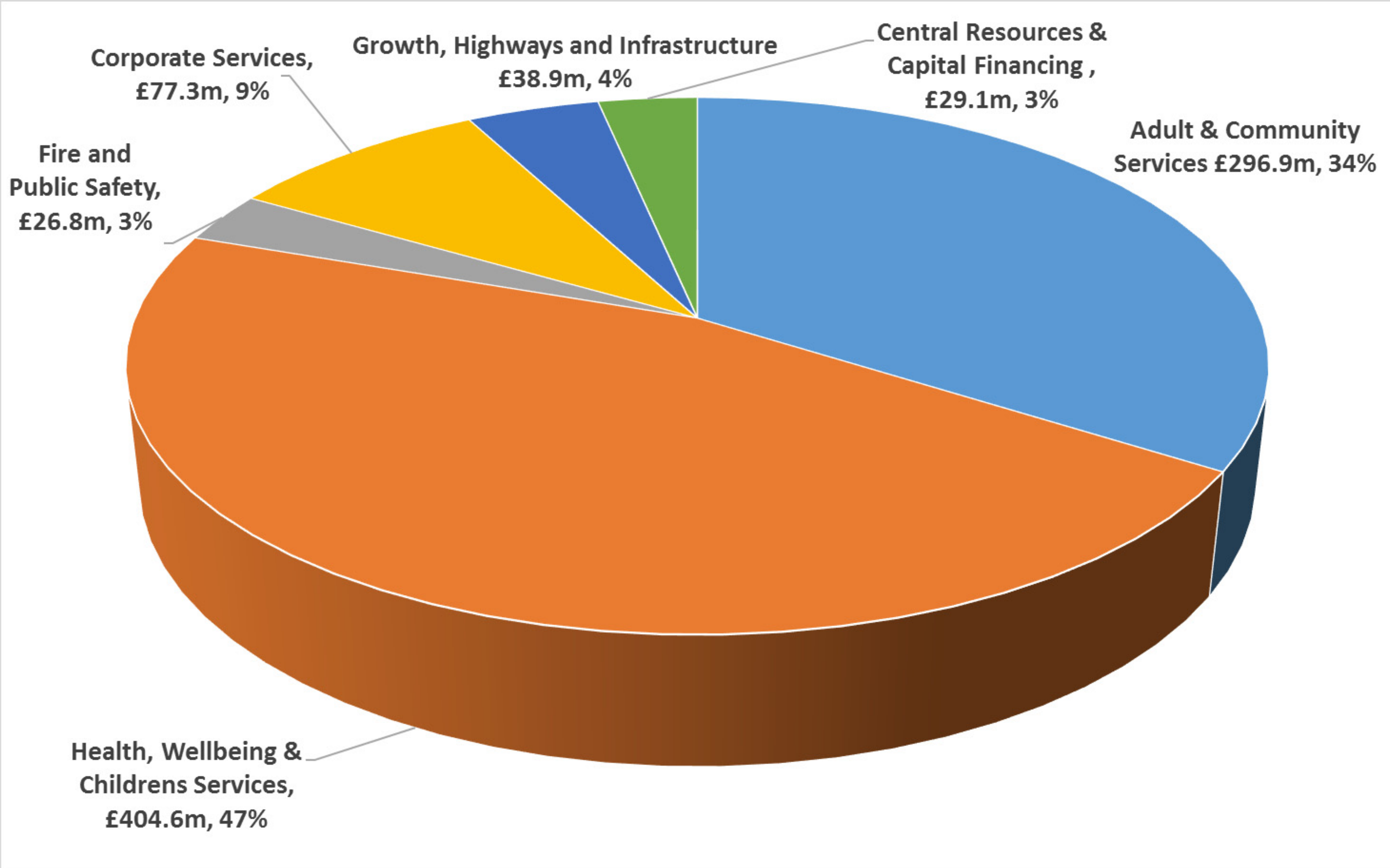
Summary Subjective Analysis by Directorate 2018-19 – continued

Service	Employee Expenses £'000	Premises £'000	Transport £'000	Supplies & Services £'000	Agency & Contracted Services £'000	Transfer Payments £'000	Capital Financing £'000	Internal Charging £'000	Gross Budget £'000	Use of Reserves - Planned £'000	Contribution to Reserves - Renewals £'000	Grants £'000	External Income £'000	2018-19 Net Budget £'000
Growth, Highways and Infrastructure														
Operational Highways	7,029	11,213	128	3,160	1,205			453	**23,187**	-82			-5,260	**17,844**
Passenger Transport	1,133	321	28,766	412	11			-17,442	**13,203**			-615	-1,194	**11,394**
Strategic Development	4,637	5	81	2,658				25	**7,406**	-1,200		-58	-2,232	**3,915**
Waste and Infrastructure	1,055	549	18	31,853				48	**33,523**	-497	15	-7,864	-8,073	**17,105**
Total Growth, Highways and Infrastructure	**13,854**	**12,089**	**28,993**	**38,083**	**1,216**	**0**	**0**	**-16,917**	**77,318**	**-1,779**	**15**	**-8,537**	**-16,759**	**50,258**
Corporate Services														
Chief Executive & Support Team	292		6	34					**332**					**332**
Commercial Team	934		3	45				-2	**979**				-104	**875**
Communications	481	1	2	51				1	**537**					**537**
Corporate Property	698	7,371	5	4,854				-812	**12,116**				-5,058	**7,059**
Finance	3,137		12	78				-746	**2,481**				-988	**1,493**
Human Resources	3,274	1	15	152				-552	**2,889**	-146			-876	**1,867**
Scrutiny & Monitoring	5,657		143	870				-793	**5,876**				-2,674	**3,202**
Strategy and IT	7,850	117	52	6,351				-713	**13,657**	-139			-2,503	**11,015**
Total Corporate Services	**22,323**	**7,491**	**238**	**12,434**	**0**	**0**	**0**	**-3,617**	**38,869**	**-286**	**0**	**0**	**-12,203**	**26,380**
Capital Financing & Central Resources														
Capital Financing				22,875				-1,645	**21,230**				-779	**20,453**
Premature Retirement Costs	1,505								**1,505**					**1,505**
Flood Defence Committee Levies					725				**725**					**725**
Eastern Inshore Fisheries and Conservation Authority (EIFCA)					409				**409**			-114		**295**
Councillors	94		84	1,185					**1,364**					**1,364**
External Audit Fees				121					**121**					**121**
Locality Budget				600					**600**					**600**
Suffolk Group Holdings									**0**				-2,123	**-2,124**
Barley Homes Ltd									**0**				-150	**-150**
Apprenticeship Levy	450								**450**					**450**
Income Review									**0**				-400	**-400**
Pay Strategy	2,680								**2,680**					**2,680**
Council Tax & Business Rates Risk Premium									**0**	2,000				**2,000**
Total Central Resources & Capital Financing	**4,729**	**0**	**84**	**24,781**	**1,134**	**0**	**0**	**-1,645**	**29,083**	**2,000**	**0**	**-114**	**-3,452**	**27,518**
TOTAL BUDGET	**173,089**	**22,515**	**36,558**	**338,292**	**275,125**	**29,632**	**253**	**-1,830**	**873,633**	**-912**	**1,025**	**-269,421**	**-105,886**	**498,438**
New Homes Bonus												-1,980		**-1,980**
Public Health Grant												-29,992		**-29,992**
Improved Better Care Fund (Part 1)												-10,986		**-10,986**
Improved Better Care Fund (Part 2)												-9,274		**-9,274**
Funding from Contingency Reserve										-2,857				**-2,857**
TOTAL BUDGET REQUIREMENT	**173,089**	**22,515**	**36,558**	**338,292**	**275,125**	**29,632**	**253**	**-1,830**	**873,633**	**-3,769**	**1,025**	**-321,654**	**-105,886**	**443,349**

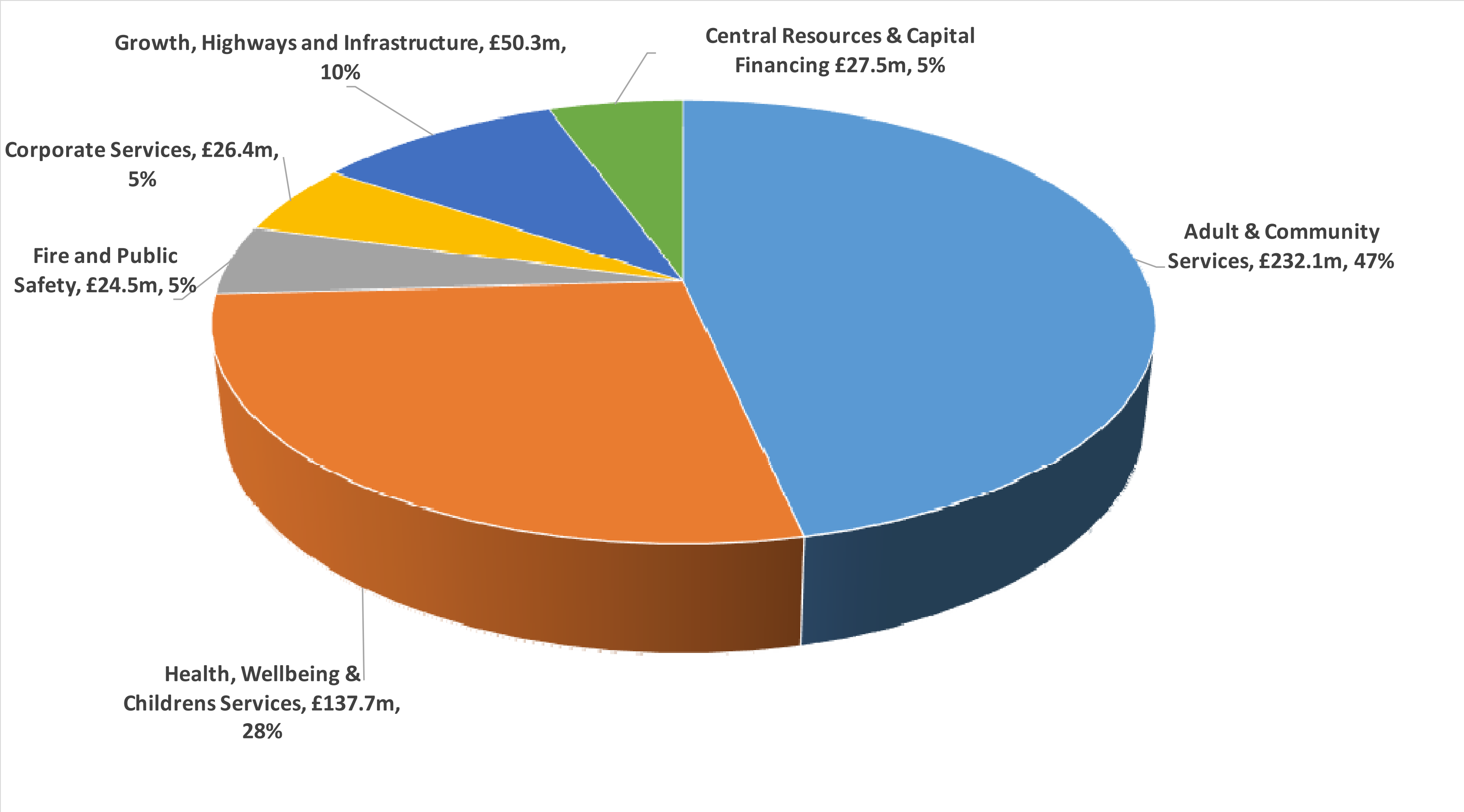
Where the revenue money of £873.6m comes from in 2018-19



…..and where it is being spent (Gross Budget £873.6m)



Where the revenue money is being spent (Net Budget £498.5m)



Finance and Population Statistics

1. Council Tax Increases

	% Increase	% Social Care Precept
2012-13	0.00	n/a
2013-14	0.00	n/a
2014-15	0.00	n/a
2015-16	0.00	n/a
2016-17	0.00	2.00
2017-18	0.00	3.00
2018-19	3.00	2.00

2. Inflation Indices

	January Index % Increase		
	CPI	RPI	RPIX
2014	1.9	2.8	2.8
2015	0.3	1.1	1.2
2016	0.3	1.3	1.4
2017	1.8	2.6	2.9
2018	3.1*	3.9*	4.0*

* November 2017 figures are the latest available

3. Council Taxbase Increases

	Taxbase £	Increase %
2011-12	256,388	0.97
2012-13	257,194	0.31
2013-14	229,134	-10.91
2014-15	231,839	1.18
2015-16	236,275	1.91
2016-17	240,678	1.86
2017-18	244,319	1.51
2018-19	247,340	1.24

Changes to the council tax benefit system reduced the taxbase in 2013-14

4. Tax Base for 2018-19

Taxbase for Taxsetting 2017-18	District Council	Deficit/Surplus on collection fund for 2018-19	Collection Fund Surplus/-deficit for County at 31/3/19 £	Taxbase for Taxsetting 2018-19	% Change from 2017-18
32,488.91	**Babergh**	**Surplus**	60,920	32,822.09	1.03%
17,575.33	**Forest Heath**	**Surplus**	277,101	17,964.44	2.21%
37,859.00	**Ipswich**	**Surplus**	503,106	38,132.00	0.72%
35,785.68	**Mid Suffolk**	**Surplus**	363,640	36,337.39	1.54%
36,257.27	**St Edmundsbury**	**Surplus**	28,594	36,490.95	0.64%
48,726.71	**Suffolk Coastal**	**Surplus**	851,562	49,399.26	1.38%
35,625.72	**Waveney**	**Surplus**	897,911	36,193.92	1.59%
244,318.62	**TOTAL**		**2,982,834**	**247,340.05**	**1.24%**

5. Population Data

Suffolk and the Districts

Area/Year	Mid-2013	Mid-2014	Mid-2015	Mid-2016
Suffolk	**734,470**	**738,510**	**741,895**	**745,274**
Babergh	88,290	88,850	89,215	89,498
Forest Heath	61,240	62,810	63,691	64,447
Ipswich	134,700	134,970	135,600	135,908
Mid Suffolk	98,020	99,120	99,632	100,014
St Edmundsbury	111,850	112,070	112,523	112,938
Suffolk Coastal	124,410	124,780	125,052	125,955
Waveney	115,960	115,920	116,182	116,514

Based on ONS estimates based on the preceding census.

6. Population Data by Age Groups

Suffolk by Age Groups ('000)

Age group/year	Mid-2013	Mid-2014	Mid-2015	Mid-2016
0-4	42.5	42.3	41.9	41.6
5-9	41.9	42.5	43.3	44.4
10-14	40.2	40.2	40.2	41.1
15-19	42.7	42.0	41.7	40.7
20-24	39.5	38.9	38.4	37.1
25-29	42.7	43.3	43.2	41.7
30-34	42.2	42.4	42.4	42.6
35-39	40.0	39.7	40.1	41.1
40-44	49.5	47.8	46.2	44.1
45-49	53.3	53.2	52.8	52.6
50-54	49.7	51.3	52.8	53.6
55-59	45.6	46.1	47.2	48.8
60-64	46.7	46.0	45.3	45.3
65-69	49.7	50.9	51.5	51.5
70-74	35.1	36.8	38.6	41.1
75-79	29.2	30.1	30.3	30.3
80-84	22.0	22.2	22.5	22.9
85-89	13.8	14.2	14.6	15.0
90+	8.3	8.7	8.7	9.0
ALL AGES	**734.5**	**738.5**	**741.9**	**745.3**

Suffolk County Council

Statement of Accounts

2017 - 2018

We will on request produce this document, or particular parts of it, into larger print or other languages and formats, in order that everyone can use and comment upon its content.

Suffolk County Council

Statement of Accounts

for the year ended **31 March 2018**

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Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

Certification
These accounts will be approved by the Audit Committee at its meeting on 25 July 2018 on behalf of Suffolk County Council and will then be authorised for issue.

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

The Head of Finance is responsible for the preparation of the Council's Statements of Accounts including those of the Pension Fund. In order to comply with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), these statements must present a true and fair view of our financial position and that of the Pension Fund at 31 March 2018, and the income and expenditure (spending) for the year to that date.

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

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

Certification
I certify that this statement of accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the Council at 31 March 2018 and its income and expenditure for the year to that date.

Louise Aynsley

Signed on 30th May 2018

Head of Finance (Section 151 Officer)
Date 30 May 2018

1.0 An Introduction to Suffolk

Suffolk is a rural county in the East of England with a population of approximately 742,000. Life expectancy is higher than the national average and levels of deprivation are generally low but there are small but significant pockets of deprivation in the major towns and some rural areas. Employment levels overall are generally good but average earnings are below the national average. The Suffolk countryside and coastline are rich in cultural heritage and landscape beauty and the county has one of the warmest and driest climates in the country, but being a rural county can provide challenges to the Council in the provision of services.

During 2017 - 2018 there has not been any significant changes to the statutory functions delivered by the Council. However, this has been a transitional year which has seen a number of interim management arrangements in place and changes in senior leadership roles. The process for the appointment of a new Chief Executive has now been completed and Nicola Beach will take up this role with the Council in May 2018. The Council is now organised into five directorates:

1.1 Adult & Community Services (ACS)

Services commissioned or supported by ACS include information, advice and guidance, short term reablement and longer-term care provision such as residential care, homecare, day-care for older people and working age adults with learning disabilities, mental health problems and physical disabilities. ACS also provide a safeguarding service for all vulnerable adults.

In the next 20 years Suffolk's total population is forecast to increase by nearly 10% with the proportion of older people increasing by 50%. Suffolk's population profile is older than that for the whole of England and will age faster with 1 in 3 residents expected to be 65 or over in 20 years time (currently 1 in 5). By 2037 it is expected that 59,000 Suffolk residents will be over 85 (currently 21,500). Consequently, it is likely that the demand for health and social care support will increase as more people with longer term conditions live longer lives. The working age population proportionately will be lower.

1.2 Health and Wellbeing & Children's Services (HW&CS)

Health and Wellbeing which is part of the wider Health, Wellbeing and Children's Services directorate consists of the following service areas: Health Improvement and Public Health Services (which includes Most Active County), Support to Health and Care Commissioning, Localities and Partnerships (which includes Libraries) and Knowledge and Intelligence. Public Health provides and commissions a wide range of services to improve the health and lives of Suffolk people including healthy lifestyles, health protection and advice.

Children's Services deliver a range of statutory duties in relation to the safety and welfare of children and young people. These include Early Help services, Health Visiting, School Nursing, Education & Learning, Special Education Needs and Disabilities, Social Care Services, Fostering & Adoption, Disabled Children's Services, and Youth Offending. In Suffolk, at 31st March there were 161 maintained schools and 162 academies and free schools and there were 862 Children in Care, an increase of 3% over the previous year.

1.3 Fire & Rescue and Public Safety (FPS)

The Fire and Rescue Service and Public Safety Directorate consists of the Suffolk Fire and Rescue Service, Trading Standards, Health and Safety and the Joint Emergency Planning Unit.

The Fire and Rescue service vision is to work together to make Suffolk a place where people lead safe and healthy lives. To do this it provides prevention, protection and emergency response services to local communities across the county and supports neighbouring and other fire services in the event of larger incidents. The county has 35 fire stations with 4 full time, 2 day-crewed and 37 on-call fire engines with associated 999 control, training and support functions. The service is increasingly provided from collaborative bases with blue light and other partner services.

The Trading Standards service vision is for a 'Rogue-Free Suffolk'. The delivery objectives supporting this are: To build resilient communities to say 'no' to scams and rogue traders: to support genuine Suffolk business, and take action against rogue traders, and to carry out market surveillance and use intelligence to target available resources most effectively.

The Corporate Health and Safety team provide advice to the County Council and Suffolk's maintained schools. They enable the Council to meet its statutory, moral, social health and safety and wellbeing responsibilities for both the workforce and others affected by its activities.

The Emergency Planning and Business Continuity functions enable the County Council to work in partnership with other organisations during emergencies to protect the public, to ensure critical services continue and to rebuild communities after any incident. These services are provided through a Joint Emergency Planning partnership with Suffolk District and Borough Councils.

1.4 Growth, Highways and Infrastructure (GHI)

The Growth, Highways and Infrastructure directorate is responsible for economic and industrial growth within Suffolk and the provision of Waste Disposal, Transport, Highways and Planning services. In 2017 - 2018, the Council disposed of, recycled or composted 345,000 tonnes of waste produced by Suffolk households. There were 12,700 travel passes issued for children to get to school and over one million passenger journeys taken on buses subsidised by the Council. The Council is responsible for and maintains 6,618km of roads, 5,900km of footways, and 72,300 roadside illuminations of which 61,300 are street lights.

1.5 Corporate Services (CS)

The Corporate Services directorate is responsible for providing support functions to the Council including Commercial, Communications, Corporate Property, Finance, Human Resources, IT, Scrutiny & Monitoring and Strategy & Corporate Programme Management Office, to enable and support the delivery of effective and efficient public services to the people of Suffolk. Corporate Services is also responsible for the front-line delivery of the Coroner's and Registration Services.

2.0 Council's Priorities and Achievements

In July 2017, the County Council adopted a set of corporate priorities through the publication of the 'Suffolk County Council: Our Priorities 2017 - 2021' document. The document provides a framework for future decision-making, financial and business planning for the organisation. The priorities were developed following the County Council elections in May 2017 and took into account political priorities as well as the factors impacting on the current public services landscape at a national and local level.

https://www.suffolk.gov.uk/council-and-democracy/our-aims-and-transformation-programmes/the-councils-plans-and-priorities/

The priorities are:

a) Inclusive Growth: Suffolk needs to improve its economic productivity, levels of educational attainment and build more homes, ensuring that everyone benefits, including people who are vulnerable and facing disadvantage.

b) Health, Care and Wellbeing: Caring for Suffolk's vulnerable residents, enabling everyone to live long, healthy and fulfilling lives and having thriving families and communities that support each other.

c) Efficient and Effective Public Services: At a time of diminishing resources, increased demand and changing customer expectations, the Council needs to change the way that it operates to meet customers' needs and balance the budget.

These priorities provide a strategic foundation for future planning for the next few years and are supported by annual Business Plans that translate the high-level aspirations outlined in the 'Our Priorities 2017 - 2021' document into a programme of more detailed actions and commitments. These priorities have guided the Administration in the development of savings proposals for 2018 - 2019 and have informed the planning and implementation of the Council's new portfolio of transformation programmes. The new transformation programmes, detailed in paragraph 6, 'Financial Challenges in 2018 -2019', will focus on reducing existing overspends and meeting the forecast budget gap to 2021.

Detailed below are some of the outcomes that the Council has been able to achieve in 2017 – 2018 within the Councils three priorities:

2.1 Inclusive Growth

2.1.1 Ofsted school inspection figures published by the Department for Education (March 2018) show the percentage of schools judged Good or Outstanding in Suffolk as 86%.

2.1.2 During 2017 -2018, the Council received its highest volume of applications for secondary school places: 7,544 compared to 7,171 in in the previous year. In total, 94.6% of applicants were offered their first-choice school, this was a 0.6% improvement on last year.

2.1.3 The latest figures show the numbers of 16-year-olds in education and training has increased from 93.6% (March 2017) to 94.1% (March 2018).

2.1.4 The numbers of adults qualified to NVQ Levels 2, 3 and 4 have all increased in Suffolk at a greater rate than that reported regionally and nationally.

2.1.5 Following a short Ofsted inspection of Adult and Community Learning services in February, the Council maintained its Good rating (this was the first inspection since 2014).

2.1.6 More than 92% of Suffolk addresses now have access to superfast broadband – from around 50% when the programme started. The plan to achieve broadband coverage to 98% of Suffolk premises by 2020 remains achievable. The Council continues to look at options to provide coverage to the remaining 2% of the population.

2.1.7 Suffolk Highways carried out a total of 187 (89 overnight and 98 daytime) gritting and snow clearance runs over the winter period compared to 102 in 2016 - 2017.

2.2 **Health, Care and Wellbeing**

2.2.1 £191 million was invested in purchasing care for adults, with approximately 9,700 people receiving care at any point in time. This included the provision of 1.7 million homecare hours for older people (a rise of 7% from the previous year) and 124,000 bed-weeks of residential and nursing care (a fall of 1%) which highlights the growth in community-based care rather than the more traditional residential care.

2.2.2 Over the last year the waiting list for homecare has been reduced by 63% by working with providers to access care more quickly.

2.2.3 The number of learning disability customers in paid employment remained at a stable level in 2017 - 2018. The current figure of 8.4% compares well both regionally and nationally (particularly when compared to other large rural counties).

2.2.4 Suffolk is one of 10 Councils successful in the first round of the Life Chances Fund. This funding will be used for an enhanced edge-of-care service delivered via a Social Impact Bond (SIB). A SIB contract will help the Council achieve its key priorities identified in the High Cost Demand in Children's Services Transformation programme.

2.2.5 400 frontline professionals, including Police Officers and health staff, were trained through ASIST (Applied Suicide Intervention Skills Training) suicide prevention programme.

2.2.6 An additional £0.5 million external funding was secured to provide 23 extra domestic abuse refuge bed spaces across the county.

2.2.7 In 2017 - 2018 Suffolk Fire and Rescue attended 4,793 separate incidents including those across other counties. The figure included approximately 2,100 incidents that turned out to be false alarms.

2.2.8 Fire Prevention teams provided 2,987 Home Fire Safety checks to vulnerable people and the Fire Protection Team 386 planned audits.

2.3 **Efficient and Effective Public Services**

2.3.1 The Council's wholly-owned companies under Suffolk Group Holdings have achieved over £89 million in turnover with pre-tax profits of approximately £2.6 million returning combined dividends of £1.435 million to the Council.

2.3.2 The Human Resources service has not only reduced its staff costs by 40% but has continued to increase their traded activity in terms of payroll and advertising with new prospects identified in both areas which it anticipates will go live in 2018 - 2019. This trading activity generates additional income for the Council.

2.3.3 Suffolk has been reducing steadily the number of staff that it directly employs. In April 2017 the number of fulltime equivalent (FTE) staff was 4,081. In April 2018 this had reduced to 3,967 a reduction of 114 FTE (3%).

2.3.4 The Council has also been targeting spend on temporary staff and contractors and reduced the level of spend in 2017 - 2018 by 21% from £11.187 million to £8.811 million. One of the most significant areas of reduction was the spend on contractor social workers and this demonstrates the impact of Council initiatives such as the Suffolk and Norfolk Social Work Teaching Partnership (TP).

2.3.5 Overall, the number of complaints to the Council fell by 3.2% from 1,206 in 2016 - 2017 to 1,165 in 2017 - 2018. Service Provision remains the most prominent theme for complaints across the Council.

3.0 Resident Satisfaction

As 2017 - 2018 was a County Council election year, no formal resident satisfaction consultation was undertaken. However, the Council did run six "We Are Listening" events across the County where members of the public were able to talk to Councillors about the services that the Council provides. The Council also conducted an online consultation for the budget setting process for 2018 - 2019. This consultation included a question about the extent to which respondents agreed or disagreed with the proposition that Suffolk County Council provides value for money. The result was that 40% either strongly agreed or tended to agree that the Council provides value for money, 27% neither agreed or disagreed or did not know and 33% disagreed or strongly disagreed.

4.0 Financial Performance

The Cabinet received quarterly budget monitoring reports during the year and will receive a detailed report of the outturn in June 2018. The Council's overall financial position improved over the course of the year but it is clear that containing spending within the budget while maintaining services is becoming very challenging in the face of significant savings targets that are the necessary response to the Government's reductions to local government funding. Demand and the cost of providing services for the most vulnerable in Suffolk continues to increase so the Council has had to use reserves in the current financial year to balance Directorate budgets. In the new financial year, firm management will be required across all budgets to ensure that where adverse trends are identified in one area, these can be offset by action taken elsewhere to ensure that the Council lives within its means.

4.1 Revenue

4.1.1 The Council set a net budget of £487.862 million for the year 2017 - 2018. The budget included a target for planned savings of £31.330 million to reach a balanced budget as well as a planned transfer from the contingency reserve of £8.501 million. The net budget is the budget after fees, charges, contributions and some service specific grants have been deducted. Table 1 below shows how the net budget was expected to be funded when the budget was set, compared to how it was finally funded.

The changes were due to:

- Additional grant funding for adult social care (£14.174 million) announced in the Chancellor's spring budget at March 2017.
- Additional income received from the billing authorities due to a surplus from Council Tax collection compared to estimated income collectable.
- Additional business rates income from the Suffolk-wide pooling of business rates, providing the Council with a share of the gain, along with income from Central Government due to under-indexing of business rates resulting in a 10% increase for authorities. The under indexing was as a result of the 2% cap imposed by the Chancellor in 2014 - 2015 and 2015 - 2016 and the early switch from RPI to CPI in 2017 - 2018.

Table 1: Funding of Net Budget

	As at 1 April 2017 £ million	As at 31 March 2018 £ million
New Homes Bonus	2.981	2.975
Rural Services Delivery Grant	1.743	1.743
Public Health Ring-Fenced Grant	30.793	30.793
Education Services Grant	1.364	1.235
Transitional Grant	1.978	1.978
Better Care Fund	0.870	15.044
Adult Social Care Support Grant	3.276	3.276
Funding from Contingency Reserve	8.501	2.820
Revenue Support Grant	45.191	45.191
Business Rates Top-Up Grant	74.934	72.934
Business Rates	22.979	29.438
Council Tax	279.333	280.689
Social Care Precept	13.919	13.919
	487.862	**502.035**

Table 2 shows the actual spending of the Council against the net budget for each directorate. Overall the Council overspent by £5.259 million. The under/overspendings (variances) have been added to or taken from the service reserves.

Table 2: Actual Spending compared to the Final Net Budget 2017 – 2018

	Net Budget £ million	Actual Expenditure £ million	Variance over under (-) Budget £ million
Adult & Community Services	229.129	229.698	0.569
Health, Wellbeing & Children's Services	137.606	142.336	4.730
Fire & Rescue Service and Public Safety	24.483	24.290	-0.193
Growth, Highways and Infrastructure	51.168	50.980	-0.188
Corporate Services	26.790	26.887	0.097
Central Resources and Capital Financing	32.859	33.103	0.244
Total Suffolk County Council	**502.035**	**507.294**	**5.259**

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

4.1.2 Within Adult & Community Services there is continuing pressure on the budget for purchased adult care for older people and people with a learning disability (£4.716 million overspend). However, this is mostly offset by underspends in other areas of the budget including spend on reablement services where there was a high level of staff vacancies combined with third-party contracts ending; Family Carer Support, due to signposting family carers to lower cost community options and improved evaluation of carers needs, and not committing the ACS contingency, which is part of the underspend within commissioning and specialist services. These along with other smaller underspends in other parts of the service has resulted in an overall overspend of £0.569 million.

4.1.3 Children's Services overspent the base budget by £4.394 million, and the Dedicated School Grant (DSG) budget by £0.336 million – a total of £4.730 million against the budget of £99.156 million. The overspend against base budget was a combination of costs associated with children in care, social care teams (both staffing and non-pay) and home-to-school transport. These were partially mitigated by vacancies and underspends in early help, education & learning, business support, early years and workforce development. In addition, savings of £0.909 million identified early in the financial year were left uncommitted to offset anticipated pressures. The DSG budgets for the inclusion service were significantly overspent and there was also an overspend against the DSG budget assigned for school growth - mainly due to the opening costs of the new Social, Emotional and Mental Health (SEMH) needs school in Carlton Colville. These overspends were partially offset by underspends against the budgets for nursery provision in schools, additional Educational Support Grant income and reduced academy recoupment due to business rates rebates.

4.1.4 Fire & Rescue and Public Safety directorate underspent by £0.193 million. Trading Standards contributed the majority of the underspend due to staff savings and a reduction in legal costs due to fewer prosecutions being significantly challenged. Suffolk Trading Standards has joined with 36 Consumer Group barristers and in doing so have reduced the overall legal costs. In 2017 - 2018 £0.035 million of income was achieved in relation to POCA (Proceeds of Crime Act) which was a significant increase over the previous year. Suffolk Fire and Rescue finished the year with a small overspend whilst Health and Safety achieved a small underspend.

4.1.5 Growth, Highways and Infrastructure underspent by £0.188 million. The underspend is largely attributable to the Waste Service which reported an underspend of £0.708 million. This was due to two main factors: first, the tonnages of residual waste and recyclate were less than expected and secondly, the exceptional performance at the Energy from Waste plant which led to greater landfill avoidance. The reduced tonnage and landfill performance for 2017 - 2018 are considered as one-off. The underspend on Waste was offset by an overspend on Strategic Development of £0.564 million, which is a combination of overspends in Economic Development, Transport Strategy and Heritage Services. Both Passenger Transport and Operational Highways reported a balanced budget, despite a substantial increase in cost relating to winter road treatments due to more adverse weather conditions than an average season. The capitalisation of permanent repairs to the road network combined with the use of the winter maintenance reserve supported the delivery of a balanced budget for 2017 – 2018.

4.1.6 The net overspend for the Corporate Services directorate was £0.097 million. This is made up of a number of over and underspends but the most significant were an overspend of £0.231 million on IT services and an underspend of £0.121 million on Human Resources.

4.1.7 The overspend on Central & Capital Financing of £0.244 million relates in part to the Premature Retirement and Pensions budget. Where the employer pension contractual contribution rate due from a divested company is lower than that set for 2017 - 2018, the benefit is payable to the Council. This benefit was lower than expected. Lower than budgeted dividend income from Suffolk Group Holdings Ltd also contributed to the overspend.

4.1.8 Underspends within the service related to the Apprenticeship Levy, new in 2017 - 2018, a levy payable by the Council to Central Government on non-schools staff. There were also small underspends on Councillors Allowances and Locality budgets.

4.2 Capital

Table 3 shows the Council's capital programme for 2017 - 2018, the final expenditure against the programme and how this has been funded.

Table 3: Capital Programme 2017 – 2018

2017 - 18 Capital Budget Monitoring Table for the Period Ending 31 March 2018

Original Expenditure Programme 2017-18		Revised Expenditure Programme 2017-18	Actual Expenditure 2017-18	Variance Against Revised Programme
£ million		£ million	£ million	£ million
0.500	Adult & Community Services	10.370	6.384	3.986
21.190	Health, Wellbeing & Children Services (ex. schools)	55.603	37.382	18.221
1.300	Schools	5.758	3.257	2.501
1.000	Fire & Rescue Service and Public Safety	8.618	3.742	4.876
29.000	Strategic Development	48.400	23.135	25.265
23.473	Operational Highways	38.500	32.504	5.996
0.000	Waste	13.087	2.060	11.027
4.700	Property	14.454	7.931	6.523
2.850	IT	5.810	5.182	0.628
13.680	Broadband	22.653	5.617	17.036
97.693		**223.253**	**127.194**	**96.059**
	Financed by:			
11.700	Ringfenced Government Grant	24.372	12.082	12.290
26.120	Ringfenced Contributions	45.100	20.823	24.277
33.393	Non-Ringfenced Government Grant	48.127	44.087	4.040
2.950	Capital Receipts	11.609	5.933	5.676
6.630	Revenue Budgets or Reserves	23.147	16.158	6.989
16.900	Borrowing	70.898	28.111	42.787
97.693		**223.253**	**127.194**	**96.059**

4.2.1 Adult & Community Services paid £3.772 million to districts and borough councils through the Disabled Facilities Grant to provide support to disabled people who require adaptations to their home. The service also included £1.852 million for community equipment. The remaining spend has been on supported housing for working age adults. The variance of £3.986 million relates mainly to the ACS IT transformation programme, a new customer record management IT system. The contract was awarded in February 2017, and the project will complete during 2018 - 2019.

4.2.2 The programme for Children's Services included expenditure of £23.917 million on basic need schemes which provided new school places in areas of pupil growth. The construction of two new primary schools as part of this programme (The Pines Primary in Red Lodge and The Limes Primary in Woods Meadow in Lowestoft) have progressed well and are both on target to open in September 2018. These accounted for £9.000 million of the £23.917 million expenditure. There was £14.917m spent on expanding existing schools to create the additional school places needed. A further £5.713 million has been spent on school maintenance and refurbishment. Some basic need schemes will take place in future years due to delays in planning and site acquisition. Funding has been carried forward due to the timing of new housing projects which will result in new school places being needed, however the progress of the sites is outside of the Councils control, so the profile of the spend will be amended to ensure the Council does not invest in places which might not be needed.

4.2.3 There was a final spend of £0.724 million on School Organisation Review (SOR), the project is now complete and all maintained schools in Suffolk are two tier which is shown to raise educational attainment. A budget of £1.685 million allowed early years providers to make adaptions and improvements to accommodate the increase in free child-care hours from 15 to 30 hours. This funding was provided by a one-off Government grant.

4.2.4 The Fire & Protection programme included new operational equipment and the replacement of ageing emergency vehicles for Suffolk Fire and Rescue Service. Work has been completed at Newmarket and Beccles to create shared blue light stations at a cost of £1.297 million. The remaining budget will be carried forward into 2018 – 2019 to complete this work in other areas across Suffolk.

4.2.5 The strategic development programme included The Hold Heritage Centre project with most of the funding for this carried forward for use in 2018 – 2019, including a National Lottery grant of £10.300 million. Work on the Beccles Southern Relief Road is on target and due to open to traffic in August 2018, with £2.753 million being spent in 2017 - 2018. Work on the Upper Orwell and Lowestoft bridges is progressing well with £6.005 million being spent on the feasibility studies, planning applications, initial design and a land purchase for part of the site. The Ipswich Radial Corridors scheme spent £1.594 million on a number of highway improvement schemes on the south east side of Ipswich that will ease congestion on the network. £1.302 million has been carried forward into 2018 - 2019 to continue this work.

4.2.6 The highways programme included maintenance work on principal & non-principal roads, bridges, street lighting, traffic signals, footways and drainage. Operational Highways have spent £29.4 million by successfully delivering around 2.13 million square metres of surface dressing of roads completed in the summer of 2017. This represents 325 kilometres of local road network which, together with a further 38 kilometres of surfacing, means that just over 5% of Suffolk's road network was treated in 2017 - 2018. Work will continue in 2018 - 2019 on the repair to Suffolk roads caused by winter damage.

4.2.7 In the waste programme £1.741 million was spent on the purchase of land for the new West Suffolk Operational Hub. The majority of the remaining budget is expected to be utilised in 2018 - 2019 on the construction of the site. The remaining £3.070m of funding will be used on the re-location and improvement of several household waste recycling centres.

4.2.8 The property programme includes the construction of the South Lowestoft Phoenix Enterprise Park industrial units. Total spend on the project in 2017 - 2018 was £3.601 million. The underspend of £1.323 million will be carried forward to 2018 - 2019 when completion of the park is expected. A total of £1.064 million has been spent on improvements and maintenance to the Council's main office buildings, including security improvements to Endeavour and Constantine House and the car park barrier at Riverside. The Greenest County budget has been re-focused to target schemes that reduce overall energy usage rather than using green energy. The schemes have spent £1.311 million in 2017 - 2018, part of this has been on the start of the fan coil replacement in the air conditioning units across 16 floor plates in Endeavour House. 5 have been completed in 2017 – 2018, the rest will be completed in 2018 - 2019. Due to the adverse weather conditions in the last quarter of the financial year work on the re-provision of the Eye library has not progressed as fast as planned, £0.551 million will be carried over to be spent early in 2018 - 2019.

4.2.9 On the 1st April 2017 phase 2 of the Suffolk Better Broadband programme began, work on this is ongoing as roll out has been slower than expected. Capital investment has been used to establish the foundation infrastructure and architecture to support the Council's IT Strategy. This includes investment in cyber security protection, installation of new firewalls and establishing a resilient connectivity to cloud services for the Suffolk wide area network.

4.3 Future capital programme

In February 2018 the Council set a capital programme for 2018 - 2021 that totals £367.713 million. The programme includes investment in schools of £103.949 million, investment in the county's road network of £82.984 million, £116.300 million on the design and build of the wet dock crossings in Ipswich and Lowestoft and a further £7.200 million for the Suffolk Better Broadband programme which will provide 98% of premises in Suffolk with access to superfast broadband speeds. The programme also includes a £5.300 million investment in Barley Homes (Group Ltd) to allow the company to develop a business case for three sites to allow house building.

4.4 Balance Sheet

Table 4 summarises the Balance Sheet of Suffolk County Council at 31 March 2017 and 31 March 2018. The full Balance Sheet can be found on page 23 together with references to the notes that support each of the figures.

Table 4: Balance Sheet as at 31 March 2018

31 March 2017 £ million		31 March 2018 £ million	Increase/ Decrease (-) 2017 - 2018 from 2016 - 2017 £ million
1,581.964	Non Current Assets	1,488.015	-93.949
96.522	Current Assets	118.299	21.777
-229.694	Current Liabilities	-282.495	-52.801
-1,108.101	Long Term Liabilities	-1,119.069	-10.968
340.691	**Net Assets**	**204.750**	**-135.941**
193.938	Usable Reserves	173.769	-20.169
146.753	Unusable Reserves	30.981	-115.772
340.691	**Total Reserves**	**204.750**	**-135.941**

4.4.1 The net decrease in non current assets mainly relates to the movement in Property, Plant and Equipment, a reduction of £92.226 million. During 2017 – 2018, 37 schools where the Council held the asset on the balance sheet, transferred from the Council to Academy Status, totalling £98.410 million (Note 5 of the core statements). Capital expenditure during the year created additions to non-current assets of £93.163 million and depreciation charged reduced the balance by £51.724 million.

4.4.2 Current Assets have increased by £21.777 million which includes an increase in short term investments of £16.942 million to meet the short term cash flow management of the Council.

4.4.3 Current liabilities include an increase of £23.857 million in short term borrowing necessary for the Council's short term cash flow, aligned with the Treasury Management borrowing strategy. It also includes an increase of £13.824 million in the cash balance held on behalf of New Anglia Local Enterprise Partnership, as part of the Councils accountable body role. Current liabilities also include an increase in the receipt of developer contributions of £4.948 million which will be used to finance the capital programme in future years. Other movements in current liabilities relate to monies owed on invoices of £6.305 million as at 31 March.

4.4.4 Long-term liabilities include the liabilities in relation to two Private Finance Initiative (PFI) schemes the Council has in place and the pension liability. The PFI schemes relate to the construction and management of the Energy-from-Waste facility at Great Blakenham and the upgrade and maintenance of fire stations for Suffolk Fire and Rescue (see note 30 of the core statements). The balance of the liability in relation to the two schemes has decreased by £7.130m in 2017 - 2018. The movement in the liabilities balance relates to an increase in the liability of the Local Government Pension Scheme of £3.395 million, an increase in Long Term Borrowing of £11.624 million and an increase of £3.967 million in capital grants which will be used to finance the capital programme in future years.

4.4.5 Usable reserves are cash reserves that can be used to fund the activities of the authority. The decrease of £20.169 million in usable reserves is shown in Table 5 overleaf and in note 8 of the core statements, alongside details of the types of reserves the Council holds.

4.4.6 Unusable reserves are those which exist because the Council has to comply with accounting practice and statute. Details of the decrease in unusable reserves of £115.772 million are shown in Note 19.

Table 5 summarises the Council's usable reserves.

Table 5: Useable Reserves

31 March 2017 £ million		31 March 2018 £ million	Increase/Decrease (-) 2017 - 2018 from 2016 - 2017 £ million
50.588	General Reserves (unallocated)	46.066	-4.522
19.352	Service reserves (directorate)	9.260	-10.092
50.650	Specific Activity reserves (allocated)	52.615	1.965
57.180	Other earmarked reserves	42.981	-14.199
177.770	**Total Revenue reserves**	**150.922**	**-26.848**
16.168	Capital reserves	22.847	6.679
193.938	**Total Useable reserves**	**173.769**	**-20.169**

4.4.7 General reserves are ring-fenced for each directorate and service reserves are allocated for a defined future use.

4.4.8 The net movement in reserves has been used to support £3.727 million of revenue expenditure and £16.442 million to fund the capital programme.

4.4.9 Schools hold delegated budgets which are funded mainly from the Dedicated Schools Grant (DSG). Any under/overspendings by schools are transferred to individual school's balances. These are earmarked reserves held by the schools that appear within the Council's balance sheet as useable reserves but can only be used by schools. As schools become academies these balances are removed from the Council's balance sheet. At 31 March 2018 school balances were £14.928 million (£19.794 million at 31 March 2017).

4.5 Pension Liabilities

4.5.1 Suffolk County Council participates in four pension schemes, the firefighters', teachers', National Health Service (NHS) and Local Government pension schemes. These schemes are used to pay former employees their pension and other benefits when they retire. The liabilities of the Council in relation to the schemes are reported on the balance sheet in accordance with International Financial Reporting Standard 19 (IAS19). This showed a deficit at 31 March 2018 of £634.588 million (£631.193 million at 31 March 2017) in respect of the firefighters' and the local government pension schemes. The increase of £3.395 million in the pension fund liabilities is because of an increase in the net discount rate as determined by the actuary over the period.

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

4.5.3 The Suffolk Pension Fund is revalued every three years with the last full valuation in 2016 reporting a funding level of 91.2%.

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

5.0 Treasury Management & Cashflow

Table 6: Cash and Short Term Investments

2016 - 2017 £ million		2017 - 2018 £ million
1.156	Cash and other cash equivalents	0.751
28.774	Short term investments	45.716
29.930	**Total**	**46.467**

The main factors that would affect cash in the future are:

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

The Council held £45.027 million of invested funds at 31 March 2018. These investments consisted of £8.954 million in Lloyds deposit account, £31.299 million in money market funds, £4.707 million in Churches, Charities and Local Authorities (CCLA) Property Fund and £0.067 million of interest accrued on these balances. £0.689 million of loans made to divested organisations and due for repayment within one year are also included within short term investments.

5.1 Borrowing

5.1.1 The Council's total gross external debt was £604.756 million at 31 March 2018 (£576.829 million at 31 March 2017). This consisted of borrowing of £439.762 million and a Private Finance Initiative (PFI) and donated asset liability of £164.994 million which are described further in note 30. This was substantially below the Council's capital financing requirement (£710.299 million at March 2018), which is the statutory ceiling on external borrowing for capital purposes. This reflects the Council's approach to treasury management, which makes use of internal balances and other reserves where possible to reduce the need for external borrowing.

5.1.2 The Council's short and long term external borrowing at 31 March 2018 consisted of Public Works Loan Board (PWLB) of £128.663 million, long-term bank loans of £45.000 million, other long-term market loans (Lender Option and Borrowing Options) of £130.000 million, short term borrowing of £132.400 million, funds held in trust of £0.752 million, and accrued interest payable on these balances of £2.947 million. The average rate of interest on the Council's external borrowing at March 2018 was 2.88% (3.14% at March 2017).

6.0 Financial Challenges in 2018 - 2019 and Medium-Term Outlook

6.1.1 Like most councils in England, Suffolk County Council accepted a four-year financial settlement from the Government which covered the period from 2016 - 2017 to 2019 - 2020. This has allowed the council to have a degree of certainty about future levels of funding. However, it is unclear what will replace this regime when it comes to an end. In 2018-19 Suffolk is one of the 10 pilot sites where the Government is looking to test out the implications of moving to funding councils by the retention of Business Rates rather than government grants. The Government is also conducting a major spending review which will set the overall quantum of public expenditure for the next few years and in addition, is consulting on how the Local Government share of that total, so that it is be more fairly distributed between councils.

6.1.2 Nevertheless, using available information and knowledge of funding streams and demand and cost pressures, the Council has forecast what the likely gap between funding and expenditure is likely to be in each year up to 2021-22. This amounts to £57.600 million over the period 2018-19 to 2021-22.

6.1.3 For 2018 - 2019 the Council has identified savings of £23.903 million in order to set a balanced budget. This is because alongside the government grant reductions in 2018 – 2019, the council will need to fund the cost of inflation and increasing demand for adult and children's care services.

6.1.4 The challenge to make savings is not new. The Council has already successfully managed the delivery of savings of more than £236 million since 2011-12. However, it has been recognised that a new programme of transformational change is necessary to build on the success of the previous programme and to ensure that the Council can continue to deliver the best possible services within its available resources. As a result, a new portfolio of service transformation programmes has been developed to fundamentally review how services are operated and how the organisation is run. In 2018 - 2019 the transformation programmes are expected to deliver £11.450 million of savings and the Council is aiming to deliver a further £12.453 million from other savings, including reducing capital financing and containing the impact of inflationary pressures.

The service transformation programmes are:

a) Building adult health and care Alliances to develop an integrated health and care system

b) Adult Mental Health and Learning Disability service transformation

c) Transforming Adult Social Care through managing demand

d) Children and young people's Alliances

e) Implementing the Special Educational Needs and Disabilities (SEND) strategy

f) High-cost demand: Children in care

g) Travel choices

h) Commercialism

i) Infrastructure and growth

j) Our digital business

6.2 Building adult health and care alliances to develop an integrated health and care system

Working with partners in the NHS and other Suffolk organisations, the Council will transform the way it delivers health and adult social care services so that they are more integrated and efficient. To then deliver better support for people by being more responsive and co-ordinated in the care it provides or purchases. This will mean developing a long-term strategy for adult care services, and trialling a new way of providing community care, known as the Buurtzorg model, in one area of Suffolk.

6.3 Adult Mental Health and Learning Disability service transformation

The Council will transform the mental health and learning disability services so they are more tailored to individual needs, give people more choice and control, and prevent future issues from arising. To do this the Council will work to deliver improvements to services such as urgent respite, planned supported breaks, and evening and weekend activities for people with learning disabilities. Further improvements to both working practices and the core technology system used to support people with mental health and learning disabilities will also be delivered.

6.4 Transforming Adult Social Care through managing demand

Demand for social care is increasing every year, something that the Council needs to address, to be able to afford to provide the best quality care possible. The design, implementation and promotion of alternative ways of providing social care services to adults will help more people to live independently for longer and help the Council to manage increasing demand. Working with partners to create a system that serves people better, makes better use of resources, and delivers better outcomes for residents. A long term sustainable social care system is only possible if demand is managed better and the need for local authority-funded care is reduced. Part of this work will include reviewing our residential nursing strategy. The Council will also enter into a new commercial relationship with those who provide care services on our behalf.

6.5 Children and young people's Alliances

The Council will come together with providers and commissioners across the children's health and care sectors to transform community health services. This will move children's health and care systems from a reactive, fragmented model of care towards one that is more proactive, preventive and in which people are empowered to play a central role in managing their own care. To do this a range of reviews will be undertaken, outlining how customers are currently supported, designing new ways of supporting them and identifying opportunities to trial new ways of working. A review of opportunities to integrate services with other providers, such as undertaking a data-led review of urgent care, to understand demand across services and develop appropriate responses.

6.6 Implementing the SEND strategy

The Council will improve the Special Educational Needs and Disability (SEND) services to ensure that children, young people, families and professionals are able to access local services to support themselves. Professionals will work more closely to share information and deliver more timely, high-quality services, designed with the help of children, young people and families themselves. Developing a good understanding of the gaps in services and provision will produce new offers to meet identified need. The transition from childhood through to adulthood will be better understood by children, young people and families. To deliver this multi-agency assessment centres will be created, ensuring better services are developed with the help of the people that will use them. Improvements will be made online to access clear information on what services are available locally. This will empower families to make informed decisions to help reduce demand on services.

6.7 High cost demand: Children in care

Despite a national rise in the number of children in care, the Council had managed to keep its numbers stable from November 2015 to November 2017, with an increase in the last five months of 2017 - 2018. Costs have, however, risen - particularly for adolescents. Numbers of children in need and children with child protection plans are stable, but work must continue to be more efficient and effective. A "Social Impact Bond" will be created to incentivise organisations to support adolescents who are at risk of going into care. Funded partly by the Life Chances Fund, this will help to reduce the number of young people entering care in Suffolk. To keep more children aged 11 years and over out of care, the Family Solutions Service will be strengthened to provide intensive support services (e.g. respite, psychologists and activities programmes). Funded by the Department for Education, the Council want to deliver the “Mocking Bird” fostering model to increase the resilience of our foster carers to look after those children with the most challenging needs. The Council will also deliver the “Staying Close” programme to ensure a smoother transition for those young people leaving residential care and going on to live more independent lives. Work will continue to build on the Signs of Safety and Wellbeing practice.

6.8 Travel choices

There are spaces on public transport that currently are not being utilised, so the Council will work to get more of them being used by people who need to travel, piloting a new travel app to assist with this. This will give Suffolk residents increased travel options and the ability to arrange their own transport to meet their needs, without public subsidy. The Council will encourage the development of a bus network that integrates commercially-run and community services, along with encouraging sustainable travel to school and developing a fair and equitable school travel policy.

6.9 Commercialism

The Council want to provide efficient, effective and innovative services that meet the needs of Suffolk residents and businesses at minimum cost to taxpayers. This means getting the right balance between the Council paying for services to be delivered by other organisations and delivering them ourselves. Local businesses will be encouraged to develop and provide better services that meet residents’ needs whilst generating funding for the Council. An important element of this work will be to carry out a complete review of Council services to determine what opportunities there are for further improvements in the way services are purchased, provided and income generated.

6.10 Infrastructure and growth

To maximise economic growth for Suffolk, the Council will focus its efforts on securing investments which will deliver increased business rates and council tax income. This means developing a clear understanding of the relationship between infrastructure investment, housing and economic growth, skills and business rates and council tax, to help make better decisions.

6.11 Our digital business

The Council will be transformed radically to improve the way residents are served by using technology in better and more innovative ways to ensure everyone can access services digitally. The Council will exploit the power of technology to drive economic growth and enhance the health and wellbeing of Suffolk people. To do this the Council will modernise its online transactions system, removing costly manual activities from our processes where appropriate, along with developing and implementing a strategy to help provide more services digitally.

7.0 Corporate Risk Management

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

8.0 Annual Governance Statement

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

A copy of the Annual Governance Statement for 2017 – 2018 is available on the Councils website.

https://www.suffolk.gov.uk/council-and-democracy/budget-council-tax-and-finance/council-accounts/

9.0 Explanation of the Financial Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2018. It comprises core and supplementary statements, together with disclosure notes. The format of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017 - 2018, which in turn is underpinned by International Reporting Standards.

The Core Statements are:

9.1 Comprehensive Income and Expenditure Account

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

9.2 Movement in Reserves Statement

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

9.3 Expenditure and Funding Analysis Statement

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

9.4 Balance Sheet

The Balance Sheet shows the value as at the 31 March 2018 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories:

- Useable reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).
- Unusable reserves are those that the Council is not able to use to provide services. This includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

9.5 Cash Flow Statement

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

The supplementary statements are:

9.6 Notes to the accounts

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

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

Notes 2 to 40 set out supplementary information to assist readers of the accounts.

9.7 Group Accounts

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

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

9.8 Pension Fund Accounts

The objective of the Suffolk Pension Fund's financial statements from page 93 is to provide information about the financial position, performance and financial sustainability of the Suffolk Pension Fund that is administered on behalf of the Scheduled, Resolution and Admitted bodies. Scheduled bodies are local authorities, district and borough councils and other similar bodies such as academies whose staff are automatically entitled to be members of the Fund. Admitted bodies are voluntary and charitable bodies or private contractors undertaking a local authority function.

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

9.9 Fire Pension Scheme

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

Comprehensive Income and Expenditure Account

2016 - 2017 Gross Expenditure £ million	2016 - 2017 Gross Income £ million	2016 - 2017 Net Expenditure £ million		Notes	2017 - 2018 Gross Expenditure £ million	2017 - 2018 Gross Income £ million	2017 - 2018 Net Expenditure £ million
281.416	-68.147	213.269	Adult and Community Services		301.362	-69.672	231.690
553.624	-367.764	185.860	Health, Wellbeing & Children's Services		519.703	-342.649	177.054
27.467	-4.417	23.050	Fire & Rescue Service and Public Safety		29.658	-4.418	25.240
109.104	-38.318	70.786	Growth, Highways & Infrastructure		107.865	-29.785	78.080
54.732	-9.560	45.172	Corporate Services		61.797	-18.215	43.582
5.109	-0.162	4.947	Central Resources and Capital Financing		5.443	-0.313	5.130
-1.002	0.000	-1.002	Pension Costs IAS 19 *		-3.550	0.000	-3.550
1,030.450	**-488.368**	**542.082**	**Net cost of services**		**1,022.278**	**-465.052**	**557.226**
81.246	-0.137	81.109	Other operating expenditure	**9**	101.070		101.070
39.227	-2.070	37.157	Financing and investment income and expenditure	**10**	33.506	-2.399	31.107
	-510.547	-510.547	Taxation and non-specific grant income and expenditure	**11**		-540.995	-540.995
1,150.923	**-1,001.122**	**149.801**	**Deficit on Provision of Services**		**1,156.854**	**-1,008.446**	**148.408**
		-9.931	Surplus on revaluation of non-current assets	**19**			17.268
		23.125	Remeasurements of the net defined benefit liability	**34**			-30.028
		0.000	Surplus or deficit on revaluation of available for sale financial assets	**19**			0.293
		13.194	**Other Comprehensive Income and Expenditure**				**-12.467**
		162.995	**Total Comprehensive Income and Expenditure**				**135.941**

The Comprehensive Income and Expenditure Account has been restated for 2016 - 2017 to reflect changes to the directorate structure of the Council during 2017 - 2018.

The directorates have changed in the following way:

- Children and Young People is now part of Health, Wellbeing and Children's Services (HW&CS).
- Public Health and Protection has been divided with Public Health moving into Health, Wellbeing and Children's Services and Public Protection becoming Fire & Rescue Service and Public Safety.
- Resource Management has been split into Growth, Highways & Infrastructure and Corporate Services.
- Corporate Resources & Capital Financing has been renamed Central Resources & Capital Financing.

The restatement has been completed purely to allow for comparison between the two financial years. No change has been made to the Net Cost of Services.

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

Movement in Reserve Statement

	General Fund Reserves £ million	Other Earmarked Reserves £ million	Capital Receipts Reserve £ million	Capital Grants Unapplied Account £ million	Capital Contributions Unapplied £ million	Total Usable Reserves £ million	Unusable Reserves £ million	Total Authority Reserves £ million
Balance at 31 March 2016	**49.455**	**156.819**	**8.434**	**6.347**	**2.280**	**223.335**	**280.351**	**503.686**
Movement in reserves during 2016 - 2017								
Surplus or deficit (-) on provision of services	-149.801	0.000	0.000	0.000	0.000	**-149.801**		**-149.801**
Other Comprehensive Expenditure and Income						**0.000**	**-13.194**	**-13.194**
Total Comprehensive Expenditure and Income	**-149.801**	**0.000**	**0.000**	**0.000**	**0.000**	**-149.801**	**-13.194**	**-162.995**
Adjustments between accounting basis and funding basis under regulations **(note 7)**	121.297	0.000	-1.648	-0.091	0.846	**120.404**	**-120.404**	**0.000**
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	**-28.504**	**0.000**	**-1.648**	**-0.091**	**0.846**	**-29.397**	**-133.598**	**-162.995**
Transfer to (-)/from Earmarked Reserves **(note 8)**	29.637	-29.637	0.000	0.000	0.000	**0.000**		**0.000**
Increase/Decrease (-) in Year	**1.133**	**-29.637**	**-1.648**	**-0.091**	**0.846**	**-29.397**	**-133.598**	**-162.995**
Balance at 31 March 2017 carried forward	**50.588**	**127.182**	**6.786**	**6.256**	**3.126**	**193.938**	**146.753**	**340.691**
Movement in reserves during 2017 - 2018								
Surplus or deficit (-) on provision of services	-148.408	0.000	0.000	0.000	0.000	**-148.408**		**-148.408**
Other Comprehensive Expenditure and Income						**0.000**	**12.467**	**12.467**
Total Comprehensive Expenditure and Income	**-148.408**	**0.000**	**0.000**	**0.000**	**0.000**	**-148.408**	**12.467**	**-135.941**
Adjustments between accounting basis and funding basis under regulations **(note 7)**	121.477	0.000	4.707	0.792	1.262	**128.239**	**-128.239**	**0.000**
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	**-26.931**	**0.000**	**4.707**	**0.792**	**1.262**	**-20.169**	**-115.772**	**-135.941**
Transfer to (-)/from Earmarked Reserves **(note 8)**	22.409	-22.327	0.000	0.000	-0.082	**0.000**		**0.000**
Increase/Decrease (-) in Year	**-4.522**	**-22.327**	**4.707**	**0.792**	**1.180**	**-20.169**	**-115.772**	**-135.941**
Balance at 31 March 2018 carried forward	**46.066**	**104.855**	**11.493**	**7.048**	**4.306**	**173.769**	**30.981**	**204.750**

Expenditure and Funding Analysis

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

2017 – 2018

	Outturn as reported to Cabinet	Adjustments (EFA Note 1)	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting basis: Adjustments for Capital Purposes (EFA Note 2)	Adjustments between the Funding and Accounting basis: Net Charge for the Pensions Adjustments (EFA Note 3)	Adjustments between the Funding and Accounting basis: Other Differences (EFA Note 4)	Adjustments between the Funding and Accounting basis: Total Adjustments	Net Expenditure in the Comprehensive Income & Expenditure Account
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Adult and Community Services	229.698	-2.164	**227.534**	0.442	3.771	-0.057	**4.156**	**231.690**
Health, Wellbeing and Childrens Services	142.336	8.054	**150.390**	46.384	12.367	-32.087	**26.664**	**177.054**
Fire & Rescue Service and Public Safety	24.290	-0.658	**23.632**	1.089	0.467	0.052	**1.608**	**25.240**
Growth, Highways and Infrastructure	50.980	8.198	**59.178**	18.732	1.482	-1.312	**18.902**	**78.080**
Corporate Services	26.887	6.031	**32.918**	8.703	2.308	-0.347	**10.664**	**43.582**
Central Resources and Capital Financing	33.103	-23.975	**9.128**	-3.998	0.000	0.000	**-3.998**	**5.130**
Pension Costs IAS 19	0.000	0.000	**0.000**	0.000	-3.550	0.000	**-3.550**	**-3.550**
Net Cost of Services	**507.294**	**-4.514**	**502.780**	**71.352**	**16.845**	**-33.751**	**54.446**	**557.226**
Other Income and Expenditure (Note 9,10,11)			-475.932	15.514	16.579	35.021	**67.114**	**-408.818**
Surplus (-) or Deficit on provision of services			**26.848**				**121.560**	**148.408**
Opening Revenue Reserve Balance 31 March 2017 (Note 8)			**177.770**					
Less Surplus/Deficit (-) on Revenue Reserve Balances in Year			-26.848					
Closing Revenue Reserve Balance at 31 March 2018 (Note 8)			**150.922**					

EFA Note 1 – Adjustments – the reallocation of transactions to/from service areas, moving to below the Net Cost of Services and then to/from Other Income and Expenditure, for example interest receivable and interest payable moved from Central Resources and Capital Financing. The removal of transfers to/from reserves included in Outturn, as these are not shown on the face of the Comprehensive Income and Expenditure Account.

Other Income and Expenditure includes those items shown in Notes 9,10,11 to the core statements. The Net Expenditure Chargeable to the General Fund balance includes Council Tax, Non Domestic rates and Government Grant income which is utilised to fund the net expenditure in the net cost of services.

EFA Note 2 – Adjustments for Capital Purposes – the column adjusts for the minimum revenue provision, depreciation, impairments, revaluation gains and losses, capital loss on disposal, along with capital grants recognised in the Comprehensive Income and Expenditure Account but not reflected in management reporting. Other Income and Expenditure includes adjustments for capital grants which were receivable in the year, where conditions were satisfied in the year, along with the transfer to reserves for capital receipts not used to finance capital expenditure in year. The split of the capital transactions is shown in note 7.

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

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

EFA Note 5 – The employee benefits included within the net cost of services are £341.025 million for 2017 – 2018 (£381.864 million 2016 – 2017).

Expenditure and Funding Analysis

The Expenditure and Funding Analysis has been restated for 2016 - 2017 to reflect changes to the directorate structure of the Council during 2017 - 2018 as described on page 22 under the Comprehensive Income and Expenditure Account. The restatement has been completed purely to allow for comparison between the two financial years, no changes have been made to the Net Cost of Services.

2016 - 2017

				Adjustments between the Funding and Accounting basis				
	Outturn as reported to Cabinet (restated)	**Adjustments (EFA Note 1)**	**Net Expenditure Chargeable to the General Fund Balance**	**Adjustments for Capital Purposes (EFA Note 2)**	**Net Charge for the Pensions Adjustments (EFA Note 3)**	**Other Differences (EFA Note 4)**	**Total Adjustments**	**Net Expenditure in the Comprehensive Income & Expenditure Account**
			£ million	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
Adult and Community Services	208.754	2.867	**211.620**	1.277	0.342	0.030	**1.649**	**213.269**
Health, Wellbeing & Childrens Services	144.383	14.579	**158.962**	54.152	1.216	-28.469	**26.899**	**185.860**
Fire & Rescue Service and Public Safety	24.711	-1.040	**23.671**	0.250	-0.885	0.014	**-0.621**	**23.050**
Growth, Highways and Infrastructure	56.492	-2.673	**53.819**	16.949	0.000	0.018	**16.966**	**70.786**
Corporate Resources	31.125	4.845	**35.970**	8.764	0.367	0.071	**9.202**	**45.172**
Central Resources and Capital Financing	39.895	-32.543	**7.352**	-2.666	0.005	0.256	**-2.405**	**4.947**
Pension Costs IAS 19	0.000	0.000	**0.000**	0.000	-1.002	0.000	**-1.002**	**-1.002**
Net Cost of Services	**505.360**	**-13.965**	**491.394**	**78.725**	**0.043**	**-28.080**	**50.688**	**542.082**
Other Income and Expenditure			-462.890	17.318	20.655	32.636	**70.609**	**-392.281**
Surplus or Deficit			**28.504**				**121.297**	**149.801**
Opening General Fund Balance 31 March 2016			**206.274**					
Less Surplus/Deficit on General fund Balance in Year			-28.504					
Closing General Fund Balance at 31 March 2017			**177.770**					

Balance Sheet

31 March 2017 £ million		Notes	31 March 2018 £ million
1,566.906	Property, Plant and Equipment	**12**	1,474.639
2.319	Intangible Assets	**13**	2.361
0.839	Heritage Assets		0.839
0.001	Long-term Investments		0.001
11.899	Long-term Debtors	**37**	10.175
1,581.964	**Total Non Current Assets**		**1,488.015**
28.774	Short Term Investments	**37**	45.716
0.394	Carbon Reduction Allowances		0.126
6.465	Assets Held for Sale	**14**	4.552
0.050	Inventories		0.059
59.683	Short Term Debtors	**15**	67.095
1.156	Cash and Cash Equivalents	**16**	0.751
96.522	**Current Assets**		**118.299**
-115.619	Short Term Borrowing	**37**	-139.476
-96.434	Short Term Creditors	**17**	-127.361
-2.798	PFI Liability	**30**	-2.752
-4.755	Donated Asset Account	**30**	-4.755
-10.088	Provisions	**18**	-8.151
-229.694	**Current Liabilities**		**-282.495**
-6.213	Provisions	**18**	-5.602
-288.662	Long Term Borrowing	**37**	-300.286
-13.040	Other Long Term Liabilities	**37**	-13.141
-60.378	PFI Liability	**30**	-57.626
-104.617	Donated Asset Account	**30**	-99.861
-631.193	Liability related to Defined Benefit Pension Scheme	**34**	-634.588
-3.998	Capital Grants Receipts in Advance	**26**	-7.965
-1,108.101	**Long Term Liabilities**		**-1,119.069**
340.691	**Net Assets**		**204.750**
193.938	Usable Reserves	**8**	173.769
146.753	Unusable Reserves	**19**	30.981
340.691	**Total Reserves**		**204.750**

Cash-flow statement

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

2016 - 2017 £ million		Notes	2017 - 2018 £ million
149.801	**Net deficit on the provision of services**		**148.408**
-156.953	Adjust net deficit on the provision of services for non cash movements	**CF1**	-218.167
52.273	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	**CF1**	78.991
45.121	Net cash flows from Operating Activities		**9.232**
-2.516	Investing Activities	**CF2**	26.314
-43.376	Financing Activities	**CF3**	-35.141
-0.771	**Net increase (-) or decrease in cash and cash equivalents**		**0.405**
-0.385	Cash and cash equivalents at the beginning of the reporting period		-1.156
-1.156	**Cash and cash equivalents at the end of the reporting period**		**-0.751**

Notes

CF1. Operating Activities

The cashflows for operating activities include the following items:

2016 - 2017 £ million		2017 - 2018 £ million
-1.049	Interest received	-0.972
18.563	Interest paid	16.963

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

-53.506	Depreciation and impairment	-52.550
-8.544	Downward revaluations	-9.632
0.135	Increase/decrease (-) in impairment for bad debts	0.016
6.692	Increase (-)/decrease in creditors	-23.946
4.501	Increase/decrease (-) in debtors	3.081
-0.011	Increase/decrease(-) in inventories	0.009
-20.698	Movement in pension liabilities	-33.423
-90.204	Carrying amount of non current assets and non current assets held for sale, sold or de-recognised	-109.301
4.682	Other non cash items charged to the net deficit on the provision of services	7.577
-156.953	**Total**	**-218.167**

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

10.185	Proceeds from the sale of property, plant and equipment and intangible assets	10.524
42.088	Any other items for which the cash effects are investing or financing cashflows	68.467
52.273	**Total**	**78.991**

CF2. Investing Activities

2016 - 2017 £ million		2017 - 2018 £ million
86.486	Purchase of Property, Plant and Equipment	87.399
865.641	Purchase of short-term and long-term investments	882.725
-10.185	Proceeds from the sale of Property, Plant and Equipment	-10.524
-898.827	Proceeds from short-term and long-term activities *	-866.596
-45.631	Other receipts from investing activities	-66.690
-2.516	**Net cash flows from investing activities**	**26.314**

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

CF3. Financing Activities

2016 - 2017 Restated £ million		2017 - 2018 £ million
-303.500	Cash receipts of short and long term borrowings	-654.200
-5.603	Other cash receipts from financing activities	-2.741
2.909	Cash payments for the reduction of the outstanding liabilities relating to PFI contracts	3.117
262.795	Repayments of short-term and long-term borrowing	618.677
0.023	Other payments for financing activities	0.006
-43.376	**Net cash flows from financing activities**	**-35.141**

Index of Explanatory Notes to the Core Financial Statements

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

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017 -2018 (The Code) and the accounting policies set out in note 1. The Notes that follow (2 to 40) set out supplementary information to assist readers of the accounts.

1. Accounting Policies

i General principles

The Statement of Accounts summarises the Council's transactions for the 2017 - 2018 financial year and its position at the year end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017 – 2018 (The Code) supported by International Financial Reporting Standards and statutory guidance issued under section 12 of the Local Government Act 2003.

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

ii Accruals of income and expenditure

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

This means that:

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

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

- Transactions related to grant funding.
- Transactions going through the automated ordering system.
- Other minor exceptions.

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

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

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

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

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

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

iv Events after reporting period

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

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

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

v Provisions, contingent liabilities and contingent assets

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

The Council maintains a number of provisions as detailed within note 18 to the accounts on page 47. Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. The provisions are reviewed annually to ensure that the amounts held on the Balance Sheet represent the best estimates of the expenditure required to settle the obligations.

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

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

Contingent liabilities and assets are not recognised in the Balance Sheet but disclosed in notes 35 and 36 to the accounts.

vi Reserves

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

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments and retirement benefits that do not represent usable resources for the Council. Details of the reserves held are shown in note 8 to the accounts on page 39.

vii Government grants and contributions

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

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

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

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

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

viii Employee benefits

Post-employment benefits

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

- **Teachers** – The Teachers' Pension Scheme is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). It is a defined benefit final salary scheme. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Health, Wellbeing and Children's Services Directorate revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year. If a teacher has extra years added to their pension calculation, Suffolk County Council pays the extra pension.
- **Firefighters** – The Firefighters' Pension Scheme is administered by Suffolk County Council and accounted for as an unfunded, defined benefit scheme. This means that there are no assets to meet the pension liabilities and cash has to be generated to meet actual pension payments. The cost of pensions and other benefits are provided from employer contributions paid to the scheme by Suffolk County Council and contributions from firefighters. Any deficit on these payments is covered by a Top-Up Grant from Central Government. The liabilities of the Firefighters Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method.
- **Local Government Pension Scheme** - The Local Government Pension Scheme (LGPS) is administered by Suffolk County Council and accounted for as a defined benefits scheme. This scheme provides pensions and other benefits for staff other than teachers and firefighters. The cost of pensions and other benefits are met by the Suffolk Pension Fund, except for the extra costs the Council has to pay when an employee retires early.
- **National Health Service –** The National Health Service (NHS) Scheme is administered by the NHS Business Service Authority and is a defined benefits scheme. However, the arrangement for the NHS scheme means that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme. This means that no liability for future payments of benefits is recognised in the Balance Sheet and the Suffolk County Council Income and Expenditure Account is charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme

The liabilities of the Suffolk Pension Scheme (LGPS) attributable to the Council are included in the Balance Sheet using the projected unit credit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of earnings for current employees.

Liabilities are discounted to their value at current prices. The discount rate employed for the 2017 - 2018 accounts is 2.7%. The discount rate used is determined with reference to market returns of high quality corporate bonds at the balance sheet date.

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

Service cost comprising:

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

Re-measurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses - changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Suffolk Pension Fund:

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

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

For more information on Employee Benefits and International Accounting Standard (IAS19) please refer to notes 33 and 34 of the accounts.

Benefits payable during employment

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

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the relevant service lines in the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to the termination of the employment of an officer or group of officers. Ill health retirements or departures are not considered termination benefits and voluntary early retirement is not a termination benefit.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

ix VAT

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

x Recognition of property, plant and equipment (PPE)

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

PPE can be:

- Operational assets (land, buildings, vehicles, plant and equipment, roads and community assets such as parks and open spaces); and
- Non-operational assets (such as land awaiting development and surplus assets held for disposal).

Expenditure on PPE is recognised in the Statement of Accounts when the work has been carried out or when the asset has been delivered, rather than when the Council actually pays for it. In this year's accounts the Council has only included in the Asset Register new land and buildings over £20,000 and new vehicles, plant and equipment over £6,000 with the exception of I.T. assets, which have all been included. Enhancements to existing assets have also been included.

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

xi Measurement and depreciation

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

	Value in Balance Sheet	Depreciation period
Operational land & buildings (excluding community assets)	Existing use value if there is a market for the asset. If not, the asset is valued at depreciated replacement cost.	Variable - based on the valuer's assessment. Land is not depreciated.
Vehicles, plant & equipment	Depreciated historical cost.	Variable – based on the estimated useful life for the type of asset.
Infrastructure	Depreciated historical cost – except that the value of infrastructure assets at 1 April 1994 was set by referring to the outstanding loan debt on the assets at that time.	40 years
Community assets	Historical cost or valuation – except that community assets held at 1 April 1994 for which the historic cost or value was not known, were given a token value of £1,000.	No depreciation charge
Assets under construction	Historical cost	No depreciation charge
Surplus assets	Fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS13)	Variable - based on the valuer's assessment. Land is not depreciated.
Intangible assets	Depreciated historical cost	Variable – all current intangible assets have a finite useful life which varies depending on type of asset.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service. Where decreases in value are identified, they are accounted for in the Revaluation Reserve where there is a balance of revaluation gains for the asset. Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Account.

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

Where appropriate, property assets have been valued on a component basis. This methodology accounts for significant items of the property which have a different life span from the main fabric of the building. On this basis the components will be depreciated individually, reflecting their operational life. The Council componentises all assets with a total building value over £1m.

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

Depreciation is calculated on a straight line basis over the useful life of assets. Where new capital expenditure is incurred the enhancement or new asset is recognised from the 1 October in the year of purchase. Therefore, six months of depreciation is calculated in the year of purchase and the asset continues to be depreciated until the date of disposal.

xii Impairment of property, plant and equipment

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

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

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

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

xiii Charges to revenue for the use of non current assets

Service revenue accounts are debited with the following amounts to record the cost of holding assets during the year:

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses. However, the Council is required by law to make a provision for the repayment of debt, known as a Minimum Revenue Provision (MRP). The Council makes an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance. The council changed its policy for calculating MRP in 2016 - 2017 which has led to a lower MRP charge than in the prior year. Depreciation, revaluation and impairment losses charged to the Comprehensive Income and Expenditure Account are therefore replaced by MRP in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

xiv Disposals and Non current Assets Held for Sale

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Account also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the

asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.
Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment.

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

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

Revenue Expenditure Funded from Capital Under Statute is capital spending that does not result in the creation of an asset for the Council. Examples include capital grants that are made to other organisations and expenditure on schools not owned by the Council. De minimis spending is where capital assets are bought below the recognition value described in paragraph **x** above and are not recognised in the asset register. The Council transfers REFCUS and de minimis expenditure to the Comprehensive Income and Expenditure Account in the year in which the money is spent. A transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged to avoid any impact on council tax.

xvi Leases

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

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

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Account as an expense to the services benefiting from the use of the leased Property, Plant or Equipment.

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

Where the Council grants an operating lease, the asset is retained in the Balance Sheet and depreciated accordingly. Rental income is credited to the Comprehensive Income and Expenditure Account.

xvii Financial liabilities

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

xviii Financial assets

Financial assets are classified into two types: loans and receivables (assets that have fixed or determinable payments but are not quoted in an active market) and available-for-sale assets (assets that have a quoted market price and/or do not have fixed or determinable payments).

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

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Changes in fair value are recognised by an entry in the Available-for-Sale Reserve and the gain or loss is recognised in the Comprehensive Income and Expenditure Account within Other Comprehensive Income and Expenditure.

xix Interests in companies and other entities

The Council has a 100% shareholding in both Suffolk Group Holdings Ltd and Schools Choice Group Ltd. Suffolk Group Holdings Ltd is made up of Vertas Group Ltd (Vertas), Concertus Design and Property Consultants Ltd (Concertus) and Opus People Solutions Ltd (Opus). The council also wholly owns Sensing Change. Suffolk Norse Ltd and Suffolk Norse (Transport) Ltd are associates of the Council with the other shareholder being Norse Commercial Services Ltd. The Council has a 50% interest in Barley Homes Group Ltd, a joint venture with Forest Heath District Council and St Edmundsbury Borough Council. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

xx Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the non-current assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the non-current assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

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

PFI assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- **Fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Account.
- **Finance cost** – a % interest charge on the outstanding Balance Sheet liability, debited to Interest payable and similar charges in the Comprehensive Income and Expenditure Account.
- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to Interest payable and similar charges in the Comprehensive Income and Expenditure Account.
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator.
- **Lifecycle replacement costs** – proportion of the amount payable is posted to the Balance Sheet as a prepayment where works are not yet complete or recognised as additions to Property, Plant and Equipment when the relevant works are carried out.

For details of 2017 - 2018 transactions please refer to note 30 on page 65.

xxi Accounting for council tax and business rates

From 1 April 2009, for both billing authorities and major preceptors, the council tax income included in the Comprehensive Income and Expenditure Account for the year is the accrued income for the year. The Council's share of the accrued council tax income is collated from the billing authorities' information that is required to be produced by them to prepare their Collection Fund Statements. From April 2013 business rates are also accounted for using the same method.

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

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

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

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

xxii Cash and cash equivalents

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

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

For short term investments, there are no strict criteria to follow relating to the nature and maturity of these items. The Council holds short term investments in a variety of forms such as money markets and deposit accounts for the purpose of obtaining a gain or return, or to increase the security of these assets. SCC policy is that deposits of any length should be classed as an investment and not a cash equivalent on the Balance Sheet.

xxiii Basis of consolidation for the group accounts

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

The Council's subsidiary, Suffolk Group Holdings Ltd and its subsidiaries have been consolidated on a line by line basis, subject to the elimination of intra-group transactions from the statements, in accordance with The Code. The Council has not included Schools Choice Group Ltd, Suffolk Norse Ltd, Sensing Change Ltd, Leading Lives IPS Ltd, Suffolk Libraries IPS Ltd, Realise Futures CIC and Barley Homes (Group) Ltd in the Group accounts as they are not material either qualitatively or quantitatively.

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

2. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2017 - 2018 requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been introduced but not yet adopted. This applies to the adoption of the following or amended standards within the 2018 - 2019 Code:

- **IFRS 9 'Financial Instruments'** The accounting standard introduces changes to the classification and measurement of financial assets, with them being measured at fair value and changes in fair value being recognised through the Comprehensive Income and Expenditure Account. This will impact mainly on loans and receivables but is not likely to have a material impact on the financial statements because most assets will retain the same measurement basis and a provision is already made for doubtful debts on service assets (trade receivables).
- **IFRS 15 'Revenue from Contracts with Customers'** This standard presents new requirements as to how and when revenue will be recognised using a new revenue recognition model. Revenue will be recognised when a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. IFRS 15 is a standard which will impact mainly on commercial entities although will require disclosure in the 2018 - 2019 Accounts.
- **Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative'** This will potentially require additional analysis of Cashflows from financing activities as disclosure in the Cashflow Statement in future years. It is envisaged this will improve the understanding of changes in the Councils net debt and management of financing activities.
- **Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses'** Clarifies how to account for deferred tax assets related to debt instruments measured at fair value. This is only likely to be relevant to the Councils subsidiary companies within the group accounts.
- **IFRS 16 Leases**, will require local authorities that are lessees to recognise most leases on their balance sheet as 'right of use' assets, with corresponding lease liabilities.

3. Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- The Council anticipates that the pressures on public expenditure will continue and there is still a high degree of uncertainty about future levels of funding for local government. These pressures will be mitigated by further Council savings and use of reserves. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Planning process which has assessed the period to 31 March 2020. Consequently, the Council is of the view that the level of uncertainty is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to reduced levels of service provision.
- Note 38 details the Council's Investment Strategy and approach to managing risk.
- The Council has two Private Finance Initiative contracts. One for the provision/refurbishment of Fire Stations and one for the provision of the Energy from Waste Facility. Note 30 provides further detail.
- The Council recognises school assets for Community and Voluntary Controlled schools on its Balance Sheet. The Council has not recognised assets relating to Academies, Voluntary Aided, Free or Foundation schools, as it is of the opinion that these assets are not controlled by the Council. School assets are recognised as a disposal from the Council's Balance Sheet on the date on which a school converts to Academy status, not on the date of any related announcement, nor is any impairment recognised by the Council prior to conversion. The Education Act 2011 and The Free School Presumption advice document (February 2016) state that for all new schools the local authority must seek proposals for the establishment of an Academy. Therefore, in line with the recognition criteria stated above, the Council will not include newly constructed schools in the Balance Sheet on the basis that they will all be academies or free schools, and not controlled by the Council. Going forward, capital expenditure on new school construction will be treated as revenue expenditure funded from capital under statute (REFCUS) as it is for the construction of an asset that is not for the Council.
- The Council has several interests in other entities which fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. However, the Council's

consolidated statements only include Suffolk Group Holdings Limited as the others in aggregate are not sufficiently material to include. See note 39 and the Group accounts for further information.

- The Council has committed to enter a Suffolk wide business rate pooling pilot from 2018 - 2019. The governance arrangements for the pilot guarantee no detriment compared with the Council's position whilst in the pool, than if it had not entered into such an arrangement, as this is backed by the Ministry for Housing, Communities and Local Government. The Council's accounts as at 31 March 2018 are unaffected by the commitment to enter into the pooling arrangement.

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The depreciation policy followed by the Council can be seen in note 1.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation for assets would increase by £5.230m for every year that useful lives had to be reduced.
Fair Value Measurement	When the fair values of Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (Level 1 inputs), or other inputs that are observable for the asset, either directly or indirectly (Level 2 inputs), their fair value is measured using unobservable (Level 3) inputs. Where it is not possible to base the valuation technique on observable data, judgement is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of assets and liabilities.	Concertus Design and Property Consultants Ltd carried out all the valuations on the Council's Surplus Assets and advised that all the valuation inputs used were Level 3 and therefore unobservable inputs. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of these assets.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged to provide the Council with expert advice about the assumptions to be applied.	During 2017 - 2018, the Council's actuary advised that the net pensions liability had increased by £3.395 million. Further sensitivity analysis on pension liabilities are in Note 34.

5. Material Items of Income and Expenditure

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

In 2017-18 £98.410 million of non-current assets have been transferred to 37 Academies which opened during the year.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 30 May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2018 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date.

Academies
Since 31 March 2018, there have been 9 schools that have become Academies, and a further 22 are currently planning to convert during 2018 – 2019, although this figure may change as the year progresses.

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

Chief Executive
The process for the appointment of a new Chief Executive has been completed and Nicola Beach will take up the role with the Council on 21 May 2018.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2017 - 2018	Usable Reserves			
	General Fund Balance £ million	Capital Receipts Reserve £ million	Capital Grant/ Contributions Unapplied Account £ million	Movement in Unusable Reserves £ million
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension Costs (transferred to (or from) the Pensions Reserve	-33.423			**33.423**
Council Tax and Non Domestic Rates (transfers to or from Collection Fund Adjustment Account)	-2.641			**2.641**
Holiday Pay (transferred to the Accumulated Absences Reserve)	1.371			**-1.371**
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account)				
Charges for depreciation, impairment of non current assets and amortisation of intangible assets	-52.550			**52.550**
Revaluation losses on Property, Plant and Equipment	-9.632			**9.632**
Capital grants and contributions that have been applied to capital financing	74.880			**-74.880**
Income in relation to Donated Assets	5.270			**-5.270**
Revenue expenditure funded from capital under statute	-33.095			**33.095**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-109.301			**109.301**
Total Adjustments to Revenue Resources	**-159.121**	**0.000**	**0.000**	**159.121**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5.273	-5.273		**0.000**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	6.795			**-6.795**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	16.158			**-16.158**
Total Adjustments between Revenue and Capital Resources	**28.226**	**-5.273**	**0.000**	**-22.953**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	5.252	0.681		**-5.933**
Long Term Debtor repayment in year		-0.115		**0.115**
Application of capital grants to finance capital expenditure				
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	4.166		-4.166	**0.000**
Application of grants and contributions to capital financing transferred to the Capital Adjustment Account			2.111	**-2.111**
Total Adjustments to Capital Resources	**9.418**	**0.566**	**-2.055**	**-7.929**
Total Adjustments	**-121.477**	**-4.707**	**-2.055**	**128.239**

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

8. Transfers to/from Earmarked Reserves

	Balance at 1 April 2016 £ million	Transfers between Reserves £ million	Transfers Out 2016-2017 £ million	Transfers in 2016-2017 £ million	Balance at 31 March 2017 £ million	Transfers between Reserves £ million	Transfers Out 2017-2018 £ million	Transfers in 2017-2018 £ million	Balance at 31 March 2018 £ million
County Fund	**10.990**	0.000	-0.103	0.039	**10.926**	0.000	0.000	0.000	**10.926**
Contingency Reserve	**38.465**	0.000	-2.629	3.826	**39.662**	-2.300	-5.022	2.800	**35.140**
Total General Fund Reserves	**49.455**	**0.000**	**-2.732**	**3.865**	**50.588**	**-2.300**	**-5.022**	**2.800**	**46.066**
Service Reserves									
Adult & Community Services	**7.985**	1.923	-0.640	0.066	**9.334**	-0.910	-3.761	0.400	**5.063**
Health, Wellbeing and Children's Services	**0.000**	0.000	0.000	0.000	**0.000**	4.909	-6.416	0.622	**-0.885**
Children & Young People	**10.691**	0.000	-9.557	1.804	**2.938**	-2.938	0.000	0.000	**0.000**
Public Health & Protection	**1.739**	-0.150	-0.009	0.293	**1.873**	-1.873	0.000	0.000	**0.000**
Fire & Rescue and Public Safety	**0.000**	0.000	0.000	0.000	**0.000**	1.786	-0.311	0.243	**1.718**
Growth, Highways and Infrastructure	**0.000**	0.000	0.000	0.000	**0.000**	2.560	-0.300	0.189	**2.449**
Corporate Services	**0.000**	0.000	0.000	0.000	**0.000**	2.887	-2.399	0.029	**0.517**
Resource Management	**5.435**	0.009	-1.026	0.511	**4.929**	-4.929	0.000	0.000	**0.000**
Central Services	**0.658**	0.000	-0.385	0.005	**0.278**	0.000	0.000	0.120	**0.398**
Total Service Reserves	**26.508**	**1.782**	**-11.617**	**2.679**	**19.352**	**1.492**	**-13.187**	**1.603**	**9.260**
Specific Activity Reserves									
Adult & Community Services	**4.029**	-1.923	-1.540	0.090	**0.656**	0.853	-0.053	5.802	**7.258**
Health, Wellbeing and Children's Services	**0.000**	0.000	0.000	0.000	**0.000**	5.988	-3.553	3.124	**5.559**
Children & Young People	**9.143**	0.000	-3.688	0.364	**5.819**	-5.819	0.000	0.000	**0.000**
Public Health & Protection	**4.981**	0.150	-0.926	0.704	**4.909**	-4.909	0.000	0.000	**0.000**
Fire & Rescue and Public Safety	**0.000**	0.000	0.000	0.000	**0.000**	4.174	-0.342	0.106	**3.938**
Growth, Highways and Infrastructure	**0.000**	0.000	0.000	0.000	**0.000**	15.871	-2.763	1.543	**14.651**
Corporate Services	**0.000**	0.000	0.000	0.000	**0.000**	3.213	-1.503	0.035	**1.745**
Resource Management	**18.279**	0.022	-5.107	5.220	**18.414**	-18.414	0.000	0.000	**0.000**
Central Services	**26.373**	0.000	-7.871	2.350	**20.852**	0.829	-4.146	1.929	**19.464**
Total Specific Activity Reserves	**62.807**	**-1.751**	**-19.132**	**8.728**	**50.650**	**1.786**	**-12.360**	**12.539**	**52.615**
Other Earmarked Reserves									
Traders Reserves	**1.146**	0.000	-0.156	0.087	**1.077**	-1.077	0.000	0.000	**0.000**
Capital Financing Reserve	**25.290**	0.000	-23.898	22.057	**23.449**	-0.008	-18.877	13.702	**18.266**
Renewals Reserves	**3.844**	-0.009	-1.880	1.359	**3.314**	-0.112	-2.215	1.173	**2.160**
Central Schools Reserves	**4.246**	0.000	-3.169	0.001	**1.078**	0.000	-1.413	0.000	**-0.335**
Short Term Revenue Grants Reserve	**2.148**	0.000	-0.423	2.679	**4.404**	0.000	-2.571	2.130	**3.963**
Public Health (Grant)	**5.075**	0.000	-1.011	0.000	**4.064**	0.211	-0.481	0.203	**3.997**
Schools Balances	**25.755**	0.000	-5.963	0.000	**19.794**	0.000	-4.947	0.083	**14.930**
Total Other Earmarked Reserves	**67.504**	**-0.009**	**-36.500**	**26.183**	**57.180**	**-0.986**	**-30.504**	**17.291**	**42.981**
Total Revenue Reserves	**206.274**	**0.022**	**-69.981**	**41.455**	**177.770**	**-0.008**	**-61.073**	**34.233**	**150.922**
Capital Reserves									
Capital Grants Unapplied (Reserve)	**6.347**	0.000	-2.540	2.449	**6.256**	0.000	-1.760	2.552	**7.048**
Capital Contributions Unapplied (Reserve)	**2.280**	-0.022	-0.697	1.565	**3.126**	0.008	-0.558	1.730	**4.306**
Capital Receipts Reserve	**8.434**	0.000	-2.732	1.084	**6.786**	0.000	-0.681	5.388	**11.493**
Total Capital Reserves	**17.061**	**-0.022**	**-5.969**	**5.098**	**16.168**	**0.008**	**-2.999**	**9.670**	**22.847**
Total Useable Reserves	**223.335**	**0.000**	**-75.950**	**46.553**	**193.938**	**0.000**	**-64.072**	**43.903**	**173.769**

Purpose of the Reserves

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

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

They include:

- Specific activity reserves held for a clearly identified purpose, for example one-off projects or specific services.
- The capital financing revenue reserve is held to finance future capital spend.
- Unspent dedicated schools grant held in the central schools reserve.
- Where grant income has been received for a specific purpose but has not yet been applied this has been transferred to the short term revenue grants reserve.
- Any unspent Public Health ring fenced grant is held in a reserve to support future Public Health expenditure.
- Any unspent school funds are held in schools balances.
- Renewals reserves are held by each service that has assets, such as vehicles and equipment. These reserves are used to finance the purchase of replacement vehicles and equipment.

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

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

9. Other Operating Expenditure

2016 - 2017 £ million		2017 - 2018 £ million
0.695	Payments to the Environment Agency	0.726
0.403	Payments to the Eastern Inshore Fisheries and Conservation Authority	0.403
-0.137	Gains(-)/losses on trading operations (note 20)	1.072
80.148	Losses on the disposal of non current assets	98.869
81.109	**Total**	**101.070**

10. Financing and Investment Income and Expenditure

2016 - 2017 £ million		2017 - 2018 £ million
18.606	Interest payable and similar charges	16.927
20.621	Net Interest on the net defined benefit liability (note 34)	16.579
-1.055	Interest receivable and similar income	-0.964
-1.015	Other investment income - dividend receivable	-1.435
37.157	**Total**	**31.107**

11. Taxation and Non-Specific Grant Income

2016 - 2017 £ million		2017 - 2018 £ million
-280.491	Council tax income	-292.837
-100.639	Non domestic rates	-102.761
-82.361	Non-ringfenced government grants (note 26)	-71.569
-4.840	Donated Assets	-5.270
-42.216	Capital grant and contributions (note 26)	-68.558
-510.547	**Total**	**-540.995**

12. Property, Plant and Equipment

Movements in 2017 - 2018:

	Other Land and Buildings £ million	Vehicles, Plant & Equipment £ million	Infrastructure Assets £ million	Community Assets £ million	Surplus Assets £ million	Assets Under Construction £ million	Total Property, Plant and Equipment £ million
Cost or Valuation							
At 1 April 2017	975.748	75.647	711.383	0.421	74.366	0.373	**1,837.938**
Additions	23.056	7.687	53.082		2.142	7.196	**93.163**
Donations					0.515		**0.515**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-2.146				-32.615		**-34.761**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-11.670				1.184		**-10.486**
Derecognition - Disposals	-113.154	-6.387			-1.315		**-120.856**
Assets reclassified (to) / from Held for Sale	-1.103				-1.637		**-2.740**
Other movements in Cost or Valuation	-0.664				0.700	-0.036	**0.000**
At 31 March 2018	**870.067**	**76.947**	**764.465**	**0.421**	**43.340**	**7.533**	**1,762.773**
Accumulated Depreciation and Impairment							
At 1 April 2017	54.984	47.930	167.657	0.000	0.461	0.000	**271.032**
Depreciation charge	24.411	8.938	18.517		-0.142		**51.724**
Depreciation written out to the Revaluation Reserve	-17.455				-0.003		**-17.458**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-0.624				-0.023		**-0.647**
Derecognition - Disposals	-10.194	-6.303			-0.020		**-16.517**
At 31 March 2018	**51.122**	**50.565**	**186.174**	**0.000**	**0.273**	**0.000**	**288.134**
Net Book Value							
At 31 March 2018	**818.945**	**26.382**	**578.291**	**0.421**	**43.067**	**7.533**	**1,474.639**
At 31 March 2017	**920.764**	**27.717**	**543.726**	**0.421**	**73.905**	**0.373**	**1,566.906**

Movements in 2016 - 2017:

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

Capital commitments

At 31 March 18, the Council has committed to a programme for the construction or enhancement of Property, Plant and Equipment in 2018 - 2019 and future years budgeted to cost £261.172 million. Similar commitments at 31 March 2017 were £169.518 million. The commitments with a value greater than £5.000 million are:

Upper Orwell and Lake Lothing Third River Crossings	£118.322 million
Broadband Superfast Extension Programme	£24.236 million
Suffolk Heritage Centre (The Hold)	£19.705 million
Waste Transfer Stations	£15.696 million
Schools Basic Need schemes	£12.800 million
Disabilities Facilities Grant	£6.284 million
Investment in Barley Homes Ltd	£6.000 million
Mildenhall Hub (shared public services estate)	£5.438 million

Valuations

The Council carries out a rolling programme that revalues all Property and Surplus assets on a five year basis. However, in 2015 - 2016, due to a change in valuation requirement of surplus assets, all assets in this category were revalued so that as at 31 March 2016 they were all held at fair value in accordance with IFRS 13. Going forward any assets newly classified in the Surplus category must be valued to fair value in year, all others have been added to the five-year cycle. Where valuations have taken place as part of the main valuation schedule, properties have been valued as at 31st March 2018. Valuations were carried out by Concertus Design and Property Consultants Ltd in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In 2017 - 2018 the County Farms portfolio was revalued as part of the five-year rolling programme. Valuations were carried out by Bruton Knowles with the valuation date being 31st March 2018.

All the valued properties that are operational have been valued on the basis of Current Value in Existing Use. In some cases where part or all of a property is considered to be of a specialist nature, for which there is inadequate market evidence of Current Value in Existing Use, the value has been calculated on a Depreciated Replacement Cost (DRC) basis. The DRC has been calculated having regard to the prospect and viability of the continuance of the use at the valuation date.

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

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

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

In recognition of the International Financial Reporting Standards, buildings have been valued on a component basis in accordance with the accounting policy detailed in note 1.

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

	Other land and buildings £ million	Vehicles, Plant, Equipment £ million	Infrastructure assets £ million	Community assets £ million	Surplus Assets £ million	Total £ million
Carried at historical cost	1.017	76.947	764.465	0.421	1.741	844.591
Value at fair value in:						
2017 - 2018	133.230	0.000	0.000	0.000	33.093	166.323
2016 - 2017	131.053	0.000	0.000	0.000	0.630	131.683
2015 - 2016	284.400	0.000	0.000	0.000	7.876	292.276
2014 - 2015	119.957	0.000	0.000	0.000	0.000	119.957
2013 - 2014	200.410	0.000	0.000	0.000	0.000	200.410
Total Cost or Valuation	**870.067**	**76.947**	**764.465**	**0.421**	**43.340**	**1,755.240**

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

13. Intangible Assets

2016 - 2017 £ million		2017 - 2018 £ million
	Balance at start of year: comprising	
2.979	• Gross carrying amount	3.604
-0.602	• Accumulated amortisation	-1.285
2.377	Net carrying amount at start of year	**2.319**
0.625	Additions	0.935
0.000	Disposals	-0.185
0.000	Disposal Amortisation	0.117
-0.683	Amortisation for the period	-0.825
-0.058	Net carrying amount at end of year	**0.042**
	Balance at end of year: comprising	
3.604	• Gross carrying amount	4.354
-1.285	• Accumulated amortisation	-1.993
2.319		**2.361**

14. Assets Held for Sale

31 March 2017 £ million		31 March 2018 £ million
12.150	**Balance at start of year**	**6.465**
	Assets newly classified as held for sale:	
2.991	Property, Plant and Equipment	2.897
0.000	Revaluation increases/decreases (-) recognised in the Revaluation Reserve	0.035
-0.525	Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	0.205
	Assets declassified as held for sale:	
-0.148	Property, Plant and Equipment	-0.157
-8.003	Assets sold	-4.893
6.465	**Balance at end of year**	**4.552**

15. Debtors

31 March 2017 Restated £ million		31 March 2018 £ million
13.304	Central government bodies	18.775
11.759	Other local authorities	12.565
2.521	NHS bodies	3.938
19.253	Other entities and individuals	21.010
10.873	Council Tax receivable from taxpayers	9.259
1.973	Business Rates receivable from ratepayers	1.548
59.683	**Total**	**67.095**

16. Cash and Cash Equivalents

31 March 2017 £ million		31 March 2018 £ million
1.156	Bank current accounts	0.751
1.156	**Total**	**0.751**

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

31 March 2017 £ million		31 March 2018 £ million
0.051	Suffolk Strategic Partnership	0.009
6.195	Monies held on behalf of vulnerable adults	6.556
13.240	New Anglia Local Enterprise Partnership	27.064
0.079	Nuclear Legacy Advisory Forum	0.082
0.084	Eastern Safeguarding Project	0.076
0.666	Area of Outstanding Natural Beauty Partnership	0.866
0.249	Natural Environment Partnerships	0.038
0.000	Environment Strategy Partnership	0.202
0.000	Historic Environment Partnership	0.405
2.581	Transforming Suffolk	1.825
0.263	Association of Directors of Adult Social Services	0.000
0.506	Suffolk Waste Partnership	0.518
1.099	Other (Balances less than £0.150 million)	0.021
25.013		**37.662**

17. Creditors

31 March 2016 Restated £ million		31 March 2017 £ million
-12.596	Central government bodies	-12.330
-12.117	Other local authorities	-13.972
-0.838	NHS bodies	-0.945
-63.685	Other entities and individuals	-92.315
-5.052	Council Tax payable to ratepayers	-5.209
-2.146	Business Rates payable to ratepayers	-2.590
-96.434	**Total**	**-127.361**

18. Provisions

Current

	Other Provisions £ million
Balance at 1 April 2017	**-10.088**
Additional provisions made in 2017 - 2018	-8.063
Amounts used in 2017 - 2018	1.649
Unused amounts reversed in 2017 - 2018	8.351
Balance at 31 March 2018	**-8.151**

Other Provisions

There are two provisions included within the current balance. Benefits Payable during Employment (£6.980 million) and Redundancy (£1.171 million).

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

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Therefore, amounts are transferred to the Accumulated Absences Account on the Balance Sheet until the benefits are used. The accrual is charged to the Deficit on the Provision of Services within the Comprehensive Income and Expenditure Account, then reversed out through the Movement in Reserves Statement, in order that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The £6.980 million is made up of £4.304 million which relates to teachers working in schools, which is governed by where the end of term falls in relation to 31 March 2018 and £2.676 million which relates to all other Council employees.

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

Non-current

	Injury and Damage Compensation Claims £ million
Balance at 1 April 2017	**-6.213**
Additional provisions made in 2017 - 2018	-2.614
Amounts used in 2017 - 2018	3.225
Balance at 31 March 2018	**-5.602**

Injury and Damage Compensation Claims
The provision is an estimate of claims relating to motor, public liability and employers liability insurance. The decrease in provision in 2017 - 2018 relates to the claims paid and legal fees to some of the claimants regarding the alleged abuse by staff at the former Oakwood School from 1974 until the school closure in 2000. There is currently only one claim to be concluded, however significant legal fees remain outstanding which are included in the provision. With the exception of the Oakwood claim, most of the claims on an individual basis are financially insignificant, however significant claims are subject to a deductible excess which will be reimbursed by the insurer if it is breached.

In February 2017 the Lord Chancellor announced an increase in the discount rate applied to personal injury compensation payments from 2.5% to -0.75%. This affects lump sum settlements for claimants who suffered life changing injuries. Insurers are assessing the impact of reserves on claims. It is estimated claim reserves can be increased by up to 50% however any current claim is likely to be already above the current deductible. Following challenge in February 2017, the discount rate will be reviewed and is likely to be decreased in the near future.

19. Unusable Reserves

31 March 2017 £ million	Unusable Reserves	31 March 2018 £ million
271.617	Revaluation Reserve	223.416
509.033	Capital Adjustment Account	446.420
-631.193	Pensions Reserve	-634.588
5.647	Collection Fund Adjustment Account	3.006
-8.351	Accumulated Absences Account	-6.980
0.000	Available for Sale	-0.293
146.753	**Total Unusable Reserves**	**30.981**

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

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

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

31 March 2017 £ million	Revaluation Reserve	31 March 2018 £ million
289.143	**Balance at 1 April**	271.617
-0.993	Restatements	-0.282
9.912	Revaluation of assets	-17.268
298.062	Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	254.067
-6.732	Difference between fair value depreciation and historical cost depreciation	-5.741
-19.713	Accumulated gains on assets sold or scrapped	-24.910
-26.445	Amount written off to the Capital Adjustment Account	-30.651
271.617	**Balance at 31 March**	**223.417**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Account (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

31 March 2017 £ million	Capital Adjustment Account	31 March 2018 £ million
576.725	**Balance at 1 April**	**509.033**
1.012	Restatements	0.282
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account:	
-62.050	Charges for depreciation, revaluations and impairment of non-current assets	-62.182
-39.660	Revenue expenditure funded from capital under statute	-33.095
-90.204	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	-109.301
-191.914		-204.578
26.445	Adjusting amounts written out of the Revaluation Reserve	30.651
-165.469	Net written out amount of the cost of non-current assets consumed in the year	-173.927
	Capital financing applied in the year:	
11.833	Use of the Capital Receipts Reserve to finance new capital expenditure	5.933
49.020	Capital grants and contributions credited to the Comprehensive Income and Expenditure Account that have been applied to capital financing	76.991
5.271	Statutory provision for the financing of capital investment charged against the General Fund	6.795
25.801	Capital expenditure charged against the General Fund	16.158
91.925		105.877
4.840	Income related to Donated Assets Account credited to the Comprehensive Income and Expenditure Account	5.270
0.000	Loan Principal Repayment	-0.115
509.033	**Balance at 31 March**	**446.420**

Pensions Reserve

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

31 March 2017 £ million	Pensions Reserve	31 March 2018 £ million
-587.370	**Balance at 1 April**	-631.193
-23.125	Remeasurement of the net defined benefit liability	30.028
-71.793	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account	-79.512
51.095	Employer's pensions contributions and direct payments to pensioners payable in the year	46.089
-631.193	**Balance at 31 March**	**-634.588**

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

31 March 2017 £ million	Collection Fund Adjustment Account	31 March 2018 £ million
7.594	**Balance at 1 April**	5.647
-1.947	Amount by which council tax income and business rates are credited to the Comprehensive Income and Expenditure Account is different from council tax income and business rates calculated for the year in accordance with statutory requirements	-2.641
5.647	**Balance at 31 March**	**3.006**

Accumulated Absences Account
The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2018. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31 March 2017 £ million	Accumulated Absences Account	31 March 2018 £ million
-5.741	**Balance at 1 April**	-8.351
5.741	Settlement or cancellation of accrual made at the end of the preceding year	8.351
-8.351	Amounts accrued at the end of the current year	-6.980
-2.610	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Account on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1.371
-8.351	**Balance at 31 March**	**-6.980**

Available for Sale Reserve
The Available for Sale Reserve is a revaluation reserve utilised to manage the fair value changes of financial assets with an active market, reflecting the gain or loss on those assets at the 31 March 2018.

31 March 2017 £ million	Available for Sale Financial Instruments Reserve	31 March 2018 £ million
0.000	**Balance at 1 April**	0.000
0.000	Downward Revaluation of Investments not charged to the Surplus/Deficit on Provision of Services	-0.293
0.000	**Balance at 31 March**	**-0.293**

20. Trading Operations

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

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

Schools' Choice was a traded provider offering services to schools, academies and other learning establishments nationally. Schools' Choice divested from the Council on 1 January 2017 and further detail can be seen in note 27, Related Parties.

2016 - 2017				2017 - 2018		
Gross Spending Restated £ million	Income Restated £ million	Surplus (-) or deficit £ million		Gross Spending £ million	Income £ million	Surplus (-) or deficit £ million
1.951	-2.251	-0.300	Insurance	3.320	-2.248	1.072
2.844	-2.681	0.163	Schools Choice	0.000	0.000	0.000
4.795	**-4.932**	**-0.137**	**Net surplus (-) / deficit taken to the revenue account**	**3.320**	**-2.248**	**1.072**

21. Pooled Budgets

The pooled fund for services to people with mental health problems

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

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

The income and expenditure figures below reflect the overall position of the pooled fund, not purely Suffolk County Council. The mental health pooled fund underspent by £0.033 million against the original allocation of funding for 2017 - 2018.

The table below details income and expenditure for the year.

2016 - 2017				2017 - 2018	
£ million	£ million			£ million	£ million
		Income			
-2.358		Funding:	Suffolk County Council	-1.931	
-1.400			Clinical Commissioning Groups	-1.170	
	-3.758				**-3.101**
		Expenditure			
0.031			Staffing	0.033	
0.077			Day Care	0.081	
0.736			Support Work	0.212	
2.437			Supported Housing	2.437	
0.275			Advocacy	0.205	
0.100			Direct Payments	0.100	
0.011			Other Projects	0.000	
	3.667				**3.068**
	-0.091	**Net under (-) or over spend**			**-0.033**

The Better Care Fund

The Better Care Fund was introduced by the Government to encourage more collaborative working in the run up to having integrated social care and health services by 2020. It brings together funding and spending from Clinical Commissioning Groups (CCGs), the County Council and District & Borough Councils. At this stage in its evolution, it is primarily an instrument for information sharing and planning, with funding and spending maintained by the respective partners except in cases of agreed funding transfers. Entries in the Councils financial system relate only to the share of the pool that is controlled by the Council. For 2017 - 2018 the Council received Improved Better Care Fund money from Central Government, some of which has been identified for one off investment schemes. These schemes cover a two year period over 2017 - 2018 and 2018 – 2019 and therefore accounts for the revenue underspend being reported in the table below. The unspent funding has been moved into reserves to then be utilised in 2018 – 2019. The table below reflects all funding and spend across the partners. All Better Care Fund schemes are signed off by the Health and Wellbeing Board and the Council has a legal agreement with each of the CCG's under section 75 of the 2006 NHS Act which gives powers to local authorities and clinical commissioning groups to establish and maintain pooled funds to carry out local authority and NHS functions.

2016 - 2017		Overall	Summary	2017 - 2018	
£ million	£ million			£ million	£ million
		Income	**Contribution to BCF**		
46.614		Funding:	Revenue	62.492	
4.825			Capital	5.271	
	51.438				**67.763**
		Expenditure			
46.614			Revenue	57.917	
3.248			Capital	4.924	
	49.862				**62.841**
	-1.577	**Net under (-) or over spend**			**-4.922**

Summary of revenue spend:

2016 - 2017 £ million	2016 - 2017 £ million	Revenue	Summary	2017 - 2018 £ million	2017 - 2018 £ million
		Income	**Contribution to BCF Revenue**		
0.000		Funding:	Suffolk County Council	15.044	
23.743			Ipswich & East CCG	24.168	
14.592			West Suffolk CCG	14.853	
8.279			Great Yarmouth & Waveney CCG	8.427	
	46.614				**62.492**
		Expenditure			
11.125			Providing proactive care in the community	11.324	
22.899			Reactive Care	23.310	
1.579			Support for Carers	1.606	
0.000			NHS-commissioned out-of-hospital services	1.211	
1.875			Care Act Commitments	1.909	
0.000			Alliance pump priming initiatives	2.789	
0.000			Care purchasing demand and inflationary increases	3.076	
0.000			Learning Disability demand pressures	4.604	
4.770			Care at Home	2.004	
0.361			Dementia and Mental Health	0.114	
1.237			Integrated community and Out of Hospital teams	0.092	
0.956			Supporting Independence by community based interventions	0.219	
0.000			Locally Integrated Care Programme	0.510	
0.000			Care Homes	2.306	
0.000			Out of Hospital Care	2.843	
1.812			Risk Pool	0.000	
	46.614				**57.917**
	0.000	**Net under (-) or over spend**			**-4.575**

22. Councillors' Allowances

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

2016 - 2017 £ million		2017 - 2018 £ million
0.760	Basic allowance	0.768
0.309	Special responsibility allowance	0.279
0.089	Expenses	0.081
1.158	**Total**	**1.128**

23. Officers' Remuneration

Regulation 7 of the Accounts and Audit Regulations 2015 and paragraph 3.4.5.1 of the Code require the disclosure of the remuneration of higher paid officers. The regulations require a note showing the number of employees whose total remuneration is £50,000 or more, in bands of £5,000. In addition, the regulations require a disclosure on individual remuneration for senior officers. The Council defines senior officers to be statutory posts and those officers with a direct line of report to the Chief Executive.

Employees' pay is defined in the latest Code of Practice on Local Authority Accounting in the United Kingdom 2017 - 2018. This definition includes the following:

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

The table below details the pay of Senior Officers.

Dates	Job Title	Salary, Fees & Allowances (Gross Pay) £	Expense Allowances Chargeable to Tax £	End of Employment Payment £	Pension Contribution (Employer) £	Total £
2016 -17						
01/04/2016 - 31/03/2017	Chief Executive - **Deborah Cadman**	170,706	0	0	45,563	216,268
01/04/2016 - 31/03/2017	Corporate Director Children and Adults - **Sue Cook**	146,071	1,781	0	39,150	187,002
01/04/2016 - 31/03/2017	Interim Service Director Children and Young Peoples Services - **Allan Cadzow**	117,414	0	0	31,565	148,979
01/04/2016 - 31/03/2017	Director of Fire & Public Safety / Chief Fire Officer - **Mark Hardingham**	121,148	135	0	17,286	138,569
01/08/2016 - 31/03/2107	Director of Public Health & Protection - **Abdul Razaq**	71,727	0	0	9,434	81,161
01/04/2016 - 31/03/2017	Director of Resource Management (S151 Officer) - **Geoff Dobson**	116,387	0	0	31,419	147,806
01/04/2016 - 31/03/2017	Assistant Director of Scrutiny & Monitoring (Monitoring Officer) - **Tim Ryder**	88,386	125	0	23,864	112,375

Dates	Job Title	Notes	Salary, Fees & Allowances (Gross Pay) £	Expense Allowances Chargeable to Tax £	End of Employment Payment £	Pension Contribution (Employer) £	Total £
2017-18							
01/04/2017 - 17/09/2017	Chief Executive - **Deborah Cadman**	1	95,645	0	5,357	24,641	**125,643**
18/09/2017 - 31/03/2018	Interim Chief Executive - **Sue Cook**		72,659	2,503	0	18,850	**94,012**
03/07/2017 - 17/09/2017	Director of Health, Wellbeing and Children - **Sue Cook**		36,329	0	0	9,425	**45,754**
01/04/2017 - 02/07/2017	Interim Corporate Director Children and Adults - **Sue Cook**	2	36,329	0	0	9,425	**45,754**
03/07/2017-31/03/2018	Director of Adult & Community Services - **Mike Hennessey**		101,282	2,255	0	23,232	**126,769**
03/07/2017 - 31/03/2018	Interim Director of Children's Services - **Allan Cadzow**	3	89,832	0	0	23,198	**113,030**
01/04/2017 - 02/07/2017	Interim Service Director Children and Young Peoples Services - **Allan Cadzow**		29,944	0	0	7,733	**37,677**
01/04/2017 - 31/03/2018	Director of Fire & Public Safety / Chief Fire Officer - **Mark Hardingham**	4	122,376	0	0	17,502	**139,878**
01/04/2017 - 31/03/2018	Director of Public Health & Protection - **Abdul Razaq**		116,501	6,963	0	15,250	**138,714**
01/04/2017 - 31/05/2017	Director of Resource Management (S151 Officer) - **Geoff Dobson**	5	19,723	0	1,836	5,303	**26,862**
08/01/2018 - 31/03/2018	Interim Corporate Director (Growth, Highways & Infrastructure) - **Aidan Dunn**		26,147	0	0	6,794	**32,941**
01/06/2017 - 07/01/2018	Interim Director of Resource Management - **Aidan Dunn**		78,440	120	0	20,383	**98,943**
15/11/2017 - 31/03/2018	Head of Finance (S151 Officer) - **Louise Aynsley**		43,925	0	0	11,378	**55,303**
01/06/2017 - 14/11/2017	Interim Head of Finance (S151 Officer) - **Louise Aynsley**		31,375	0	0	8,127	**39,502**
08/01/2018 - 31/03/2018	Deputy Chief Executive / Director of Corporate Services - **Chris Bally**	6	105,074	328	0	27,280	**132,682**
01/04/2017 - 31/03/2018	Assistant Director of Scrutiny & Monitoring (Monitoring Officer) - **Tim Ryder**		89,270	0	0	23,210	**112,480**
01/06/2017 - 31/03/2018	Assistant Director Strategic Development - **Sue Roper**	7	87,225	0	0	22,679	**109,904**

Where posts became part of the reporting requirement during the year 2017 – 2018, the total costs for the whole year have been shown in the table.

- **Note 1:** Deborah Cadman - The £5,357 End of Employment Payment is in respect of accrued annual leave which was not taken.
- **Note 2:** Sue Cook (Interim Corporate Director Children and Adults) received an acting up payment of £25,000 per annum to reflect the additional duties in this role, which continued, after the appointment of Mike Hennessey, to reflect additional duties leading the new Health, Wellbeing and Children's directorate.
- **Note 3:** Allan Cadzow received an acting up payment of £15,000 per annum to reflect additional interim duties as interim director.
- **Note 4:** In July 2017, Public Health and Children & Young People joined to form the new Health, Wellbeing and Children's Services directorate and Suffolk Fire & Rescue, Trading Standards, the Joint Emergency Planning Unit and Health & Safety formed the Fire & Rescue and Public Safety directorate.
- **Note 5:** Geoff Dobson - The £1,836 End of Employment Payment is in respect of accrued annual leave which was not taken.
- **Note 6:** Chris Bally began reporting to the Chief Executive on 1 June 2017 following the departure of Geoff Dobson. The current role was not established until January 2018.
- **Note 7:** Sue Roper's role started reporting to the Chief Executive on 1 June 2017 following the departure of Geoff Dobson.

The Local Government Pension Scheme (LGPS) is a statutory scheme and employer's contributions are assessed by the Actuary at each triennial valuation. The employer's contribution rate was 26% in 2017 – 2018 (2016 - 2017 27%).

The Firefighters Pension Scheme is a statutory scheme and employer contributions are assessed by the Government Actuary Department. The 2017 -2018 contribution rate was 21.7% for the 1992 scheme, 11.9% for the 2006 scheme and 14.3% for the 2015 scheme. The scheme is unfunded, meaning that there are no investments built up to meet the pension liabilities, and cash needs to be generated to meet actual pensions payments as they fall due. Income is from employee's and employer's contributions as well as funding from central government.

The Council's other employees receiving more than £50,000 remuneration (excluding employer's pension contributions) in 2017 - 2018 are detailed in the table below.

Remuneration Band	**2016 - 2017** No of employees Non Schools	**2017 - 2018** No of employees Non Schools	**2016 - 2017** No of employees Schools	**2017 - 2018** No of employees Schools
£50,000 - £54,999	62	57	87	70
£55,000 - £59,999	55	68	64	52
£60,000 - £64,999	29	27	33	27
£65,000 - £69,999	12	10	22	16
£70,000 - £74,999	7	10	5	10
£75,000 - £79,999	4	1	2	1
£80,000 - £84,999	6	1	2	3
£85,000 - £89,999	6	11	1	1
£90,000 - £94,999	2	1	0	1
£95,000 - £99,999	2	3	0	0
£100,000 - £104,999	1	0	2	0
£105,000 - £109,999	1	1	1	1
£110,000 - £114,999	2	0	0	0
£115,000 - £119,999	0	1	0	0
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	1	0	0	0
£145,000 - £149,999	0	0	0	0
£155,000 - £159,999	0	1	0	0

The pay bands required to be disclosed in the table above are not index linked, unlike individuals' pay that may be subject to annual pay awards. The bands have therefore remained unchanged at this level since they were introduced in the Accounts and Audit Regulations 2003. The above numbers include officers who were made redundant during the 2017 - 2018 financial year and whose remuneration may not have normally been included within the limits of the above table, but who have received a redundancy payment which increased their earnings to over the minimum of £50,000 or resulted in them being included in a higher band than their basic pay.

Due to funding pressures the council is downsizing and has run a number of redundancy programmes. As a result, one school and sixteen non-school employees received compensation for loss of office in 2017 - 2018 which resulted in them entering the remuneration bands or moving up within them.

24. External Audit Costs

In 2017 - 2018 the Council incurred the following fees relating to external audit.

2016 - 2017 £ million		2017 - 2018 £ million
0.098	Fees payable to external audit services carried out by the appointed auditor for the year	0.096
0.015	Fees payable to the appointed external auditor to carry out non-audit work that falls outside the external auditors certification arrangements	0.014
0.113	**Total**	**0.110**

25. Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2017 – 2018 are as follows:

	Central Expenditure £ million	ISB £ million	Total £ million
Final DSG for 2017 - 2018 before academy recoupment			489.146
Less: Academy Figure recouped for 2017 -2018			-241.223
Total DSG after academy recoupment for 2017 -2018			**247.923**
Plus: Brought forward from 2016 -2017			1.078
Less: Carry forward to 2018 -2019 agreed in advance			-0.001
Agreed initial budgeted distribution in 2017 - 2018	**98.253**	**150.747**	**249.000**
Early Years recoupment (2016/17 and 2017/18)	-3.334		-3.334
Other in year adjustments	0.110	-0.349	-0.239
Final budget distribution in 2017 - 2018	**95.028**	**150.398**	**245.426**
Less: Actual central expenditure	95.477		95.477
Less: Actual ISB deployed to schools		150.285	150.285
Overspend (-) carried forward to 2018 - 2019	-0.449	0.113	-0.336
Carry forward to 2018 - 2019			**-0.335**

The overspend carry forward to 2018 - 2019 of -£0.336 million will be funded from a transfer of £0.970 million from the Schools Block Funding (an element of DSG) as agreed by Schools Forum.

26. Grant Income

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

	2016 - 2017 £ million	2017 - 2018 £ million
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	-68.230	-45.191
New Homes Bonus	-3.949	-2.976
Transition Grant	-1.944	-1.978
Improved Better Care Fund	0.000	-0.870
Adult Social Care Support Grant	0.000	-3.276
Additional Better Care Fund	0.000	-14.173
Education Services Grant	-5.441	-1.235
Rural Services Delivery Grant	-2.159	-1.743
Local Support Services Grant	-0.625	0.000
Eastern Inshore Fisheries Conservation Authority Support Grant	0.000	-0.114
Transparency Code	-0.013	-0.013
Total	**-82.361**	**-71.569**
Credited to Services		
Local Reform and Community Voices	-0.446	-0.452
Social Care in Prisons Grant	-0.195	-0.197
Independent Living Fund Grant (ILF)	-2.559	0.000
The Former ILF Recipient Grant	0.000	-2.475
War Pensions Scheme Disregard	0.000	-0.196
Skills Funding Agency Grant	-2.736	-2.782
Music	-0.946	-0.938
Troubled Families	-1.503	-1.678
Special Educational Needs and Disablilty Implementation (New Burdens)	-0.472	-0.524
6th Form Funding	-6.697	-6.015
Dedicated Schools Grant	-269.900	-244.589
Dedicated Schools Grant Pupil Premium	-13.815	-11.411
Universal Infant Free School Meals	-5.846	-5.011
Unaccompanied Asylum Seeking Children (including Care Leavers)	-1.763	-2.576
Youth Justice (Youth Offending Team) Grant	-0.663	-0.671
Physical Education Sport and Strategy	-1.773	-2.273
Adoption Inter-Agency Fee Grant	-0.264	0.000
High Needs Strategic Planning Fund	-0.298	0.000
Social Work Programmed Grant	-0.128	-0.755
Staying Put Implementation Grant	0.000	-0.238
Controlling Migration Grant - Childrens Services	0.000	-0.327
School Improvement Monitoring and Brokering Grant	0.000	-0.341
Opportunity Areas Grant	0.000	-0.350
Essential Life Skills Programme Grant	0.000	-0.442
30 Hours Free Childcare Delivery Support Fund	0.000	-0.124
Staying Close Grant	0.000	-0.197
Extended Rights to Free Transport	0.000	-0.545
Energy from Waste Contract (Private Finance Initiative)	-7.864	-7.864
Bus Service Operators	-0.615	-0.615
Suffolk Energy Gateway Grant	-1.000	0.000
Firelink	-0.222	-0.228
Fire - Private Finance Initiative	-2.193	-2.193
Specialist Accomodation Domestic Abuse Grant	-0.272	-0.259
Public Health	-31.571	-30.793
Controlling Migration Grant - Public Health	0.000	-0.121
Other Revenue Grants	-0.797	-0.608
Broadband	0.000	-3.693
Green Deal Communities	-2.170	-0.004
Central Heating Fund	-1.263	-0.003
Disabled Facilities Grant	-4.825	-5.272
Early Years Capital Grant	-0.323	-1.147
Clean Vehicle Technology Funding	0.000	-0.421
Dementia Friendly Environments	0.000	-0.025
	-363.119	**-338.353**

The Council has received several grants which relate to the 2018 - 2019 financial year which are yet to be recognised as income. There are also a number that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the grantor. The balances at the year end are:

	31 March 2017 £ million	31 March 2018 £ million
Revenue Grants Receipts in Advance		
Firelink	-0.189	-0.340
Special Educational Needs Implementation Grant	0.000	-0.099
Special Educational Needs Preparation for Employment Grant	0.000	-0.235
New Dimensions Grant	0.000	-0.020
Suffolk and Norfolk Social Work Teaching Partnership Funding	0.000	-0.520
Green Deal Communities	-0.005	-0.001
Clean Vehicle Technology Funding	-0.438	-0.017
Dementia Friendly Environments	-0.066	-0.042
Central Heating Fund	-0.003	0.000
Early Years Capital Grant	-1.482	-0.334
Total	**-2.183**	**-1.608**

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

	2016 - 2017 £ million	2017 - 2018 £ million
Capital Grants and Contributions		
Academies Enterprise Trust	0.000	-0.037
AquiGen (Nacton) Ltd	-0.047	0.000
Basic Need	-1.087	-2.305
Bellway Homes Ltd	-0.012	-0.082
Bloor Homes Eastern	0.000	-1.007
Bovis Homes Ltd	0.000	-0.096
British Telecom	0.000	-1.925
Crest Nicholson	-0.004	-0.988
Devolved Formula Capital	-1.456	-1.191
Demographic Growth Capital Fund - Riverwalk Special School	-0.002	0.000
Department for Digital, Culture, Media & Sport	0.000	-2.050
Greater Anglia	0.000	-0.250
Highway Maintenance Block	-21.221	-21.258
Hopkins Homes Ltd	-0.018	-0.075
Integrated Transport	-3.246	-3.246
Knight Developments Ltd	0.000	-0.204
Local Authorities Contributions	-0.517	-3.409
Lowestoft Flood Management Grant	0.000	-1.825
Matthew Homes Ltd	0.000	-0.048
New Anglia Local Enterprise Partnership	-3.098	-8.911
Persimmon Homes	-0.066	-2.758
Pothole Action Fund	-1.384	-6.948
Schools Condition Allocation	-8.454	-7.701
Suffolk Constabulary	-0.004	-0.526
Taylor Wimpey UK Ltd	-0.164	-0.673
Tesco Stores Ltd	0.000	-0.142
Transformation Challenge Award	0.000	-0.400
Trinity College	-0.190	0.000
Other	-1.245	-0.502
Total	**-42.216**	**-68.558**

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

	31 March 2017 £ million	31 March 2018 £ million
Capital Grants Receipts in Advance		
Department for Education - Devolved Formula Capital	-2.301	0.000
Department for Education -Basic Need Grant	-0.585	-5.392
Department for Education - Demographic Growth Fund	-0.201	-0.187
Department for Education - Early Years	0.000	-0.335
Department for Transport - Pot Hole Action Fund	-0.882	0.000
Ministry of Housing, Communities & Local Government - Fire Rota Software	-0.030	0.000
Department for Digital, Culture and sports - Broadband	0.000	-2.051
Total	**-3.998**	**-7.965**

27. Related Parties

The Council is required to disclose significant transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows 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. The Council have set a de-minimis limit of £0.100 million for items to disclose.

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

Wholly Owned Companies, Joint Ventures, and Divested Organisations:

Suffolk Group Holdings Ltd

Suffolk Group Holdings is a wholly owned subsidiary of Suffolk County Council. The principal activity of the company is to hold the shares in and provide governance structures of the other subsidiary organisations of the Council. Currently this includes Vertas Group Ltd, Concertus Property Management Ltd, and Opus People Solutions Ltd.

Suffolk Group Holdings Ltd, is not a trading company.

Vertas Group Ltd (Vertas)

Vertas is a wholly-owned subsidiary of Suffolk County Council. Their principal activities are the provision of Grounds, Catering, Caretaking, Facilities Management and Print and Design services. Vertas became a wholly owned subsidiary on 1 November 2011. The companies Vertas (Ipswich) Ltd, IEM Caterquip Ltd, Snackpax Distribution Ltd, Easilife Cleaning Services Ltd, Oakpark Security Ltd, and Diamond View Cleaning Solutions Ltd are subsidiaries of Vertas Group Ltd and the company has a Joint Venture with Forest Heath District and St Edmundsbury Borough Councils (Verse Facilities Management Ltd). From 1st April 2018 the shareholding of the Schools Choice Group of companies transferred to Vertas Group Ltd.

The Council made a loan of £2.430 million to Vertas upon inception, the outstanding balance of the loan is £1.430 million.

During 2017 - 2018 the Council incurred expenditure from the Vertas Group of companies of £24.255 million (2016 - 2017 £24.374 million). The Council also received income from the Vertas Group of £1.602 million (2016 - 2017 £1.979 million). The Council has a creditor balance of £1.635 million and a debtor balance of £1.712 million at 31 March 2018. Of the debtor balance £0.063 million is outstanding for over 30 days.

Included in the above Vertas declared a dividend of £0.850 million due to the Council for the year 2017 – 2018, which was unpaid at 31 March 2018.

Concertus Design and Property Consultants Ltd (Concertus)

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

The Council made a loan of £1.000 million to Concertus upon inception, the outstanding balance of the loan is £1.000 million. The Council made a further loan in 2016 - 2017, secured against property, of £2.500 million, the outstanding balance of the loan is £2.385 million.

During 2017 - 2018 the Council incurred expenditure from Concertus of £4.922 million (2016 - 2017 £6.383 million). The Council also received income from Concertus of £0.497 million (2016 - 2017 £0.438 million). The Council has a creditor balance of £0.483 million and a debtor balance of £0.363 million at 31 March 2018. Of the debtor balance, none is outstanding for more than 30 days.

Included in the above Concertus declared a dividend of £0.300 million due to the Council for the year 2017 – 2018, which was unpaid at 31 March 2018.

Opus People Solutions Ltd (Opus)

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

During 2017 - 2018 the Council incurred expenditure from Opus of £7.848 million (2016 - 2017 £10.328 million). The Council also received income from Opus of £0.327 million (2016 - 2017 £0.330 million). The Council has a creditor balance of 0.583 million and a debtor balance of £0.286 million at 31 March 2018. Of the debtor balance, none is outstanding for more than 30 days.

Included in the above Opus declared a dividend of £0.275 million due to the Council for the year 2017 – 2018, which was unpaid at 31 March 2018.

Schools Choice Group Ltd (Schools Choice)

Schools Choice is a wholly owned subsidiary of Suffolk County Council. Their principal activities are the provision of Financial Services and Human Resources to Suffolk County Council Schools, other Local Authority's Schools, Free Schools and Academies, both within Suffolk and country wide. Schools Choice Group has two subsidiary undertakings through which this trading is undertaken; Schools Choice Ltd, and Schools Choice Suffolk Ltd, these companies became wholly owned subsidiaries of the Council and commenced trading in January 2017. From 1st April 2018 the shareholding of the Schools Choice Group of companies transferred to Vertas Group Ltd.

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

During 2017 – 2018 the Council incurred expenditure of £8.131 million (2016 – 2017 £2.453 million for 3 months). The Council also received income of £3.749 million (2016 – 2017 £1.085 million for 3 months). The Council has a creditor balance of £0.539 million and a debtor balance of £1.073 million at 31 March 2018. Of the debtor balance, £0.008 million is outstanding for more than 30 days.

Included in the above Schools Choice declared a dividend of £0.100 million due to the Council for the year 2017 – 2018, which was unpaid at 31 March 2018.

Realise Futures CIC (Realise Futures)

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

During 2017 - 2018 the Council incurred expenditure from Realise Futures of £3.988 million (2016 - 2017 £4.429 million). The Council also received income from Realise Futures of £0.151 million (2016 - 2017 £0.262 million). The Council has a creditor balance of £0.156 million and a debtor balance of £0.040 million at 31 March 2018. Of the debtor balance, none is outstanding for more than 30 days.

Leading Lives IPS Ltd (Leading Lives)

Leading Lives is an Industrial and Provident Society providing day and residential services for people with learning disabilities. Leading Lives and the Council entered a contract covering the period 1 July 2012 to 30 June 2015 initially, for Leading Lives to provide the services previously provided by the Council. This contract has subsequently been extended to June 2018.

During 2017 - 2018 the Council incurred expenditure from Leading Lives of £10.187 million (2016 - 2017 £9.569 million). The Council also received income from Leading Lives of £0.221 million (2016 - 2017 £0.165 million). The Council has a creditor balance of £0.103 million and a debtor balance of £0.076 million at 31 March 2018. Of the debtor balance, none is outstanding for more than 30 days.

Norse Group (Norse)

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

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

The board of directors of Suffolk Norse Limited have responsibility for the supervision and management of Suffolk Norse Limited and its business, subject to the provisions of the Shareholders Agreement. Each board consists of 5 Directors and SCC has the right to appoint 2 of the Directors.

During 2017 - 2018 the Council incurred expenditure from Norse of £3.020 million (2016 - 2017 £3.561 million). The Council also received income from Norse of £0.071 million (2016 - 2017 £0.184 million). The Council has a creditor balance of £0.398 million at 31 March 2018.

Sensing Change Ltd (Sensing Change)

Sensing Change is a Social Enterprise (wholly owned by Suffolk County Council) and run by a Board of Directors, the majority of whom are drawn from the Sensing Change Strategic Managers. The Enterprise has been formed under a pilot scheme to provide services to people with sight and/or hearing loss in Suffolk. The pilot scheme was initially for two years but was extended to 31 March 2018 with the project evaluated throughout to determine the benefits for both customers and staff.

During 2017 - 2018 the Council incurred expenditure from Sensing Change of £1.376 million (2016 - 2017 £1.516 million). The Council also received income from Sensing Change of £0.922 million (2016 - 2017 £1.008 million). The Council has a debtor balance of £0.170 million at 31 March 2018. Of the debtor balance, none is outstanding for more than 30 days.

Suffolk Libraries IPS Ltd (Libraries)

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

During 2017 - 2018 the Council incurred expenditure from Libraries of £6.844 million (2016 - 2017 £6.810 million). The Council also received income from Libraries of £0.470 million (2016 - 2017 £0.282 million). The Council has a creditor balance of £0.422 million and a debtor balance of £0.144 million at 31 March 2018. Of the debtor balance, none is outstanding for more than 30 days.

Barley Homes Group Ltd (Barley Homes)

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

The Council made a loan of £0.065 million to Barley Homes upon inception and during 2017 - 2018 it has made further loans to a cumulative balance of £0.168 million. The full £0.168 million of the loan is currently outstanding.

During 2017 – 2018 the Council incurred no expenditure from Barley Homes (2016 – 2017 nil). The Council received income of £0.024 million (2016 – 2017 £0.014 million). The Council has a debtor balance of £0.016 million at 31 March 2018. Of the debtor balance, none is outstanding for more than 30 days.

Other Organisations

Eastern Inshore Fisheries and Conservation Authority

There are two councillors that represent the Council on the Eastern Inshore Fisheries and Conservation Authority (EIFCA). At 31 March 2018, the total amount invested by the Council on behalf of the EIFCA, including accumulated interest, was £0.577 million (31 March 2017 £0.575 million).

Ipswich Buses Ltd

Two of the non-executive directors of Ipswich Buses Ltd are also County Councillors. In 2017 - 2018 the Council made payments to Ipswich Buses Ltd totalling £3.225 million (2016 - 2017 £3.672 million).

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

2016 - 2017 £ million		2017 - 2018 £ million
0.215	Other Related Transactions (Members)	0.695
0.991	Other Related Transactions (Officers)	0.451
1.206		**1.146**

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

Other Public Bodies subject to common control by central government

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

Pension Fund

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

2016 - 2017 Income £ million		2017 - 2018 Income £ million
-0.933	Administration expenses charged to Pension Fund	-0.955
-0.933		**-0.955**

28. Capital Expenditure and Capital Financing

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

	2016 - 2017 £ million	2017 - 2018 £ million
Opening Capital Financing Requirement	650.106	688.982
Capital investment		
Property, Plant and Equipment - Operational Assets	85.317	83.825
Property, Plant and Equipment - Non Operational Assets	0.756	9.338
Intangible Assets	0.625	0.936
Revenue Expenditure Funded from Capital under Statute	39.660	33.095
Loans and advances treated as capital expenditure	2.500	0.000
Sources of finance		
Capital receipts	-11.833	-5.933
Government grants and other contributions	-49.020	-76.991
Waste PFI Adjustment for relevant change in Law (note 30)	1.943	0.000
Sums set aside from revenue:		
Direct revenue contributions	-25.801	-16.158
Minimum revenue provision	-5.271	-6.795
Closing Capital Financing Requirement	**688.982**	**710.299**
Explanation of movements in year		
Increase/decrease (-) in underlying need to borrow	38.876	21.317
Increase/ Decrease (-) in Capital Financing Requirement	**38.876**	**21.317**

29. Leases

Authority as Lessee

Finance Leases
The Council has 12 buildings recognised on the Balance Sheet as a result of being finance leases.

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

	31 March 2017 £ million	31 March 2017 £ million
Other Land and Buildings	5.063	5.485
	5.063	**5.485**

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

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

	31 March 2017 Total £ million	31 March 2018 Land and Buildings £ million	31 March 2018 Vehicles, Plant and Equipment £ million	31 March 2018 Total £ million
Not later than one year	1.451	0.930	0.449	1.379
Later than one year and not later than five years	2.758	2.446	0.297	2.743
Later than five years	5.299	4.433	0.000	4.433
	9.508	**7.809**	**0.746**	**8.555**

Authority as Lessor

Finance Leases

The Council has leased out 151 school properties. These are schools that have converted to academies and had the lease agreement finalised. There are also the leases of Fen Alder Car Park & Local Nature Reserve, a resource centre, a youth centre and the power centre at Pakefield School. The Council therefore does not recognise these assets on the Balance Sheet.

The future minimum lease payments to be received are immaterial, therefore there is no debtor to be recognised in the Balance Sheet.

Operating Leases

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

	31 March 2017 Restated £ million	31 March 2018 £ million
Not later than one year	1.672	1.563
Later than one year and not later than five years	2.597	4.103
Later than five years	2.134	1.334
	6.403	**7.000**

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. On an annual basis County Farms have a rent review and in 2017 - 2018 £1.518 million was receivable by the Council in relation to County Farms (£1.462 million in 2016 - 2017).

30. PFI and Similar Contracts, including Donated Assets

The Private Finance Initiative (PFI) provides a way of funding major capital investments by working with private consortia that are contracted to design, build, finance and manage new projects. The Council currently has two PFI schemes, one relating to the Fire & Rescue Service and the other relating to waste disposal, details of which are set out below.

Fire & Rescue Service

The Council has a PFI contract in relation to the upgrade and maintenance of 10 fire stations. The project reached financial close on 11 June 2008 having been awarded PFI credits of £27.100 million (a specific grant paid over the life of the contract towards the capital element of the scheme). The contract originally covered the rebuilding of six new fire stations and the refurbishment of four further fire stations.
During the construction phase which completed during 2011 – 2012, there was one change to the original construction arrangement where a new Ipswich East Fire Station was constructed as opposed to the refurbishment of the existing asset.

All PFI stations are now operational and the facilities management aspects of the contract are now operational. The following tables show the movement in value of the fire stations included in the PFI contract during 2017 - 2018 with comparators and the movement in the value of the liability.

Movement in the value of Fire Stations

	2016 - 2017 £ million	2017 - 2018 £ million
Value at start of year	**12.372**	**16.332**
Revaluations	4.329	-0.121
Depreciation	-0.369	-0.410
Value at end of year	**16.332**	**15.801**

Liability outstanding on the Fire PFI Contract

	2016 - 2017 £ million	2017 - 2018 £ million
Balance outstanding at start of year	**13.385**	**13.131**
Payments during the year	-0.254	-0.281
Balance outstanding at end of year	**13.131**	**12.850**

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

	Repayment of liability £ million	Interest £ million	Service charges £ million	PFI Grant £ million	Net Cost £ million
Payments due - received;					
During 2018 - 2019	0.313	1.448	1.174	-1.097	**1.838**
Payable within two to five years	1.648	5.398	4.698	-4.386	**7.358**
Payable within six to ten years	3.344	5.463	5.871	-5.483	**9.195**
Payable within eleven to fifteen years	5.704	3.103	5.871	-5.483	**9.195**
Payable within sixteen to twenty years	1.841	0.214	1.370	-1.051	**2.374**
Total	**12.850**	**15.626**	**18.984**	**-17.500**	**29.960**

Waste Service

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

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

Actual payments by the Council will depend on the number of tonnes of waste processed under this contract at the plant which has an annual capacity of around 269,000 tonnes. At the end of the 25 year operational phase of the contract, the plant will either be handed over to the Council, with a minimum of 5 years useful life remaining, or a new operating contract may be agreed either with Suez or another operator. At the lowest level (170,000 tonnes) the estimated savings, when compared to projected landfill costs, were £350 million over the contract period.
The plant receives income directly from third parties, both for the treatment of waste and for electricity exported to the National Grid. As part of the contract Suez Environnement retains this income and the price otherwise payable by the Council under the agreement has been reduced to reflect this. As the contract payments to be made by the Council do not meet the full cost of the asset, the Council receives the proportion of the asset not funded by contractual payments as a donated asset. A liability is recognised within the accounts for this proportion of the asset and is reduced over the life of the contract.

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

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

The following tables show the movement in value of the Energy-from-Waste facility included in the PFI contract during 2017 - 2018 with comparators and the movements in the value of the liability and the donated asset.

Movement in the value of the Energy from Waste Facility

	2016 - 2017 £ million	2017- 2018 £ million
Value at start of year	**162.000**	**156.867**
Additions	0.303	0.320
Revaluations	0.000	0.000
Depreciation	-5.436	-5.478
Value at end of year	**156.867**	**151.709**

Liability outstanding on the Waste PFI contract

	2016 - 2017 £ million	2017 - 2018 £ million
Balance outstanding at start of year	**88.239**	**50.045**
Payments during the year	-2.655	-2.837
Capital expenditure incurred in the year	0.303	0.320
Adjustment for Relevant Change in Law (LEC)	1.943	0.000
Capital Contribution	-37.785	0.000
Balance outstanding at end of year	**50.045**	**47.528**

Donated Asset Account within the Waste PFI Contract

	2016-2017 £ million	2017-2018 £ million
Balance outstanding at start of year	**116.155**	**109.372**
Expensed during the year	-4.840	-4.755
Adjustment for Relevant Change in Law (LEC)	-1.943	0.000
Balance outstanding at end of year	**109.372**	**104.617**
Short Term Donated Asset Account	4.755	4.755
Long Term Donated Asset Account	104.617	99.861
	109.372	**104.617**

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

	Repayment of liability £ million	Interest £ million	Service charges £ million	Lifecycle Works £ million	Waste Infrastructure Grant £ million	Net Cost £ million
Payments due - received;						
During 2018 - 2019	2.439	2.694	4.214	0.395	-7.864	**1.878**
Payable within two to five years	9.907	9.329	16.677	3.054	-31.455	**7.511**
Payable within six to ten years	8.433	8.885	20.916	10.474	-39.319	**9.389**
Payable within eleven to fifteen years	9.168	6.602	21.061	11.877	-39.319	**9.389**
Payable within sixteen to twenty years	12.465	3.495	21.276	11.472	-39.319	**9.389**
Payable within twenty one to twenty five years	5.116	0.328	7.046	3.774	-12.779	**3.485**
Total	**47.528**	**31.333**	**91.190**	**41.046**	**-170.056**	**41.041**

The repayment of the liability of both schemes amounting to £60.378 million reconciles to the short and long-term PFI liability figures on the Balance Sheet.

31. Impairment Losses

During 2017 - 2018 the Council did not recognise a loss due to no impairments on non current assets.

As a result of the five yearly revaluation exercise, there was a total downward revaluation charged to the Comprehensive Income and Expenditure Account of £9.632 million on the Council's non-current assets. A significant part of this relates to revaluations of schools within the Health, Wellbeing and Children's Services.

32. Termination Benefits and Exit Packages

The 2017 - 2018 code of practice (paragraph 6.3.1) on local authority accounting requires local authorities to disclose in bands, separated between compulsory and other redundancies, the number of exit packages agreed and the cost of those packages to the Council in the financial year. Exit cost relating to ill health retirements or departures are excluded in accordance with the Code.

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

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

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£ million)	
	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018
£0 - £20,000	126	41	118	56	244	97	**1.170**	**0.830**
£20,001 - £40,000	30	23	13	3	43	26	**1.071**	**0.710**
£40,001 - £60,000	5	6	0	3	5	9	**0.223**	**0.430**
£60,001 - £80,000	0	5	0	3	0	8	**0.000**	**0.530**
£80,000 - £100,000	2	3	0	0	2	3	**0.190**	**0.280**
£100,001 - £150,000	0	1	0	1	0	2	**0.000**	**0.230**
Total - excluding provision	**163**	**79**	**131**	**66**	**294**	**145**	**2.654**	**3.010**

The total cost of £3.010 million in the table above includes exit packages that have been paid in 2017 - 2018 using £1.505 million of the provision which was set up as at 31 March 2017. In addition, the Comprehensive Income and Expenditure Statement includes a provision for £1.171 million as at 31 March 2018 which is set aside to pay officers in 2018 - 2019. These costs are not included in the bands but will be in 2018 - 2019 when the exit packages can be allocated into bands.

33. Pension Schemes accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2017 - 2018, the County Council paid £13.968 million of employer contributions to the Teachers' Pension Scheme in respect of teachers' retirement benefits (2016 – 2017 £16.263 million), representing 16.48% of pensionable pay (2016 – 2017 16.48%).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 34.

NHS Staff Pension Scheme

A number of NHS Staff transferred to the Council in April 2013. These staff maintained their membership in the NHS Pension Scheme, administered by the NHS Business Service Authority. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017 - 2018, the Council paid £0.380 million of employer contributions (2016 – 2017 £0.450 million) in respect of retirement benefits to NHS Pensions in respect of staff who transferred into the Council from the NHS, representing 14.38% of pensionable pay (2016 – 2017 14.3%).

34. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

- The Council participates in two pension schemes (excluding teachers and National Health Service):the Local Government Pension Scheme for civilian employees, administered by Suffolk County Council - this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

- The Fire Pension Scheme for Firefighters - this is an unfunded scheme, meaning that there are no investments built up to meet the pension liabilities, and cash needs to be generated to meet actual pensions payments as they fall due. Under the Fire Pension Fund Regulations 2007, if the amounts receivable by the pension fund for the year are less than the amounts payable, the fire authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by a central government pension top-up grant. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the fire authority which then must repay the amount to central government.

Transactions Relating to Post-Employment Benefits

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

Comprehensive Income and Expenditure Account	Local Government Pension Scheme 2016 - 2017 £ million	Local Government Pension Scheme 2017 - 2018 £ million	Unfunded Liabilities Uniformed Fire Fighters 2016 - 2017 £ million	Unfunded Liabilities Uniformed Fire Fighters 2017 - 2018 £ million
Cost of Services:				
Current service cost	45.719	62.177	4.900	5.500
Past Service cost/(-)gain	0.498	0.594	5.100	0.000
Settlements and Curtailments cost/(-)gain	-5.045	-5.338	0.000	0.000
Financing and Investment Income and Expenditure				
Net interest	13.421	10.179	7.200	6.400
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**54.593**	**67.612**	**17.200**	**11.900**
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding net interest)	-170.748	4.618	0.000	0.000
Actuarial gains (-) and losses arising on changes in demographic assumptions	-14.529	0.000	1.300	-2.600
Actuarial gains (-) and losses arising on changes in financial assumptions	254.347	-34.289	41.700	0.000
Other experience	-80.525	-0.428	-8.420	2.671
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Account	**-11.455**	**-30.099**	**34.580**	**0.071**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-54.593	-67.612	-17.200	-11.900
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	**44.815**	**40.518**	**6.280**	**5.571**

Pension Assets and Liabilities Recognised in the Balance Sheet

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

Reconciliation of present value of the scheme liabilities (defined benefit obligation):	**Local Government Pension Scheme 2016 - 2017 £ million**	**Local Government Pension Scheme 2017 - 2018 £ million**	**Unfunded Liabilities Uniformed Fire Fighters 2016 - 2017 £ million**	**Unfunded Liabilities Uniformed Fire Fighters 2017 - 2018 £ million**
Present value of the defined benefit obligation	-1,763.190	-1,790.235	0.000	0.000
Fair value of plan assets	1,394.004	1,423.065	0.000	0.000
	-369.186	-367.170	0.000	0.000
Present value of unfunded liabilities	-15.507	-14.518	-227.300	-234.000
Present value of injury liabilities	0.000	0.000	-19.200	-18.900
Net liability arising from defined benefit obligation	**-384.693**	**-381.688**	**-246.500**	**-252.900**

Reconciliation of the movements in the fair value of Scheme Assets

	Local Government Pension Scheme 2016 - 2017 £ million	Local Government Pension Scheme 2017 - 2018 £ million	Unfunded Liabilities Uniformed Fire Fighters 2016 - 2017 £ million	Unfunded Liabilities Uniformed Fire Fighters 2017 - 2018 £ million
Opening fair value of scheme assets	**1,177.633**	**1,394.004**	**0.000**	**0.000**
Interest income	41.247	36.143	0.000	0.000
Remeasurement gain/(loss)				
Effect of settlements	-4.983	-7.920	0.000	0.000
Remeasurement gain/loss				
Return on plan assets (excluding net interest expense)	170.748	-4.618	0.000	0.000
Other	0.298	0.044	-0.580	-0.071
Contributions from employer	43.825	39.586	5.780	5.071
Contributions in respect of unfunded benefits	0.990	0.932	0.500	0.500
Contributions from employees	10.327	9.901	1.200	1.200
Benefits paid	-45.091	-44.075	-6.400	-6.200
Unfunded benefits paid	-0.990	-0.932	-0.500	-0.500
Closing fair value of scheme assets	**1,394.004**	**1,423.065**	**0.000**	**0.000**

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

	Local Government Pension Scheme 2016 - 2017 £ million	Local Government Pension Scheme 2017 - 2018 £ million	Unfunded Liabilities Uniformed Fire Fighters 2016 - 2017 £ million	Unfunded Liabilities Uniformed Fire Fighters 2017 - 2018 £ million
Opening balance 1 April	**-1,564.003**	**-1,778.697**	**-201.000**	**-246.500**
Current service cost	-45.719	-62.177	-4.900	-5.500
Interest cost	-54.668	-46.322	-7.200	-6.400
Contributions by scheme participants	-10.327	-9.901	-1.200	-1.200
Remeasurement gains and losses:				
Actuarial gains and losses arising from changes in demographic assumptions	14.529	0.000	-1.300	2.600
Actuarial gains and losses arising from changes in financial assumptions	-254.347	34.289	-41.700	0.000
Other	80.227	0.384	9.000	-2.600
Past service costs	-0.498	-0.594	-5.100	0.000
Benefits paid	45.091	44.075	6.400	6.200
Unfunded benefits paid	0.990	0.932	0.500	0.500
Liabilities extinguished on settlements	10.028	13.258	0.000	0.000
Closing balance at 31 March	**-1,778.697**	**-1,804.753**	**-246.500**	**-252.900**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets			
	Quoted prices in active markets 2016 - 2017 £ million	Quoted prices not in active markets 2016 - 2017 £ million	Quoted prices in active markets 2017 - 2018 £ million	Quoted prices not in active markets 2017 - 2018 £ million
Cash and Cash Equivalents				
Cash	28.724	0.000	14.786	0.000
Total Cash and Cash Equivalents	**28.724**	**0.000**	**14.786**	**0.000**
Equity Instruments (by industry)				
Consumer	121.837	0.000	103.090	0.000
Manufacturing	37.847	0.000	36.553	0.000
Energy and utilities	25.401	0.000	21.547	0.000
Financial institutions	47.480	0.000	47.470	0.000
Health and care	39.717	0.000	22.062	0.000
Information Technology	49.772	0.000	41.599	0.000
Other	17.345	0.000	14.871	0.000
Total Equity	**339.399**	**0.000**	**287.192**	**0.000**
Bonds (by sector)				
Corporate	203.625	0.000	344.968	0.000
Government	58.878	0.000	54.103	0.000
Total Bonds	**262.503**	**0.000**	**399.071**	**0.000**
Private Equity				
All	0.000	44.962	0.000	51.283
Total Private Equity	**0.000**	**44.962**	**0.000**	**51.283**
Property				
UK Property	129.844	0.000	137.957	0.000
Total Property	**129.844**	**0.000**	**137.957**	**0.000**
Other Investment Funds				
Equities	417.402	0.000	329.953	0.000
Hedge Funds	42.528	0.000	58.026	0.000
Infrastructure	0.000	31.787	0.000	37.111
Other	75.560	20.886	79.236	28.507
Total Other Investment Funds	**535.490**	**52.673**	**467.215**	**65.618**
Derivatives				
Foreign Exchange	0.410	0.000	-0.057	0.000
Total Derivatives	**0.410**	**0.000**	**-0.057**	**0.000**
Total Assets	**1,296.370**	**97.635**	**1,306.164**	**116.901**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and other relevant factors.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates for the Council Fund are based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

The principal assumptions used by the actuary have been:	Local Government Pension Scheme 2016 - 2017	Local Government Pension Scheme 2017 - 2018	Unfunded Liabilities Uniformed Fire Fighters 2016 - 2017	Unfunded Liabilities Uniformed Fire Fighters 2017 - 2018
Mortality assumptions:				
Longevity at retirement for current pensioners:				
Men	21.9	21.9	30.2	28.6
Women	24.4	24.4	31.7	31.0
Longevity at retirement for future pensioners:				
Men	23.9	23.9	31.6	29.7
Women	26.4	26.4	33.2	32.2
Rate of inflation	2.4%	2.4%	3.4%	3.4%
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate of increase in salaries	2.7%	2.7%	3.4%	3.4%
Rate for discounting scheme liabilities	2.6%	2.7%	2.6%	2.6%

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

Local Government Pension Scheme

Change in assumptions at year ended 31 March 2018:	Approximate % increase to Employer Liability	Increase in Assumption	Decrease in Assumption
		£ million	£ million
0.5% increase in Salary Increase Rate	1%	21.587	-21.587
0.5% increase in Pension Increase Rate	9%	155.178	-155.178
0.5% decrease in Real Discount Rate	10%	178.683	-178.683

Uniformed Fire Fighters Scheme

Change in assumptions at year ended 31 March 2018:	Approximate % increase to Employer Liability	Increase in Assumption	Decrease in Assumption
		£ million	£ million
1 year increase in member life expectancy	3%	7.595	-7.595
0.5% increase in Salary Increase Rate	1%	1.695	-1.695
0.5% increase in Pension Increase Rate	7%	18.796	-18.796
0.5% decrease in Real Discount Rate	9%	22.049	-22.049

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

Impact on the Council's Cash Flows

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

The Council anticipates paying £40.214 million in contributions to the scheme in 2018 - 2019.
The weighted average duration of the defined benefit obligation for scheme members is 17.9 years in 2017 – 2018.

35. Contingent Liabilities

At 31 March 2018, the Council had 1 contingent liability:

In 1992 Municipal Mutual Insurance (MMI), one of the Council's insurers at the time, stopped accepting new business. MMI and its policy holders, including local authorities, organised a scheme of arrangement which provided for the company to be wound up in an orderly manner in the event that there was a shortfall in the amount of assets held by MMI. Under the scheme of arrangement MMI could claim back from its major policy holders part of any claims which it had paid them from 1 October 1993 onwards by way of a levy.

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

In November 2015 Ernst and Young LLP indicated that a second levy would be implemented in the 2016 - 2017 financial year and the amount of the levy would be subject to further upward revision. On 1 April 2016 Ernst and Young confirmed the levy was to be increased by 10% to a total of 25%. An invoice for the backdated 10% was paid in May 2016 and the monthly invoices have since been increased from 15% to 25%.

A provision of £1.3 million has been made to cover the 25% increase, although if a maximum 100% levy was applied there would not be sufficient funds. However, the numbers of claims, in theory, should be reducing as they relate to incidents prior to 1992 mainly for disease or abuse.

36. Contingent Assets

At 31 March 2018, the Council had no contingent assets.

37. Financial Instruments

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

Financial Liabilities
A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

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

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

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

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

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

- Money market funds
- Pooled property fund managed by CCLA

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

	Long Term Assets and Liabilities		Current Assets & Liabilities	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£ million	£ million	£ million	£ million
Investments				
Loans and Receivables		-	14.244	9.644
Available for Sale			14.530	36.072
Total Investments	**-**	**-**	**28.774**	**45.716**
Debtors				
Loans and Receivables	11.899	10.175	22.431	29.729
Total included in Debtors *	**11.899**	**10.175**	**22.431**	**29.729**
Cash and Cash Equivalents			**1.156**	**0.751**
Total Financial Assets	**11.899**	**10.175**	**52.361**	**76.196**
Borrowings				
Financial liabilities at amortised cost	288.662	300.286	115.619	139.476
Total Borrowings	**288.662**	**300.286**	**115.619**	**139.476**
Bank Overdraft at amortised cost				
Long Term Liabilities				
PFI Liabilities	60.378	57.626	2.798	2.752
Other Long Term Liabilities	13.040	13.141		
Total Long Term Liabilities	**73.418**	**70.767**	**2.798**	**2.752**
Creditors				
Financial liabilities at amortised cost			79.037	110.171
Total included in Creditors *	**-**	**-**	**79.037**	**110.171**
Total Financial Liabilities	**362.080**	**371.053**	**197.454**	**252.399**

*The Council has adjusted for council tax, business rates, HM Revenue and Customs balances and the non-statutory bad debt provision. The debtor figure on the Balance Sheet has been reduced by £37.366 million (£37.521 million 2016 - 2017) and the creditors figure on the Balance Sheet has been reduced by £17.190 million (£17.397 million 2016 - 2017) in 2017 – 2018.

Offsetting Financial Assets and Liabilities

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

31 March 2017				31 March 2018		
Gross assets (liabilities) £ million	(Liabilities) assets off set £ million	Net position on balance sheet £ million		Gross assets (liabilities) £ million	(Liabilities) assets off set £ million	Net position on balance sheet £ million
25.770	-24.614	1.156	Bank accounts in credit	21.949	-21.198	0.751
-24.614	24.614	0.000	Bank overdrafts	-21.198	21.198	0.000
1.156	**0.000**	**1.156**	**Total shown in assets**	**0.751**	**0.000**	**0.751**

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

	2016 - 2017			2017 - 2018		
	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £ million	Loans and receivables £ million	Total £ million	Liabilities measured at amortised cost £ million	Loans and receivables £ million	Total £ million
Interest expense	-18.606		**-18.606**	-16.927		**-16.927**
Losses on derecognition		-0.346	**-0.346**	-0.011	-0.677	**-0.688**
Impairment losses (-) /gain		0.135	**0.135**		0.017	**0.017**
Total expense in Surplus or (Deficit) on the Provision of Services	**-18.606**	**-0.211**	**-18.817**	**-16.938**	**-0.660**	**-17.598**
Interest and dividend income		2.070	**2.070**		2.399	**2.399**
Gains on derecognition	0.002	0.012	**0.014**	0.011	0.014	**0.025**
Total income in Surplus or (Deficit) on the Provision of Services	**0.002**	**2.082**	**2.084**	**0.011**	**2.413**	**2.424**
Net gain/loss for the year	**-18.604**	**1.871**	**-16.733**	**-16.927**	**1.753**	**-15.174**

Fair value of assets & liabilities

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

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

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following methods and assumptions:

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

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

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

Balance Sheet 31 March 2017 £ million	Fair Value 31 March 2017 £ million		Fair Value Level	Balance Sheet 31 March 2018 £ million	Fair Value 31 March 2018 £ million
		Financial liabilities held at amortised cost:			
113.662	139.414	Long-term loans from PWLB	**2**	125.286	145.118
175.000	302.253	Long Term Bank and LOBO Loans	**2**	175.000	290.325
60.378	89.674	Long-term PFI liabilities	**3**	57.626	83.005
		Financial liabilities for which fair value is not disclosed:*			
210.494		Trade Payables and Other Long Term Liabilities		265.540	
559.534		**TOTAL FINANCIAL LIABILITIES**		**623.452**	
		Held as:			
362.080		Long Term Financial Liabilities		371.053	
197.455		Current Financial Liabilities		252.399	
559.535		**TOTAL FINANCIAL LIABILITIES**		**623.452**	
		Financial assets held at fair value:			
14.530	14.530	Investments - Available for Sale	**1**	36.071	36.071
		Financial liabilities for which fair value is not disclosed:*			
14.243		Investments - Loans and Receivables		9.644	
34.330		Debtors		39.905	
1.156		Bank Balances		0.751	
64.260		**TOTAL FINANCIAL ASSETS**		**86.371**	
		Held as:			
11.899		Long-term Financial Assets		10.176	
52.361		Current Financial Assets		76.195	
64.260		**TOTAL FINANCIAL ASSETS**		**86.371**	

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

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

38. Nature and Extent of Risks arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and The Prudential Code for Capital Finance in Local Authorities (both revised in December 2017).

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

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

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.

- *Market Risk:* The possibility that a financial loss may arise as a result of changes in market variables such as interest rates or equity prices.

Credit Risk

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

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to happen.

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

	Amount at 31 March 2018 £ million	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2018 %	Estimated Maximum exposure to default and uncollectability at 31 March 2018 £ million	Estimated maximum exposure at 31 March 2017 £ million
Deposits with Banks and Financial institutions	46.468	0.000%	0.000%	0.000	0.000
Secured debt	4.045	0.001%	0.001%	0.000	0.000
Customers					
External debts (non aged)	25.196				
General debts less than 90 days	8.742	0.000%	0.000%	0.000	0.000
General debts >90days but <365 days	1.636	30.000%	30.000%	0.491	0.499
General debts >365 days	1.554	50.000%	50.000%	0.777	0.786
Total	**87.641**			**1.268**	**1.285**

The Council generally has terms that give customers 30 days to pay their debts which are classed as 'current'. Of the £37.128 million classified as receivable trade / general debtors (£32.700 million, 2016 - 2017), there is £4.397 million (£4.102 million, 2016 - 2017) outstanding greater than 30 days.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 50% of the Council's borrowing matures in any one financial year.

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

	31 March 2017 £ million	31 March 2018 £ million
Less than one year	115.619	139.476
Between one and two years	2.377	63.377
Between two and five years	97.130	69.642
More than five years	189.155	167.267
	404.281	**439.762**

The Council has £130 million of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely repay these loans. The maturity date is therefore uncertain.

Market Risk: Interest Rate Risk

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

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Market Risk: Price and Foreign Exchange Risk

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

39. Interest in Companies

The Council holds majority interests in the following companies:

Company	Company Registration Number	Date Incorporated
Suffolk Group Holdings	09570600	01-May-2015
Schools Choice Group	10318019	08-Aug-2016
Barley Homes Group	10062735	15-Mar-2016

Suffolk Group Holdings Ltd

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

Schools Choice Group Ltd

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

Schools Choice Group has two subsidiary undertakings through which trading is undertaken; Schools Choice Ltd and Schools Choice Suffolk Ltd, both of whom commenced trading in January 2017. The companies' results for 2017 – 2018 are not considered to be material to the Group Accounts, however the shares in Schools Choice were transferred to Vertas Group Ltd on 1 April 2018, and so will be consolidated into group results from 2018 - 2019 onwards.

Barley Homes Group Ltd

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

The company made no supplies within 2017 – 2018 and is not considered material for the preparation of the Group Accounts.

For further details of the Councils transactions with these companies and the structures of the companies held by Suffolk Group Holdings please see note 27: Related Parties.

Please refer to the prepared Group Accounts that begin on page 82. The statements are intended to present financial information about the parent (the Council) and then additionally reflect the Council's share of Suffolk Group Holdings net assets, expenditure and income in a unified set of accounts.

40. Publicity

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

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

2016-17 Restated £ million		2017 - 2018 £ million
0.976	Staff recruitment	0.679
0.609	Other advertising such as public notices	0.649
0.043	Other public information activities	0.007
1.628		**1.335**

Introduction to the Group Accounts

The 2017 - 2018 Code of Practice on Local Authority Accounting in the United Kingdom sets out comprehensive requirements for group accounts requiring Local Authorities to consider all their interests in subsidiaries, associates or joint ventures.

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

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

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

1) Vertas Group Ltd, who own:
    - Vertas (Ipswich) Ltd
    - Easilife Cleaning Services Ltd
    - IEM Caterquip Ltd
    - Verse Facilities Management Ltd
    - Snackpax Distribution Ltd
    - Vertas Environmental Ltd
    - Vertas Cleaning Supplies Ltd
    - Diamond View Cleaning Solutions Ltd
    - Oakpark Security Systems Ltd
2) Opus People Solutions Ltd, who own;
    - Opus LGSS People Solutions Ltd
    - Opus Resources Ltd
    - Opus Teach Ltd
3) Concertus Design and Property Consultants Ltd, who own;
    - Concertus Coastal Ltd
    - The Energy Practice Ltd
    - Carbon Chain Ltd

Schools Choice Group Ltd, the parent of the following two companies;

- Schools Choice Ltd
- Schools Choice (Suffolk) Ltd

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

Suffolk Group Holdings Ltd

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

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

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

Vertas Group Ltd

Vertas Group Ltd was created in 2011 as a wholly owned subsidiary of the Council and began trading on 1 November 2011. The company has a Joint Venture, Verse Facilities Management Ltd, with Forest Heath District Council and St Edmundsbury Borough Council. It also has several wholly owned subsidiary companies; Easilife Cleaning Services Ltd, IEM Caterquip Ltd, Snackpax Distribution, Vertas Environmental, Vertas Cleaning Supplies, Diamond View Cleaning Solutions, Oakpark Security Systems, and Vertas (Ipswich) Ltd. From 1 April 2018 the shareholding in Schools Choice Group transferred to Vertas Group Ltd.

Suffolk Group Holdings owns 100% of the shareholding of Vertas Group Ltd. The Council also made a loan to Vertas Group Ltd of £2.430 million at the point of inception, the balance of which currently stands at £1.430 million.

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

Opus People Solutions Ltd

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

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

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

Concertus Design and Property Consultants Ltd

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

Suffolk Group Holdings owns 100% of the shareholding of Concertus Design and Property Consultants Ltd. The Council made a loan to Concertus of £1.000 million at inception, with a further £2.500 million secured loan in 2016 - 2017. The balances of these loans currently stand at £1.000 million and £2.385 million respectively

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

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

Basis of Consolidation

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group Accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

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

Group Accounting Policies

The accounting policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Suffolk County Council as set out in note 1 to the core statements.

Group Accounts – Comprehensive Income and Expenditure Account

2016 - 2017 Restated Gross Expenditure £ million	Gross Income £ million	Net Expenditure £ million		Notes	2017 - 2018 Gross Expenditure £ million	Gross Income £ million	Net Expenditure £ million
278.996	-68.143	210.853	Adult and Community Services		299.292	-69.672	229.620
533.666	-367.765	165.901	Heath, Wellbeing & Childrens Services		501.588	-342.648	158.940
27.215	-4.327	22.888	Fire & Rescue and Public Safety		29.458	-4.415	25.043
108.029	-37.213	70.816	Growth, Highways & Infrastructure		105.933	-29.724	76.209
43.478	-9.560	33.918	Corporate Services		51.796	-17.875	33.921
4.900	-0.162	4.738	Central Resources and Capital Financing		5.322	-0.146	5.176
-1.002	0.000	-1.002	Pension IAS 19 Costs		-3.550	0.000	-3.550
60.789	-28.413	32.376	Other Services		85.380	-56.678	28.702
1,056.071	**-515.583**	**540.488**	**Net cost of services/Total Continuing Operations**		**1,075.219**	**-521.158**	**554.061**
79.785	0.000	79.785	Other Operating Expenditure	G1	101.103	0.000	101.103
39.238	-0.704	38.534	Financing and Investment Income and Expenditure	G2	33.641	-0.588	33.053
0.000	-510.547	-510.547	Taxation and Non-Specific Grant Income	G3	0.000	-540.995	-540.995
1,175.094	**-1,026.834**	**148.260**	**Deficit on Provision of Services**		**1,209.963**	**-1,062.741**	**147.222**
		0.523	Tax expenses of Subsidiaries				0.022
		148.783	**Group Surplus (-) / Deficit**				**147.244**
		-9.931	Surplus on revaluation & restatements of Property Plant and Equipment assets				17.268
		23.125	Remeasurement of the net defined benefit liability				-30.028
		0.000	Surplus or deficit on revaluation of available for sale financial assets				0.293
		13.194	**Other Comprehensive Income and Expenditure**				**-12.467**
		161.977	**Total Comprehensive Income and Expenditure**				**134.777**
		-0.003	Comprehensive Income and Expenditure attributable to Non-Controlling Interests in Subsidiaries and Associates*				-0.041

*Included within the Group statements are companies formed as Joint Ventures or where the Council or its subsidiaries do not hold 100% of the shareholding witihn the company. These minority interests (Non-Controling Interests) are entitled to a share of the results of those companies.

Group Accounts – Movement in Reserves Statement

	Council's Usable Reserves	Suffolk Group Holdings Usable Reserves	Total Group Usable Reserves	Council's Unusable Reserves	Suffolk Group Holdings Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Balance at 31 March 2016	**223.335**	**1.724**	**225.059**	**280.351**	**0.000**	**280.351**	**505.410**
Movement in Reserves during 2016 - 2017							
Group Surplus or Deficit (-)	-115.930	-32.853	-148.783	0.000	0.000	0.000	-148.783
Other comprehensive income and expenditure	0.000	0.000	0.000	-13.194	0.000	-13.194	-13.194
Total comprehensive income and expenditure	-115.930	-32.853	-148.783	-13.194	0.000	-13.194	-161.977
Adjustments between Group Accounts and Council Accounts*	-33.871	33.871	0.000	0.000	0.000	0.000	0.000
Adjustments between accounting basis and funding basis under regulations	120.404	0.000	120.404	-120.404	0.000	-120.404	0.000
Increase / Decrease (-) in year	-29.397	1.018	-28.379	-133.598	0.000	-133.598	-161.977
Balance at 31 March 2017	**193.938**	**2.742**	**196.680**	**146.753**	**0.000**	**146.753**	**343.433**
Movement in Reserves during 2017 -2018							
Group Surplus or Deficit (-)	-118.411	-28.833	-147.244	0.000	0.000	0.000	-147.244
Other comprehensive income and expenditure	0.000	0.000	0.000	12.467	0.000	12.467	12.467
Total comprehensive income and expenditure	-118.411	-28.833	-147.244	12.467	0.000	12.467	-134.777
Adjustments between Group Accounts and Council Accounts*	-29.997	29.979	-0.018	0.000	0.000	0.000	-0.018
Net increase / decrease (-) before transfers	-148.408	1.146	-147.262	12.467	0.000	12.467	-134.795
Adjustments between accounting basis and funding basis under regulations	128.239	0.000	128.239	-128.239	0.000	-128.239	0.000
Increase / Decrease (-) in year	-20.169	1.146	-19.023	-115.772	0.000	-115.772	-134.795
Total Reserves in the Movements in Reserves statement	**173.769**	**3.888**	**177.657**	**30.981**	**0.000**	**30.981**	**208.638**
Minority Interest's share of reserves of subsidiaries			-0.041			0.000	-0.041
Balance at 31 March 2018			**177.616**			**30.981**	**208.597**

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

Group Accounts – Balance Sheet

2016 - 2017 £ million		Notes	2017 - 2018 £ million
1,570.111	Property, Plant and Equipment	**G4**	1,478.983
2.844	Intangible Assets		3.764
0.839	Heritage Assets		0.839
0.001	Long-term Investments	**G5**	0.001
6.490	Long-term Debtors	**G6**	6.042
1,580.285	**Total Non Current Assets**		**1,489.629**
28.773	Short Term Investments		45.094
0.394	Carbon Reduction Allowances		0.126
6.465	Assets held for sale		4.552
0.502	Inventories		0.944
10.958	Cash and Cash Equivalents	**G7**	9.654
64.568	Short Term Debtors	**G8**	76.781
111.661	**Current Assets**		**137.151**
-115.619	Short Term Borrowing		-139.476
-107.122	Short Term Creditors	**G9**	-143.910
-2.798	PFI Liability		-2.752
-4.755	Donated Asset Account		-4.755
-10.088	Provisions		-8.151
-240.382	**Current Liabilities**		**-299.044**
-6.213	Provisions		-5.602
-288.662	Long Term Borrowing		-300.315
-13.119	Other Long Term Liabilities	**G10**	-13.141
-60.378	PFI Liability		-57.626
-104.617	Donated Asset Account		-99.861
-631.193	Liability related to defined benefit pension scheme		-634.588
-3.998	Capital Grants Receipts in Advance		-7.965
-1,108.180	**Long Term Liabilities**		**-1,119.098**
343.383	**Net Assets**		**208.638**
196.630	Usable Reserves		177.657
146.753	Unusable Reserves		30.981
343.383	**Total Reserves**		**208.638**

Group Accounts – Cash-flow statement

2016 - 2017 £ million		Notes	2017 - 2018 £ million
148.783	**Net surplus (-) or deficit on the provision of services**		**147.244**
-162.080	Adjust net surplus or deficit on the provision of services for non cash movements	**G11**	-220.288
51.908	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**G11**	78.488
38.611	Net cash flows from Operating Activities		**5.444**
0.396	Investing Activities	**G12**	28.830
-44.350	Financing Activities	**G13**	-32.970
-5.343	**Net increase (-) or decrease in cash and cash equivalents**		**1.304**
-5.615	Cash and cash equivalents at the beginning of the reporting period		-10.958
-10.958	**Cash and cash equivalents at the end of the reporting period**		**-9.654**

Notes to the Group Accounts

Where added value is provided, additional disclosures are presented below in respect of the Group Accounts. These are referenced with a **G** and can be referred to against the main statements of the Group Accounts on pages 91 to 94.

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

G1. Other Operating Expenditure

2016 - 2017 £ million		2017 - 2018 £ million
0.695	Payments to the Environment Agency	0.726
0.403	Payments to the Eastern Inshore Fisheries and Conservation Authority	0.403
-1.426	Gains (-) /losses on trading operations	1.119
80.113	Losses on the disposal of non current assets	98.855
79.785	**Total**	**101.103**

G2. Financing and Investment Income and Expenditure

2016 - 2017 £ million		2017 - 2018 £ million
18.617	Interest payable and similar charges	17.062
20.621	Net Interest on the net defined benefit liability	16.579
-0.704	Interest receivable and similar income	-0.588
38.534	**Total**	**33.053**

G3. Taxation and Non-Specific Grant Income

2016 - 2017 £ million		2017 - 2018 £ million
-280.491	Council Tax Income	-292.837
-100.639	Non domestic rates	-102.761
-82.361	Non-ringfenced government grants	-71.569
-4.840	Donated Assets	-5.270
-42.216	Capital grant and contributions	-68.558
-510.547	**Total**	**-540.995**

G4. Property, Plant and Equipment

	Other Land and Buildings £ million	Vehicles Plant and Equipment £ million	Infrastructure Assets £ million	Community Assets £ million	Surplus Assets £ million	Assets Under Construction £ million	Total Property, Plant & Equipment £ million
2016 - 2017							
Suffolk County Council							
Cost or Valuation at 31 March 2017	975.748	75.647	711.383	0.421	74.366	0.373	**1,837.938**
Accumulated Depreciation at 31 March 2017	54.984	47.930	167.657	0.000	0.461	0.000	**271.032**
Net Book Value at 31 March 2017	920.764	27.717	543.726	0.421	73.905	0.373	**1,566.906**
Vertas Group							
Cost or Valuation at 31 March 2017	2.399	2.393	0.000	0.000	0.000	0.000	**4.792**
Accumulated Depreciation at 31 March 2017	0.114	1.473	0.000	0.000	0.000	0.000	**1.587**
Net Book Value at 31 March 2017	2.285	0.920	0.000	0.000	0.000	0.000	**3.205**
Group							
Cost or Valuation at 31 March 2017	978.147	78.040	711.383	0.421	74.366	0.373	**1,842.730**
Accumulated Depreciation at 31 March 2017	55.098	49.403	167.657	0.000	0.461	0.000	**272.619**
Net Book Value at 31 March 2017	**923.049**	**28.637**	**543.726**	**0.421**	**73.905**	**0.373**	**1,570.111**
2017 - 2018							
Suffolk County Council							
Cost or Valuation at 31 March 2018	870.067	76.947	764.465	0.421	43.340	7.533	**1,762.773**
Accumulated Depreciation at 31 March 2018	51.122	50.565	186.174	0.000	0.273	0.000	**288.134**
Net Book Value at 31 March 2018	818.945	26.382	578.291	0.421	43.067	7.533	**1,474.639**
Suffolk Group Holdings							
Cost or Valuation at 31 March 2018	2.399	4.083	0.000	0.000	0.000	0.000	**6.482**
Accumulated Depreciation at 31 March 2018	0.114	2.024	0.000	0.000	0.000	0.000	**2.138**
Net Book Value at 31 March 2018	2.285	2.059	0.000	0.000	0.000	0.000	**4.344**
Group							
Cost or Valuation at 31 March 2018	872.466	81.030	764.465	0.421	43.340	7.533	**1,769.255**
Accumulated Depreciation at 31 March 2018	51.236	52.589	186.174	0.000	0.273	0.000	**290.272**
Net Book Value at 31 March 2018	**821.230**	**28.441**	**578.291**	**0.421**	**43.067**	**7.533**	**1,478.983**

G5. Long-term Investments

31 March 2017 £ million		31 March 2018 £ million
0.001	Long Term Investments per Suffolk County Council	0.001
0.000	Less Investment in Group Companies	0.000
0.000	Group Investments in subsidiary companies	0.000
0.001	**Total**	**0.001**

G6. Long-term Debtors

31 March 2017 £ million		31 March 2018 £ million
11.899	Long-term Debtors per Suffolk County Council	10.175
-5.430	Less Loan between Suffolk County Council and subsidiaries	-4.193
0.021	Add Group Long-term Debtors	0.060
6.490	**Total**	**6.042**

G7. Cash and Cash Equivalents

31 March 2017 £ million		31 March 2018 £ million
	Cash held by the Council	
1.156	Bank current accounts	0.751
1.156	**Total**	**0.751**
9.802	Group Cash and Bank Balances	8.903
10.958	**Total Group Cash Total**	**9.654**

G8. Short Term Debtors

31 March 2017 £ million		31 March 2018 £ million
13.304	Central government bodies	18.775
17.226	Other local authorities	12.565
2.521	NHS bodies	3.938
19.254	Other entities and individuals	21.010
6.959	Council Tax receivable from ratepayers	9.259
0.419	Business Rates receivable from ratepayers	1.548
59.683	**Total**	**67.095**
10.525	Group companies	14.739
-5.640	Less intra Group debtors	-5.053
64.568	**Group Total**	**76.781**

G9. Short Term Creditors

31 March 2017 £ million		31 March 2018 £ million
-12.596	Central government bodies	-12.330
-6.335	Other local authorities	-13.972
-0.838	NHS bodies	-0.945
-71.279	Other entities and individuals	-92.315
-5.052	Council Tax payable to ratepayers	-5.209
-0.334	Business Rates payable to ratepayers	-2.590
-96.434	**Total**	**-127.361**
-16.307	Suffolk Group	-21.642
5.619	Less intra Group creditors	5.093
-107.122	**Group Total**	**-143.910**

G10. Other Long Term Liabilities

31 March 2017 £ million		31 March 2018 £ million
-13.040	Suffolk County Council Long Term Liabilities	-13.141
-0.079	Suffolk Group Long Term Liabilities	0.000
-13.119	**Total**	**-13.141**

G11. Operating Activities

The cashflows for operating activities include the following items:

2016 - 2017 £ million		2017 - 2018 £ million
-53.823	Depreciation	-52.939
-8.546	Impairment and downward revaluations	-9.645
0.135	Increase/decrease (-) in impairment for bad debts	0.016
6.314	Increase (-) / decrease in creditors	-25.935
2.901	Increase/decrease (-) in debtors	2.896
0.041	Increase/decrease (-) in inventories	0.037
-20.698	Movement in pension liabilities	-33.423
-90.204	Carrying amount of non current assets and non current assets held for sale, sold or de-recognised	-109.301
1.800	Other non cash items charged to the net surplus or deficit on the provision of services	8.006
-162.080	**Total**	**-220.288**

10.187	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10.532
41.721	Any other items for which the cash effects are investing or financing cashflows	67.956
51.908	**Total**	**78.488**

G12. Investing Activities

2016 - 2017 £ million		2017 - 2018 £ million
89.351	Purchase of property, plant and equipment and intangible assets	88.986
865.720	Purchase of short-term and long-term investments	883.687
-10.193	Proceeds from the sale of property, plant and equipment	-10.543
-898.827	Proceeds from short-term and long-term activities	-866.596
-45.655	Other receipts from investing activities	-66.704
0.396	**Net cash flows from investing activities**	**28.830**

G13. Financing Activities

2016 - 2017 £ million		2017 - 2018 £ million
-306.000	Cash receipts of short and long term borrowings	-654.200
-3.632	Other cash receipts from financing activities	-2.741
2.909	Cash payments for the reduction of the outstanding liabilities relating to PFI contracts	3.117
263.381	Repayments of short-term and long-term borrowing	619.404
-1.008	Other payments for financing activities	1.450
-44.350	**Net cash flows from financing activities**	**-32.970**

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Pension Fund Accounts

Fund Account

2016 - 2017 £ million	Fund Account	Notes	2017 - 2018 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
75.637	Normal	9	78.581
10.490	Deficit funding	9	7.267
2.497	Other	9	2.276
	From members		
20.074	Normal	9	20.495
	Transfers In		
2.474	Individual transfers in from other schemes		4.056
	Benefits payable:		
-72.365	Pensions	9	-75.385
-13.052	Commutations of pensions and lump sum retirement benefits	9	-14.461
-1.366	Lump sum death benefits	9	-1.721
	Payments to and on account of leavers:		
-0.162	Refunds of Contributions		-0.282
-3.878	Individual transfers out to other schemes		-4.638
-0.274	Group Transfers out to other Schemes		0.000
20.075	**Net additions (withdrawals) from dealings with members**		**16.188**
-15.654	Management Expenses	10	-16.416
4.421	**Net additions (withdrawals) including management expenses**		**-0.228**
	Returns on investments		
	Investment income		
14.777	Dividends from equities		15.065
8.097	Income from pooled investment vehicles - Property		9.058
0.636	Income from pooled investment vehicles - Private Equity		1.689
8.212	Income from Other Managed Funds		9.416
0.045	Interest on Cash Deposits		0.056
0.924	Other		0.194
-0.141	Taxes on Income		-0.063
398.484	Change in market value of investments		78.629
0.015	Impairment of Investments (1)		0.000
431.049	**Net returns on investments**		**114.044**
435.470	Net increase, or (decrease), in the fund during the year		113.816
2,213.195	Opening net assets of the scheme		2,648.665
2,648.665	**Closing net assets of the scheme**		**2,762.481**

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

Net Asset Statement

2016-17 £ million	Net asset statement	Notes	2017-18 £ million
	Investment assets		
	Equities:		
268.998	UK companies	12,13	240.580
353.603	Overseas companies	12,13	291.739
	Pooled Investment Vehicles		
16.244	Unit trusts	12,13	17.169
903.687	Unit linked insurance policies	12,13	728.132
258.117	Property unit trust	12,13	277.478
837.661	Other Managed Funds	12,13	1,194.353
	Other Investment Balance		
2.919	Cash [held by the investment managers]	12	5.862
1.341	Forward Foreign Exchange Contracts	12	-0.113
2,642.570	**Total investments**		**2,755.200**
	Current assets		
14.784	Debtors	21	12.950
8.550	Cash Desposits	18d	2.235
0.103	Cash at Bank	18d	0.042
23.437	**Total current assets**		**15.227**
	Current liabilities		
-17.342	Creditors	22	-7.946
-17.342	**Total current liabilities**		**-7.946**
6.095	**Net current assets**		**7.281**
2,648.665	**Net assets**		**2,762.481**

Notes to the Accounts

1. Description of the Fund

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

The Fund is administered in accordance with the following secondary legislation:
- The Local Government Pensions Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).

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

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

There are 262 employer organisations with active members within the Scheme as at 31 March 2018, an increase of 52 from the previous year. Teachers, Firefighters and NHS staff have their own pension schemes and are not included in the Fund.

The Fund has the following number of members and pensioners:

31 March 2017		31 March 2018
	Number of Employees in the Scheme	
8,928	County Council	8,177
11,026	Other Employers	11,773
19,954	**Total**	**19,950**
	Number of Pensioners	
8,430	County Council	8,721
6,644	Other Employers	6,940
15,074	**Total**	**15,661**
	Number of Deferred Pensioners	
13,936	County Council	14,397
9,502	Other Employers	10,641
23,438	**Total**	**25,038**

Funding

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

Benefits

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

2. Events after the Balance Sheet Date

There has been no event between 31 March 2018 and the date when these accounts were authorised that requires any adjustments to these accounts.

3. Significant Changes to the Fund

On 22 March 2017 the Pension Fund Committee made a decision to rebalance some of the equity holdings where strong returns from the previous year had contributed to them becoming overweight to the asset allocation. This resulted in a reduction in equities of £95 million which was reinvested into the bond mandates (£77 million) and the absolute return mandate (£18 million). This was completed during April 2017.

On 19 July 2017 the Pension Fund Committee made a commitment to the Partners Group Direct Infrastructure 2015 Fund of €55 million (equivalent to just over £50 million). This will be funded through calls for capital over time when investment opportunities are identified by the investment manager.

At the meeting on 21 September 2017 the Pension Fund Committee agreed to move its passive investments from Legal &General Investment Management to UBS Group, the provider appointed through the use of the National Framework. This was transferred on an asset class basis during January and February 2018.

On 6 December 2017 the committee made a decision to de-risk the Pension Fund holdings and reduce the equity allocation to 42%. The proceeds (£223 million) were invested into the Bond mandates (£195 million) and to top up the hedge fund holding (£28 million). This was completed during December 2017.

4. Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund's transactions for the 2017 - 2018 financial year and its position as at 31 March 2018.

These accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in United Kingdom 2017 - 2018', which is based upon International Financial Reporting Standards (IFRS). The Code also incorporates the 2015 Statement of Recommended Practice (SORP) 'Financial Reports of Pension Schemes'.

The accounts do not take into account obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS 26) basis, is disclosed in Note 20 of these accounts.

5. Summary of Significant Accounting Policies

5.1 Fund Account - Revenue Recognition

Contribution Income

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

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

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

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

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

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

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

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

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

Income from cash and other investments are accounted for on an accruals basis.

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

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

5.2 Fund Account - Expenditure

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

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

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

Management Expenses

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

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

iii) Investment Management Expenses
All investment expenses are accounted for on an accrual basis. Investment management fees and performance fees are agreed in the respective mandates governing their appointment. These fees are based

on the market value of the investments under management and therefore increase or decrease as the value of the investments change.

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

5.3 Net Asset Statement

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

The value of investments has been determined as follows:

Market Quoted Investments
Managed Funds are valued using the bid market price on 31 March 2018.

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

Unquoted Pooled Investment Vehicles
Unquoted Securities include pooled investments in Infrastructure, Illiquid Debt, Private Equity and Timberlands. Market quotations are not readily available. The value is based on the Fund's share of the net asset using the latest financial statements received from the respective fund manager and adjusted for capital calls and distributions received from that date to 31 March 2018.

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

Foreign Currency Transactions
Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate as at 31 March 2018.

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

Forward Foreign Exchange Contracts outstanding at the year end are stated at fair value, which is determined as the loss or gain that would arise if the outstanding contract was required to be settled on 31 March.

Cash and Cash Equivalents
Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. Bank balances and cash held by the Pension Fund at 31 March are therefore cash equivalent sums. For short term investments there are no strict criteria to follow relating to the nature and maturity of these items.

The Pension Fund holds short term investments in Money Market Funds for the purpose of obtaining a gain or return. Fixed term deposits should be classified as an investment and not a cash equivalent on the Net Asset Statement.

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Pension Fund Accounts are adjusted to reflect such events.

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

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

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

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

Contingent Liabilities and Contractual Commitments
A contingent liability arises where an event has taken place that gives the Pension Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Pension Fund.

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

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

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

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

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

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

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

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

6. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2017 – 2018 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted and applies to the adoption of the following disclosures as amended in the 2018 - 2019 code.

IFRS 9 - classification and measurement of financial assets after initial recognition

The code requires implementation of the above disclosure from 1 April 2018. These changes are not considered to have a material effect on the Pension Fund accounts of 2017 - 2018.

7. Critical Judgements in Applying Accounting Policies

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

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

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

The Pension Fund Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could differ from those estimates and there is a risk that these investments may be under or overstated in the accounts.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Actuarial Present Value of Promised Retirement Benefits
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries, Hymans Robertson LLP, is engaged to provide the Fund with expert advice about the assumptions to be applied.

Private Equity
Private Equity investments are valued at fair value in accordance with IFRS and British Venture Capital Association guidelines. Both Pantheon and Wilshire have established procedures to report fair value on a consistent, transparent and prudent basis. These investments are illiquid and are not publicly listed and as such there is a high degree of estimation involved in the valuation.

The unquoted Private Equity investments at 31 March 2018 are £54.514 million with Pantheon and £23.435 million with Wilshire.

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

The Infrastructure investments held with Partners, KKR and M&G at 31 March 2018 are £31.117 million, £28.753 million and £7.728 million respectively.

Illiquid Debt
Illiquid Debt is valued by a valuation agent who will use an independent pricing source to value most loans at market value or a probable realisation valuation method if market quotations are not readily available. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Illiquid Debt is held with M&G and includes the Debt Opportunity investments, the Illiquid Credit Opportunity Fund and the Debt Solutions Fund totalling £46.610 million as at 31 March 2018.

Timberlands
Timberlands is a limited liability partnership investment in large scale high quality timber assets. The fair value is determined on at least an annual basis with a valuation review performed on a quarterly basis to assess

whether there is evidence of a significant change in the investment fundamentals that warrant a change in the fair value. The manager may utilise independent valuations to confirm the reasonableness of internally prepared valuations.

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

The Timberlands investment at 31 March 2018 is £8.074 million.

9. Contributions Received and Benefits Paid during the Year

2016-2017 Employers' Contributions £ million	2016-2017 Employees' Contributions £ million	2016-2017 Benefits Paid £ million		2017-2018 Employers' Contributions £ million	2017-2018 Employees' Contributions £ million	2017-2018 Benefits Paid £ million
39.233	9.079	-42.886	Suffolk County Council	35.566	8.640	-45.216
44.001	9.678	-40.475	Other Scheduled and Resolution Bodies	49.131	10.815	-42.552
5.390	1.317	-3.422	Admitted Bodies	3.427	1.040	-3.799
88.624	**20.074**	**-86.783**	**Total**	**88.124**	**20.495**	**-91.567**

Included within employer normal contributions of £78.581 million shown in the Fund account, is an amount for deficit funding of £7.057 million paid within the employers' percentage (£13.595 million in 2016 - 2017). The deficit funding identified separately on the Fund account of £7.267 million (£10.490 million in 2016-17) refers to those employers funding their deficit by means of lump sum payments.

Employer contributions are made up of two elements:
a) the estimated cost of future benefits being accrued, the 'primary rate'; plus
b) an adjustment for the funding position of accrued benefits relative to the Fund's solvency target, the 'secondary rate'.

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

The Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the next three year period. 2017 - 2018 was the first year in the three year period following the 31 March 2016 valuation for the contribution rates set by the actuary to reflect a and b above.

A list of employers and their contribution rates is in the 2016 Valuation Report that accompanies the Funding Strategy Statement. These reports are available on the Suffolk Pension Fund website at www.suffolkpensionfund.org.

10. Management Expenses

2016 - 2017 £ million		2017 - 2018 £ million
13.968	Investment Management Expenses	14.778
1.068	Administration Expenses	1.081
0.618	Oversight and Governance Costs	0.557
15.654		16.416

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

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

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

External audit fees charged by Ernst & Young for 2017 - 2018 were £0.025 million, (£0.025 million 2016 - 2017). Ernst & Young are intending to charge an additional £0.006 million to respond to IAS 19 assurance requests for 2017 - 18 reports. This will be charged to the employers who have requested assurance.

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

2016 - 2017 £ million		2017 - 2018 £ million
9.150	Investment Management Fees and Expenses	12.733
4.052	Performance Fees	1.232
0.734	Transaction Costs	0.769
0.032	Custodian Fees	0.044
13.968		14.778

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

31 March 2017 Market Value £ million	31 March 2017 Percentage of Assets %		31 March 2018 Market Value £ million	31 March 2018 Percentage of Assets %
435.930	**16.52%**	BlackRock Investment Management	608.442	**22.14%**
0.754	**0.03%**	Bluecrest Capital Management	0.352	**0.01%**
8.306	**0.31%**	Brookfield Asset Management	8.074	**0.29%**
0.137	**0.01%**	Cambridge Research & Innovation Limited	0.238	**0.01%**
29.579	**1.12%**	Kohlberg Kravis Roberts	29.139	**1.06%**
903.687	**34.24%**	Legal and General Investment Management	0.000	**0.00%**
242.686	**9.20%**	M&G Investments	350.131	**12.73%**
418.346	**15.86%**	Newton Investment Management	333.484	**12.13%**
61.110	**2.32%**	Pantheon Ventures	82.469	**3.00%**
28.618	**1.08%**	Partners Group	31.116	**1.13%**
140.494	**5.33%**	Pyrford International	164.729	**5.99%**
262.645	**9.96%**	Schroder Property Investment Management	281.832	**10.25%**
0.000	**0.00%**	UBS Group	728.132	**26.49%**
28.421	**1.08%**	Wilshire Associates	23.435	**0.85%**
77.597	**2.94%**	Winton Global Investment Management	107.878	**3.92%**
2,638.310	**100.00%**		**2,749.451**	**100.00%**

Blackrock Investment Management received an additional £177m and M&G Investments an additional £95m investment into their respective active bond mandate which was funded through disinvesting from the equity mandates.

The mandate with Legal and General Investment Management was disinvested during January and February 2018 and reinvested with UBS Group.

The infrastructure mandates with Partners Group, the private equity mandate with Pantheon Ventures Investments, and the debt solutions fund and infracapital fund with M&G Investments have been funded as investment opportunities are identified by the investment managers.

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

12. Reconciliation of Movements in Investments and Derivatives

	Opening Market Value 01 April 2016 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2017 £ million
UK Companies	224.142	91.121	-86.086	39.821	268.998
Overseas Companies	283.686	82.885	-81.734	68.766	353.603
Derivatives - Forward Foreign Exchange contracts	2.188	14.319	-14.699	-0.467	1.341
Pooled Investment Vehicles:					
Other Managed Funds	536.572	315.185	-230.911	29.720	650.566
Unit trusts	17.782	-	-4.432	2.894	16.244
Unit linked insurance policies	727.955	47.184	-70.398	198.946	903.687
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	165.889	47.108	-66.564	40.662	187.095
Property	241.309	21.362	-12.913	8.359	258.117
Total of Investments	**2,199.523**	**619.164**	**-567.737**	**388.701**	**2,639.651**

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

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

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

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

	Opening Market Value 01 April 2017 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2018 £ million
UK Companies	268.998	85.188	-109.220	-4.386	240.580
Overseas Companies	353.603	103.262	-173.891	8.765	291.739
Derivatives - Forward Foreign Exchange contracts	1.341	0.023	-1.477	0.000	-0.113
Pooled Investment Vehicles:					
Other Managed Funds	650.566	1,060.873	-727.270	9.715	993.884
Unit trusts	16.244	-	-2.055	2.980	17.169
Unit linked insurance policies	903.687	755.269	-956.310	25.486	728.132
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	187.095	45.069	-48.907	17.212	200.469
Property	258.117	21.995	-13.643	11.009	277.478
Total of Investments	**2,639.651**	**2,071.679**	**-2,032.773**	**70.781**	**2,749.338**

	Opening Market Value 01 April 2017 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2018 £ million
Other Investment Balances:					
Cash held by investment managers	2.919	4.859	-	-1.916	5.862
Net Investments	**2.919**	**4.859**	**-**	**-1.916**	**5.862**

The change in market value of £68.865 million (£70.781 million less £1.916 million) is £9.764 million lower than the change in market value on the Fund Account of £78.629 million. The difference is caused by indirect management fees and expenses and investment transaction costs.

Transaction costs, such as commissions, stamp duty and other transaction fees are included in the cost of purchases and sale proceeds and are included in management fees and expenses. Transaction costs incurred during the year total £0.769 million (£0.734 million in 2016 - 2017).

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

13. Analysis of Investments (excluding Cash and Derivatives)

Market Value 31 March 2017 £ million	Market Value 31 March 2017 £ million		Market Value 31 March 2018 £ million	Market Value 31 March 2018 £ million
		Equities		
	268.998	UK Companies		240.580
	353.603	Overseas Companies		291.739
		Pooled Investment Vehicles - Quoted		
	16.244	Unit Trusts		17.169
	903.687	Unit Linked Insurance Policies		728.132
		Other Managed Funds		
376.740		Fixed Income	676.532	
218.846		Absolute Returns	272.959	
38.048		Money Market Funds	21.052	
16.932		Private Equity	23.341	
650.566		Total Quoted Other managed Funds	993.884	
		Pooled Investment Vehicles - Unquoted		
		Other Managed Funds		
49.263		Illiquid Debt	46.610	
58.123		Infrastructure	67.598	
71.403		Private Equity	78.187	
8.306		Timberlands	8.074	
187.095		Total Unquoted Other Managed Funds	200.469	
	837.661	Total Other Managed Funds		1,194.353
	258.117	Property		277.478
	2,638.310	**Total**		**2,749.451**

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

14. Holdings Above 5% of the Fund

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

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

Market Value 31 March 2018 £ million	Percentage of the Fund 31 March 2018	Asset Type	Manager
384.766	13.99%	Fixed Income Global Opportunity Fund	Blackrock
291.766	10.61%	Alpha Opportunities Fund	M&G
214.973	7.72%	UBS Life All World Equity (RAFI)	UBS
164.729	5.99%	Pyrford Global Total Return Mutual Fund	Pyrford
161.298	5.87%	UBS Life UK Equity Tracker	UBS

The mandate with Legal and General Investment Management was disinvested during January and February 2018 and reinvested with UBS Group.

15. Analysis of Derivatives

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

The Pension Fund’s investment managers are permitted to use derivatives in the management of their mandates, subject to the restrictions set out in the individual manager’s investment management agreement. The investment managers will make use of currency hedging for the purpose of reducing exchange rate risk in the investments held in their mandates. KKR holds a currency hedge for this purpose which equates to (£0.113 million) in the Suffolk Pension Fund's holdings, £1.341 million as at 31 March 2017.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, the fund hedges a proportion of the Euro and Yen exposure within the passive index tracking portfolios. This has been managed by UBS Group from January 2018 having previously been managed by Legal & General Investment Management. £104.821 million is invested in currency hedged funds as at 31 March 2018, £140.275 million as at 31 March 2017.

16a. Financial Instruments – Classification

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenditure, including fair value gains and losses, are recognised. The table below analyses the carrying amounts of financial assets and liabilities by category and Net Asset Statement heading, excluding statutory creditors (prepayments from employers, transfer values, lump sum benefit payments, payroll adjustments) and statutory debtors (employer and employee contributions, VAT, transfer values and capital cost of retirement).

31 March 2017 Designated as Fair Value through Profit & Loss £ million	31 March 2017 Loans and Receivables £ million	31 March 2017 Financial Liabilities at Amortised Cost £ million		31 March 2018 Designated as Fair Value through Profit & Loss £ million	31 March 2018 Loans and Receivables £ million	31 March 2018 Financial Liabilities at Amortised Cost £ million
			Financial Assets			
622.601			Equities	532.319		
16.244			Pooled Investments - Unit Trusts	17.169		
903.687			Pooled Investments - Unit Linked Insurance	728.132		
258.117			Pooled Investments - Property	277.478		
837.661			Pooled Investments - Other Managed Funds	1,194.353		
1.341	2.919		Other Investment Balances	-0.113	5.862	
	8.070		Debtors		7.286	
	8.653		Cash		2.277	
2,639.651	19.642	0.000		2,749.338	15.425	0.000
			Financial Liabilities			
		-14.875	Creditors			-4.658
0.000	0.000	-14.875		0.000	0.000	-4.658
2,639.651	19.642	-14.875		2,749.338	15.425	-4.658

The debtor figure of £7.286 million above (£8.070 million at 31 March 2017) excludes statutory debtors of £5.664 million (£6.714 million at 31 March 2017).

The creditor figure of £4.658 million above (£14.875 million at 31 March 2017) excludes statutory creditors of £3.288 million (£2.467 million at 31 March 2017).

No financial assets were reclassified during the accounting period.

16b. Net Gains and Losses on Financial Instruments

31 March 2017 £ million		31 March 2018 £ million
	Financial Assets	
388.701	Fair value through profit and loss	70.781
0.68	Loans and receivables	-1.916
	Financial Liabilities	
0.000	Fair value through profit and loss	0.000
389.381	**Total**	**68.865**

16c. Fair Value of Financial Instruments and Liabilities

The carrying values of financial assets and liabilities are all carried at fair value.

17a. Fair Value Hierarchy

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

Level 1
Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted

fixed securities, quoted index linked securities and unit trusts.

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

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

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

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

17.b Fair Value - Basis of valuation

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

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

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

Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuations
Timberlands	Level 3	Valuation technique is based on accepted valuation techniques that include discounted cash flow and multiple earnings.	Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets Valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis.

17.c Valuation of Financial Instruments Carried at Fair Value

Values at 31 March 2017	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Financial Assets				
Fair value through profit and loss	912.672	1,281.767	445.212	2,639.651
Loans and receivables	19.642			19.642
Total Financial Assets	**932.314**	**1,281.767**	**445.212**	**2,659.293**
Financial Liabilities				
Fair value through profit and loss				
Financial Liabilites at amortised cost	-14.875			-14.875
Total Financial Liabilities	**-14.875**	**0.000**	**0.000**	**-14.875**
Net Financial Assets	**917.439**	**1,281.767**	**445.212**	**2,644.418**

Values at 31 March 2018	Quoted Market Price Level 1 £ million	Using Observable Inputs Level 2 £ million	With Significant Unobservable Inputs Level 3 £ million	Total £ million
Financial Assets				
Fair value through profit and loss	866.840	1,404.551	477.947	2,749.338
Loans and receivables	15.425			15.425
Total Financial Assets	**882.265**	**1,404.551**	**477.947**	**2,764.763**
Financial Liabilities				
Fair value through profit and loss				
Financial Liabilites at amortised cost	-4.658			-4.658
Total Financial Liabilities	**-4.658**	**0.000**	**0.000**	**-4.658**
Net Financial Assets	**877.606**	**1,404.551**	**477.947**	**2,760.105**

17.d Transfers between hierarchy levels 1 and 2

There has been no transfers of investment assets between the hierarchy levels.

17.e Reconciliation of Fair Value measurements within Level 3

Assets	Opening Market Value 01 April 2016 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2017 £ million
Quoted						
Property	241.309	21.362	-12.913	3.32	5.039	258.117
Illiquid Debt	47.371	25.000	-32.660	0.002	9.550	49.263
Infrastructure	52.978	8.855	-18.494	7.883	6.901	58.123
Private Equity	58.592	13.254	-15.410	6.292	8.675	71.403
Timberlands	6.948	-	-	-	1.358	8.306
Total of Investments	**407.198**	**68.471**	**-79.477**	**17.497**	**31.524**	**445.212**

Assets	Opening Market Value 01 April 2017 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2018 £ million
Quoted						
Property	258.117	21.995	-13.643	2.589	8.420	277.478
Illiquid Debt	49.263	8.916	-15.521	9.648	-5.696	46.610
Infrastructure	58.123	20.716	-14.916	1.846	1.828	67.597
Private Equity	71.403	15.437	-18.471	13.557	-3.738	78.188
Timberlands	8.306	-	-	-	-0.232	8.074
Total of Investments	**445.212**	**67.064**	**-62.551**	**27.640**	**0.582**	**477.947**

17.f Sensitivity of assets values at Level 3

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

	Market Value 31 March 2017 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	258.117	14.2%	294.769	221.464
Illiquid Debt	49.263	7.0%	52.711	45.815
Infrastructure	58.123	20.4%	69.980	46.266
Private Equity	71.403	28.5%	91.753	51.053
Timberlands	8.306	20.4%	10.000	6.611
Total of Investments	**445.212**		**519.213**	**371.209**

	Market Value 31 March 2018 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	277.478	14.3%	317.157	237.799
Illiquid Debt	46.610	6.7%	49.733	43.487
Infrastructure	67.598	20.1%	81.185	54.010
Private Equity	78.187	28.3%	100.314	56.060
Timberlands	8.074	20.1%	9.697	6.451
Total of Investments	**477.947**		**558.086**	**397.807**

18. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The key risks that have been identified are:

A. Credit risk
B. Liquidity risk
C. Market risk
D. Interest Rate Risk
E. Currency Risk
F. Price Risk
G. Custody
H. Investment Management
I. Sensitivity of funding position to market conditions and investment performance

A. Credit risk

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

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

The Fund monitors the monthly receipt of contributions from employers. The Funding Strategy Statement requires safeguards to be in place for all new admission agreements to protect the Fund from an employer default, primarily through a guarantee from a tax-backed scheme employer for any new employer in the Fund. An analysis of debtor balances at 31 March 2018 is provided in Note 21.

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

Forward currency contracts are undertaken by the fund managers within the terms set out in their investment management agreements. All parties entering into forward contracts on behalf of the Fund are Financial Services Authority (FSA) regulated and meet the requirements of the LGPS investment regulations. Further details of forward foreign exchange contracts are provided in Note 15.

The Fund's bank account is held with Lloyds Bank Plc, which is also banker to Suffolk County Council the Administering Authority for the Pension Fund. The bank held a Long-Term rating of 'A+' and a Short Term Rating 'F1' with Fitch as at March 2018.

Pension Fund cash that is held pending its allocation to the Fund's investment managers is held with Lloyds Bank Plc and also placed with institutions on the Pension Fund Committee's approved counter-party list. The management of cash was carried out by the Council's Treasury Management team in accordance with the cash management strategy approved by the Pension Fund Committee and set out in its statement of investment principles. The Pension Fund Committee invests only in money market funds with a 'AAA MR1+' rating. The Fund has had no occasion of default or uncollectable deposits.

The Fund's cash within the custody system is held in the bank account of the custodian, HSBC Holdings Plc, or placed on deposit at the instruction of the individual managers.

At 31 March 2018, £2.277 million was with Lloyds (£8.653 million at March 2017). Cash deposited in HSBC money markets amounted to £15.741 million at 31 March 2018 (£22.420 million at March 2017), Blackrock held £2.388 million in their money market fund, (£11.137 million at March 2017) and Schroders held £2.923 million in their money market fund, (£4.491 million at March 2017).

B. Liquidity risk

Liquidity risk is the risk that the Fund will have insufficient liquid assets (cash) to meet its investment or benefit obligations as they fall due. The Pension Fund takes steps to ensure it has adequate cash resources to meet its commitments.

The Pension Fund holds sufficient working capital to ensure that it has cash available to meet benefit and transfer payments and cash drawdown requirements in respect of certain investment transactions. Within mandates it is the responsibility of the individual managers to ensure that they have sufficient funds available to meet the transactions they enter into on behalf of the Fund. These responsibilities are detailed within the investment management agreements. At an investment level a large proportion of the Fund's investments are held in instruments that can be realised at short notice if a cash flow need arose. Certain investments, particularly property, unquoted private equity, illiquid debt, timberlands and infrastructure funds are considerably less liquid, but these make up a far smaller proportion of the overall portfolio, £477.947 million, 17% (£462.144 million, 18% at March 2017).

C. Market risk

Market risk is the risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market sentiment. Market risk reflects interest rate, currency and other price risk.
Market risk is inherent in the investments that the Fund makes. To mitigate market risk the investments are made in a diversified set of asset classes and investment approaches, to ensure a risk adjusted balance between categories. The Fund takes formal advice from its independent investment advisers (Hymans Robertson LLP and Mark Stevens) and the portfolio is split between a number of managers and investment strategies with different benchmarks and performance targets. Full details can be found in the Investment Strategy Statement that is available at www.suffolkpensionfund.org. Investment risk and strategy are regularly reviewed by the Pension Fund Committee.

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

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

31 March 2017 £ million		31 March 2018 £ million
8.653	Cash held for Deposit	2.277
40.967	Cash and Cash Equivalent	26.914
49.620	**Total**	**29.191**

The Pension Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets. A 100 basis point (BPS) movement in interest rates (equivalent to 1%) is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

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

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

Asset Type	Value as at 31 March 2018 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	2.277	0.023	-0.023
Cash and Cash Equivalent	26.914	0.269	-0.269
Total Assets	**29.191**	**0.292**	**-0.292**

E. Currency Risk
Currency risk is the extent to which the Pension Fund is exposed to fluctuations in exchange rates and the impact these fluctuations have on the sterling valuation of assets denominated in foreign currency. To partly mitigate this risk the Fund has some currency hedging in place. This is undertaken partly by investment in the currency-hedged Funds managed by its index-tracking manager, UBS Group.

The one-year expected standard deviation for an individual currency as at 31 March 2018 is 10% (as provided by Hymans Robertson). This is based on the assumption that there is no diversification with other assets and that all other variables, in particular interest rates remain constant.

The foreign exchange rate movement exposure to the strengthening or weakening of sterling against the various currencies in which the fund holds investments are as follows:

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

Asset Type	Value as at 31 March 2018 £ million	Potential Market Movement £ million	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	291.739	29.174	320.913	262.565
Overseas Index Linked	456.350	45.635	501.985	410.715
Alternative Investments	145.893	14.589	160.482	131.304
Total overseas assets	**893.982**	**89.398**	**983.380**	**804.584**

F. Price Risk

Price risk is the risk of volatility in the valuation of the assets held by the Fund. The level of volatility will vary by asset class and also over time. The Fund has some diversification in the asset classes in which it invests, which seeks to reduce the correlation of price movements between different asset types, while employing specialist investment managers to best deploy capital in line with the Fund's overall strategy.

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

Asset Type	Value as at 31 March 2017 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	268.998	15.80	311.500	226.497
Overseas Equities	353.603	18.40	418.666	288.540
Fixed Income	376.740	2.90	387.665	365.814
Unit Linked	903.687	16.44	1,052.253	755.121
Cash & FFX	4.260	0.00	4.260	4.260
Money Markets	38.048	2.90	39.152	36.945
Unit Trusts	16.244	15.80	18.811	13.678
Property	258.117	14.20	294.769	221.464
Alternatives	422.873	16.40	492.208	353.537
Total Assets	**2,642.570**		**3,019.284**	**2,265.856**

Asset Type	Value as at 31 March 2018 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	240.580	16.80	280.998	200.163
Overseas Equities	291.739	17.90	343.960	239.518
Fixed Income	676.532	2.80	695.475	657.589
Index Linked	728.132	16.11	845.435	610.830
Cash & FFX	5.749	0.50	5.778	5.720
Money Markets	21.052	2.80	21.641	20.462
Unit Trusts	17.169	16.80	20.053	14.284
Property	277.478	14.30	317.157	237.799
Alternatives	496.769	16.50	578.736	414.802
Total Assets	**2,755.200**		**3,109.232**	**2,401.167**

G. Custody

The Fund appointed HSBC Holdings Plc as its global custodian with responsibility for safeguarding the assets of the Fund. HSBC Holdings Plc is an established custodian bank with more than $7 trillion of assets under custody. They were appointed as the Fund's custodian from 1 October 2014 following a national framework tendering process. Monthly reconciliations are performed between the underlying records of the custodian and the appointed investment managers.

H. Investment Management

The Fund has appointed a number of segregated and pooled fund managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS investment regulations. Managers report performance on a quarterly basis and this is monitored and reported to Pension Fund Committee. The Fund makes use of a third party performance measurement service provided by HSBC. All managers have regular review meetings and discussions with members of the Pension Fund Committee, officers and the Independent Financial Adviser Mark Stevens.

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

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

Less obvious is the effect of anticipated investment performance on the Fund's liability to pay future pension benefits. Here the returns available on government bonds (gilts) are important, as the discount rate that is used to place a value on liabilities is the gilt yield at the valuation date plus a margin of 1.8% per annum. Effectively if the gilt yield rises the discount rate will increase and all other things being equal the value placed on liabilities will fall. If the Fund was invested entirely in gilts rather than potentially higher returning assets the discount rate would be lower as no margin for the expected out performance of the Fund's investments over gilts could be assumed.

The table overleaf has been prepared by the Fund Actuary and shows how the funding level (top) and deficit (bottom) would vary if the investment conditions at 31 March 2018 had been different. The level of the FTSE 100 index is used as a proxy for investment performance and the Fixed Interest Gilt yield as the proxy measure for the valuation of Fund's liabilities. The shaded box is the actual position at 31 March 2018.

Movement in Bond Interest Gilts yield (% p.a.)						
	+ 0.2%	80.3% (£543m)	87.3% (£349m)	94.4% (£153m)	101.4% £41m	108.5% £236m
	+ 0.0%	77.4% (£625m)	84.4% (£430m)	**92.2%** (£241m)	99.9% (£40m)	105.6% £155m
	- 0.2%	74.2% (£714m)	81.2% (£519m)	88.3% (£323m)	95.3% (£129m)	102.4% £66m
Movement in FTSE 100 Index		- 20%	- 10%	0	+ 10%	+ 20%

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

19. Funding Position

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

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

The key elements of the funding policy are:

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

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

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

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

Formal Valuation
The last formal triennial actuarial valuation was carried out as at 31 March 2016. The valuation report sets out the rates of the employer’s contributions for the three years starting 1 April 2017. The valuation was based on:

- Meeting the requirements of the Local Government Pension Regulations.
- 100% funding of future liabilities for service completed to 31 March 2016.
- The ‘projected unit method’ of actuarial valuation.

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

- Projected investment returns of 4.0% per year.
- Projected increase in future salaries of 2.4% a year.

- Projected pension increases of 2.1% a year.

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

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

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

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

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

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

The next formal valuation is as at 31 March 2019.

20. Actuarial Present Value of Promised Retirement Benefits

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

Interim Valuation
An interim valuation was carried out as at 31 March 2018. The valuation was included in the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Pension Fund and contains the following assumptions:

Increases in future salaries of 2.6% a year
Projected investment returns of 3.5% per year

The actuarial value of the Fund's assets was £2,762 million and the liabilities £3,003 million at 31 March 2018 (£2,213 million and £2,429 million at 31 March 2016 as at the last valuation).

The valuation showed that the Fund's assets covered 92.2% of its liabilities at the valuation date and the deficit was £241 million (£237 million at March 2017).

International Accounting Standard 26 (IAS 26)
CIPFA's Code of Practice on Local Authority Accounting 2017 - 2018 requires administering authorities of the LGPS funds that prepare Pension Fund Accounts to disclose what IAS 26 refers to as the actuarial present value of promised retirement benefits. This is similar to the interim valuation but the assumptions used are in line with IAS 19 rather than assumptions tailored to the Suffolk Pension Fund.

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

- Pension increases of 2.4% a year (2.4% 2016 - 2017)
- Increases in future salaries of 2.7% a year (2.7% 2016 - 2017)

- Discount rate of 2.7% per year (2.6% 2016 - 2017)

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £3,529 million as at 31 March 2018 (£3,456 million as at 31 March 2017).

21. Current Debtors

The current debtors can be analysed as below:

31 March 2017 £ million		31 March 2018 £ million
	Debtors	
5.277	Employers Contributions	5.485
1.251	Employee Contributions	1.356
6.010	Investment Assets	3.895
2.246	Sundry Debtors	1.983
0.000	Asset Pooling	0.231
14.784		**12.950**

The investment assets as at 31 March 2018 includes £0.308 million of purchases awaiting settlement, £3.587 million of recoverable tax and income not yet received.

Debtors can be further analysed into sectors as below:

31 March 2017 £ million		31 March 2018 £ million
	Analysis of Debtors	
0.187	Central Government Bodies	0.445
6.109	Other Local Authorities	5.764
8.482	Other entities and individuals	6.726
0.006	NHS	0.015
14.784		**12.950**

22. Current Creditors

The current creditors can be analysed as below:

31 March 2017 £ million		31 March 2018 £ million
	Creditors	
-13.802	Investment Expenses	-4.489
-0.322	Administration Expenses	-0.097
-0.419	Transfer Values In Adjustment	-0.574
-0.167	Lump Sum Benefits	-0.980
-2.632	Sundry creditors	-1.806
-17.342		**-7.946**

The investment expenses as at 31 March 2018 includes £2.466 million of purchases awaiting settlement, an allowance of £2.017 million for investment management fees and expenses and £0.006 million of irrecoverable tax not yet paid.

Creditors can be further analysed into sectors as below:

31 March 2017 £ million		31 March 2018 £ million
	Analysis of Creditors	
-0.104	Central Government Bodies	0.000
-0.985	Other Local Authorities	-0.937
-0.006	NHS Bodies	-0.015
-16.247	Other entities and individuals	-6.994
-17.342		**-7.946**

23. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, additional voluntary contributions have been excluded from the Fund Account and Net Asset Statement. These contributions are held by the providers and therefore do not form part of the Fund's investments.

A total of £0.116 million was paid over to the providers Clerical Medical, Standard Life and Equitable Life in 2017 – 2018, (£0.105 million 2016 – 2017).

24. Related Party Transactions

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

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

Suffolk County Council is the largest single employer of members of the Pension Fund and contributed £35.566 million to the Fund in 2017 - 2018 (£39.233 million in 2016 - 2017). In addition the council incurred costs of £0.955 million (£0.933 million in 2016 - 2017) in relation to the administration of the Fund, audit, legal and committee services. These have all been reimbursed by the Fund.

Under legislation introduced in 2003 - 2004 councillors were entitled to join the Scheme this was rescinded in April 2014 when the Government laid down regulations barring councillors joining the scheme. Any councillor who is in the scheme as a result of joining before 1 April 2014 will now be a deferred member as their eligibility for active membership was removed when they were re-elected.

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

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

Part of the Pension Fund cash holdings are invested by the Treasury Management operations of Suffolk County Council through the Treasury Management Policy approved by the Pension Fund Committee. During the year ending 31 March 2018 the Fund had an average investment balance of £10.900 million (£12.855

million in 2016 - 2017) earning interest of £0.035 million (£0.042 million in 2016 - 2017) from these investments.

25. Key Management Personnel

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

The key management personnel of the Fund are the S151 Officer, Senior Pensions Specialist and Technical Pensions Specialist. The total remuneration payable to the key management personnel by the Suffolk Pension Fund was £0.125 million in 2017 - 2018 (£0.139 million in 2016 - 2017).

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

26. Agency Services

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

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

The costs charged are as below:

2016 - 2017 £ million		2017 - 2018 £ million
0.830	Payments on behalf of the ACCESS pool	0.608
0.830		**0.608**

27. Stock Lending

The Fund has an arrangement with its custodian HSBC to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the total value. Collateralised lending generated income of £0.066 million in 2017 - 2018 (£0.049 million in 2016 - 2017). This is included within ‘other’ investment income in the Fund Account. The stock lending levels and income raised for the Fund are minimal due to the relatively small holding of non-pooled equities owned by the Fund.

At 31 March 2018, £33.609 million (£27.752 million at 31 March 2017) worth of stock was on loan, for which the Fund was in receipt of £35.482 million worth of collateral (£29.269 million at 31 March 2017). This is a minimal share of the Fund holdings representing less than 1% of total investment holdings in both 2017 - 2018 and 2016 - 2017. The figure out on loan as at 31 March does not necessarily reflect the amount that has been out on loan during the year.

28. Contingent Liabilities and Contractual Commitments

Contractual Commitments

In 2003 the Fund has made contractual commitments to private equity funds managed by Wilshire and Pantheon. Commitments are made in the underlying currency of the funds (Euros and US Dollars respectively) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both the value of unfunded commitments in sterling terms and the valuation of the funded interest

and monies received as distributions. At 31 March 2018 the unfunded commitment (monies to be drawn in future periods) was £9.177 million. The commitments are paid over the investment timeframe of the underlying partnerships.
In 2011 - 2012 a contractual commitment was made to an infrastructure investment (Partners Group Global Infrastructure 2012) managed by Partners Group, the outstanding amount as at 31 March 2018 is £14.114 million.

In 2011 a contractual commitment of £39 million was made to KKR Global Infrastructure Investors. The amount outstanding at 31 March 2018 was £0.852 million.

In 2015 - 2016 contractual commitments were made to private equity investments managed by Pantheon. Some draw downs on the commitments have been made and the outstanding amounts to 31 March 2018 are £69.952 million.

In 2016 - 2017 the Pension Fund made additional contractual commitments to M & G, of £60 million in the Greenfield infrastructure fund and £25 million in the Debt Solutions investment. Some draw downs on the commitments have been made. The outstanding amount for the Greenfield infrastructure fund is £53.742 million and for Debt Solutions investment £16.253 million.

During 2017 - 2018 a contractual commitment was made to an infrastructure investment (Partners Group Global Infrastructure 2015) managed by Partners Group, the outstanding amount as at 31 March 2018 is £40.160 million.

Asset Class	**2017 - 2018**		
	Commitment £ million	**Drawn £ million**	**Outstanding £ million**
Private Equity			
Wilshire (2003-2008)	66.521	61.870	4.651
Pantheon (2003-2010)	42.780	38.314	4.466
Pantheon (2015)	106.021	36.068	69.952
Total Private Equity	**215.322**	**136.252**	**79.069**
Infrastructure			
KKR (2012)	39.004	38.153	0.852
Partners (2012)	47.298	33.185	14.114
Partners (2016)	48.174	8.014	40.160
M&G (2016)	60.000	6.258	53.742
Total Infrastructure	**194.476**	**85.610**	**108.868**
Illiquid Debt			
Debt Finance Solutions	25.000	8.747	16.253
Total Illiquid Debt	**25.000**	**8.747**	**16.253**

Fire Pension Scheme

2016 - 2017 £ million	Fund Account	2017 - 2018 £ million
	Contributions Receivable	
	From Employer	
1.553	Normal	1.541
1.237	From members	1.243
	Benefits Payable	
-5.371	Pensions	-5.622
-1.507	Commutations and Lump Sum retirement benefits	-0.641
-0.077	Other	-0.019
-0.021	GAD v Milne Redress Payments	0.000
-0.045	1992 Holiday Contributions	-0.032
-4.231	Net amount payable (-) for the year before top-up grant	-3.530
2.801	Top-up grant received	3.016
0.037	Grant for GAD v Milne Redress Payments	0.000
0.078	Grant for 1992 Holiday Contributions	0.033
2.916	Total grant received	3.049
1.364	Top-up receivable from sponsoring department	0.482
-0.016	Amount payable to sponsoring department (GAD v Milne)	0.000
-0.033	Amount payable to sponsoring department (1992)	-0.001
1.315	Net amount payable from/to(-) sponsoring department	0.481

2016-17 £ million	Net Assets Statement	2017-18 £ million
	Net current assets and liabilities	
1.315	Amount (from)/to sponsoring department	0.481

1. Administration of the Fire Pension Fund

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

2. Preparation of the Fire Pension Fund

The Fire Pension Fund is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2017 - 2018. The accounts are prepared on an accruals basis. This means that, within material levels, income and expenditure is recognised in the accounts in the accounting period in which the effect of the relevant transactions take place and not in the period in which cash is received or paid.

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

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

The Funds financial statements do not take account of liabilities to pay pensions and other benefits after the period end, information on the Council's long-term pension's obligations can be found in the main statements in Note 34.

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

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

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

Glossary

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

Accruals basis
Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

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

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

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

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

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

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

Asset
An Asset is something of value owned by the Council.

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

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

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

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

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

Capital receipts
Income received on the sale of a capital asset.

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

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

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

Glossary

CIPFA
The Chartered Institute of Public Finance and Accountancy.

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

Contingent asset
Contingent assets are possible or present assets that arise from past events whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent assets are not recognised in the Comprehensive Income and Expenditure Account.

Contingent liability
Contingent liabilities are possible or present obligations that arise from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent liabilities are not recognised in the Comprehensive Income and Expenditure Account.

Creditors
A person or organisation that the Council owes money to at the 31 March.

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

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

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

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

County Fund
See General Fund

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

Debtors
A person or organisation that owes the Council money at the 31 March.

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

Defined benefit scheme
The calculation of the pension due using the employee's final salary or career average and the number of years they have paid into the scheme multiplied by a set fraction.

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

Donated Assets
Assets transferred to the Council for nil consideration.

Earmarked reserves
Monies set aside for a specific purposes.

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

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

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

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

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

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

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

IFRIC
International Financial Reporting Standards Interpretations Committee.

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

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

Infrastructure assets
Fixed assets that cannot be sold, transferred or removed. Examples of infrastructure assets are highways and footpaths.

Intangible assets
An asset with no physical substance but are identifiable and are controlled by the Council.

Inventories
Goods bought which have not been used.

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

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

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

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

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

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

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

Net spending
This is the difference between money spent on an area of work and income received towards that activity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Surplus
The remaining income after taking away all expenses.

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

Suffolk County Council

Confirmed

Minutes of the Cabinet Meeting held on 19 June 2018 at 2.00 pm in the King Edmund Chamber, Endeavour House, Ipswich.

Present:	Councillors Matthew Hicks (Chairman), Mary Evans (Vice Chairman), Beccy Hopfensperger, Gordon Jones, James Reeder, Richard Rout, Richard Smith MVO and Paul West
Also present:	Councillors Jack Abbott, Sarah Adams, Mark Bee, Peter Beer, John Field, Jessica Fleming, Peter Gardiner, Mandy Gaylard, Tony Goldson, Nick Gowrley, Michael Ladd, Robert Lindsay, Guy McGregor, Robin Millar, Graham Newman, Alexander Nicoll, Penny Otton, Caroline Page, Bill Quinton, Russ Rainger, Andrew Reid, David Ritchie, Karen Soons, Colin Spence, Joanna Spicer, Andrew Stringer and David Wood.
Supporting officers present:	Susan Cassedy (Democratic Services Officer).

1. Election of Vice Chairman

Councillor Mary Evans was elected as Vice Chairman of the Cabinet for the 2018/19 Municipal Year.

2. Apologies for Absence

No apologies for absence were received.

3. Declarations of Interest and Dispensations

Councillor Mary Evans declared a non-pecuniary interest in Agenda Item 7 “Review of School and Post-16 Travel” as she was a Trustee at Stour Valley Educational Trust which was the two-school academy chain in Clare.

Councillor Gordon Jones declared a non-pecuniary interest in Agenda Item 7 “Review of School and Post-16 Travel” as he was a Director of Samuel Ward Academy Trust.

Councillor Beccy Hopfensperger declared a non-pecuniary interest in Agenda Item 7 “Review of School and Post-16 Travel” as she was a Foundation Governor at King Edward VI School in Bury St Edmunds.

Councillor Matthew Hicks declared a non-pecuniary interest in Agenda Item 7 “Review of School and Post-16 Travel” as he was a Governor at Worlingworth Primary School.

4. Minutes of the Previous Meeting

The minutes of the meeting held on 15 May 2018 were confirmed as a correct record and signed by the Chairman.

5. Public Questions

The Chairman advised the Chamber that thirty-four public questions were received, and these along with the responses had been tabled in the Chamber and published on the website at:

https://committeeminutes.suffolk.gov.uk/DocSetPage.aspx?MeetingTitle=(19-06-2018),%20The%20Cabinet.

Due to the unprecedented number of questions received and the time constraints, the Chairman explained that in the spirit of openness and transparency, questioners would be given the opportunity to ask a supplementary question which would be responded to.

The Chairman also explained that the fourteen questioners in attendance wishing to ask supplementary questions on the Review of School and Post-16 Travel would be given the opportunity to ask it at Agenda Item 7. The question received not on this subject would be taken under Agenda Item 5 'Public Questions', as follows:

Supplementary Question from Sue Monks

I would just like to ask Suffolk County Council to confirm what they are doing towards the aims of implementing the Gatsby Benchmarking?

Response from Councillor Gordon Jones

The Skills Team monitor the performance in each of the secondary schools, academies and local authority and those who are not we have discussions with them, indeed I have been into four secondary schools specifically on this matter in the last year and we will have discussions with them and if that does not prove fruitful then we will take the matter up with the DFE and go through that route. I think it is fair to say we have, like in all things, a great mixture, we have some that are really good on this work and their careers advice and others there is still work to be done, but that is what we do and happy to follow this up with you anytime outside the meeting.

6. Standing Item – Update from the Scrutiny Chairman

At Agenda Item 5 the Chairman of the Scrutiny Committee provided the Cabinet with a verbal update on planned future Scrutiny activity noting that no meetings of scrutiny committees had taken place since the last Cabinet meeting.

Decision: The Cabinet noted the verbal update.

Reason for decision: The Cabinet recognised the importance of the scrutiny function.

Comments by other councillors: There were no other comments.

Alternative options: None considered.

Declarations of interest: None declared.

Dispensations: None reported.

7. Review of School and Post-16 Travel

A report at Agenda Item 7 by the Corporate Director for Health, Wellbeing and Children's Services and the Interim Corporate Director for Growth, Highways and Infrastructure invited the Cabinet to consider the outcome of the Review of School and Post 16 travel.

Following the introduction of the report by the Cabinet Member for Children's Services, Education and Skills, the remaining 14 questioners present at the meeting were given the opportunity to ask a supplementary question. The Chairman also read out the names of all those questioners unable to attend the meeting and confirmed that all questions had been tabled and responses given.

Supplementary Question from Brad Wright:

About the issue of Thurston Railway Station, shouldn't you feel that it is your responsibility to work with Network Rail because the only reason why Network Rail is now considering closing the Barrow Crossing at Thurston in your words, because of the higher footfall created by this new development. So according to you, you are the reason that Network Rail is doing this, therefore why can't you take responsibility and work with them rather than passing the blame and saying it is not your responsibility?

Response from Councillor Gordon Jones

It is Network Rail's responsibility, but we will work closely with them to ensure that those provisions continue, and we will highlight to Network Rail the additional housing which is forecast to be in that area and hopefully they will take that into account. But they are the authority on that and we will continue to work with them and actually with the local community as well because I know how important it will be to you. Thank you.

Supplementary Question from Fiona Macauley

If feedback was the aim to the Home to School Transport Consultation when presented with strong feeling from those who completed it and who have offered some very valued alternatives which you have agreed could make more savings, you have chosen to ignore most of it. Why not pursue these alternatives with set targets to be reviewed rather than pressing forward with an unpopular proposal which has been shown not to be effective in neighbouring Essex? This may not be a referendum, but you will be held to account by Suffolk's parents whether they completed the Consultation or not.

Response form Councillor Gordon Jones

Can I just perhaps deal with the Essex issue first of all because you made reference to that. We did go and visit the officers and the member responsible in Essex for the changes there and perhaps if I could just read the response which I have received from Councillor A. Gooding the Essex County Council Cabinet Member for Education:

The campaign group is being very selective in its use of figures to support a view on the special deals we put in place for some areas paid for by all other Essex tax payers. It is important to provide the best possible value for money for the people of Essex and there can be no justification for a special deal for some locations based on catchment areas paid for by all other Essex tax payers.

The change to the Education Transport Policy which came into effect for September 2015 was made to ensure that there is a consistent and equitable system for school transport across the whole county. We have reduced the daily cost of education transport year on year since 2011/2012 and the policy change savings are fully on track. Any suggestion of special deals for some paid for by everyone else is unsustainable. We have absolutely no intention of reviewing or changing the policy and the reduction on spend per school day across all education transport has reduced by over £3,000 per day since 2015/2017.

Yes, spend on special education needs has increased and it has increased for the same reason that a number of other authorities throughout the country have increased as was set out in the recent report from the CCN. The consultation was to gain feedback, we received that feedback. As I said in my speech I don't think we please everybody, but we have taken that on board and we have made significant changes especially with regard to the Post-16. So I think it was useful and it has helped officers to develop the paper today and I hope as with phasing any policy change in, it will enable all stakeholders to work together on co-production to produce something as I said which is both sustainable and affordable for the future.

Supplementary Question from Odile Wladon

In your response to me Councillor Jones you mentioned that the financial modelling was based on two areas and then extrapolated across Suffolk. My supplementary is, if you proceed with Option 2 today, will councillors agree to use the coming year to properly and thoroughly model every area affected to ensure the savings predicted will be achieved and that the proposal won't in fact lead to an increase in costs? And could you just confirm to me what the two areas were that you used for modelling just so we can make sure that they are representative of rural areas in Suffolk?

Response from Councillor Gordon Jones

Certainly, one of the proposals is to set up a stakeholder group which will be a cross interest group and that will be to ensure that there are savings, it is workable and making any changes as appropriate and I think it will be as I said a cross section. I propose that group, in view of the importance of the issue, does report back to Cabinet in this forum on a regular basis.

The two areas I understand were Thurston, Stowmarket and Stowupland and the second one was Leiston, Saxmundham, Framlingham and Woodbridge.

Supplementary Question from Rachel Gooch

Can I refer everyone to paragraph 55 of the Cabinet paper where the claim is made? Is Councillor Jones suggesting in his response that I am lying about my correspondence with the Consultation Institute or that the Consultation Institute is mistaken in what it has told me or if in fact it is the claim made in that paragraph that is incorrect?

Response from Councillor Jones

If I could read from the Consultation Institute Certificate of Consultation Readiness "This is to confirm that the Home to School Transport pre-consultation undertaken by Suffolk County Council was subject to the Institute's formal quality assurance process and certified its requirement as being compliant with the required standards". And that was received before the paper came to Cabinet last December and the Consultation Institute would not have attended the workshops if that had not been completed, I think that is correct. I am quite happy to meet outside to compare but that is what it says there and that is my response.

Supplementary Question from Charlotte Hare

In light of the answer you gave me would Gordon Jones now accept that Thurston Community College has been right about this issue all along and that he should listen harder when we tell him that Option 2 cannot be implemented without damaging Suffolk's drive to improve education attainment?

Response from Councillor Gordon Jones

Firstly, I do acknowledge the input that Thurston Community College has provided, and I look forward to continuing to work with them and for officers to continue to work with them. I don't accept that the implementing Option 2 as enhanced will have an adverse effect. That has certainly been the case in other authorities where they have implemented similar policies. They have not seen a reversal in the performance of the schools.

Supplementary Question from Robert Jefferies

Given that the savings can only be achieved by removing complete bus journeys, why has the financial justification been based solely on the cost per pupil? And furthermore, if these savings do not materialise, in the spirit of accountability, will the Cabinet resign?

Response from Councillor Gordon Jones

The best modelling that we have had which has been separately audited does show that the savings will be made. It does of course in some ways depend on personal choice and it depends upon what happens with inflation and other demands over the ten-year period, but the work has been done and I think it is sustainable. With regard to your final comment, I am not quite sure how long I am going to be here it is up to my local voters.

Supplementary Question from Sarah Rodwell

You say you believe there shouldn't be a dramatic fall in student numbers phasing in Option 2, but common sense tells us certain schools will have to change now catchment areas have now become obsolete. Thurston could lose half its intake in 7 years and even though this is phased it will mean changes which could affect GCSE subjects offered to young people and facilities being lost because of funding issues. Could you tell me how you envisage changes to schools such as Thurston Community College affecting young people's attainment and thus affecting your raising the bar campaign and will you take responsibility for this?

Response from Councillor Gordon Jones

I think Thurston's own survey which it carried out way back last year showed that even Option 1, 80% of parents would not change their school. I think how parents react as alluded to in the last question, is always difficult to pre-empt. We have parents in the eastern part of the county whose children make 52-mile round trips because they want to attend the school of their choice. So I think there are a considerable number of housing developments which are proposed in Thurston over the coming months, so I actually don't think that the impact will be great, because actually there will be local children attending a local school, but I am sure that the Standards and Excellence Team here at the Council will continue to work with Thurston Community College and I know that Helen Wilson will continue to work with them whilst they are maintained as a local authority school. So, I think there is sufficient provision, but a watchful eye will be kept by both sides I am sure.

Supplementary Question from Thomas Jarrett

Firstly, again this question is on behalf of Thomas Mills High School as opposed from me personally although I obviously share the views. If this doesn't work, reserves would have been squandered and the policy will need to be changed again. The disclaimer, page 142, reveals the decision to be a lot more complex than the cost benefit analysis in Appendix D. Our alternatives, misrepresented on page 32, are based on the need to prove or disprove a business case is sound before embarking on such a policy. Why therefore, given Option 2's use of reserves, more data being available in 2019 and pilot studies this September, item 15 on page 635, can you not delay in order to prove this policy could work?

Response from Councillor Gordon Jones

Thomas, I would like to take the opportunity to thank you for the presentation you made at the workshops and the subsequent presentation you made to me and the history lesson included in that presentation. Officers and I concur, think the proposals are sustainable as I said, there is going to be a governance group looking after these and without pre-empting any decision I would hope that you or somebody of your interest, your knowledge and calibre would join that governance group to ensure that the proposals and projections are indeed implemented as proposed.

Supplementary Question from Helen Geake

Councillor Jones, supplementary to your answer 'No' I would like to ask about incentives to make these savings greater. You say that Option 3 gives no incentive for a school to work on local solutions but surely under Option 2 there is no incentive for a parent or school to work to lower their costs. The school chaos of pupil numbers rising and falling, the disincentive of the parental charge for transport. So, in order to encourage efficiency and responsibility by schools and the right choices both by parents and by school leaders without cuts to other County Council budgets, why not give all schools a target for savings within Option 3 and if this is not met within say, 5 years, then implement Option 2?

Response from Councillor Gordon Jones

I think if I read that question correctly, you want to delay the potential savings and run Option 3 for the next 5 years. I personally don't think that is sustainable. I think actually schools do have an incentive to work collaboratively on Option 2 because they have been saying all along it is important to keep up the pupil numbers. So, I think there is incentive to do just that. And the policy is sustainable in the changing educational landscape which has happened over the last few years through academisation and is likely to continue.

Supplementary Question from Helen Wilson

Councillor Jones, thank you for your reply to my question in which you encourage Thurston Community College to work with the local authority to co-produce local solutions which both are cost effective and sustainable. Councillor Jones, you are well aware that we have already worked with the local authority to co-produce local solutions as an alternative to changing the school travel policy. However, this option has been disregarded. We have been proved right about the devastating educational impact of Option 1 and yet you continue to ignore our warnings about Option 2. You went to consultation and you promised to listen. You may have listened, but have you actually heard anything that I and the other Head Teachers have told you about the detrimental impact which your proposal will have on the education of future generations of young people in Suffolk?

Response from Councillor Gordon Jones

Thank you for the question, robust as ever. As I said, the consultation was to give views on a policy which was for the whole of the county financially sustainable and also fitted in with the changing educational landscape. We have listened, and we have acted upon that in certain areas. We are still keen in the next year and beyond to work with schools and colleges on local solutions which we believe are achievable and would also protect the progress that has been made in the educational attainment through a lot of hard work, both by schools, the staff in the schools, the students and the Standards and Excellence and other officers here in the county. So yes, I do think it is sustainable and as I have said previously we will monitor any changes and listen and act accordingly.

Supplementary Question from Wendy Davey

I am delighted that following the consultation you have decided not to change the Post-16 Travel Policy due to the significant impact it would have on that age group. But isn't this just a token gesture when you are still disregarding the huge impact which changing the pre-16 travel policy would have on a much larger number of students and families?

Response from Councillor Gordon Jones

As you say, we have listened, and we are not changing the post-16 policy. Looking at the post-16 landscape in the future that will continue to change. It is showing there will probably be less post-16 provision going forward but those centres being larger and that is one of the reasons why we thought it important to make the changes that we have done as a result to the consultation. With regard to up to the age of 16, I think with the forecast increase in housing and pupil numbers going on in the next ten years, I think the proposals are sustainable and the impact as I have reported previously will not result in education standards declining and pupils not continuing in the upward trend as has been the case in every single other authority which has implemented this change in policy.

Supplementary Question from Luke Green

You say that this policy will not de-stabilise any schools. Well at Thurston there will be a loss of 124 students a year, which will lead to staff redundancies, empty classrooms and fewer subjects in our curriculum. How do you expect schools like Thurston to not be de-stabilised due to the higher cost that will follow these changes?

Response from Councillor Gordon Jones

I don't think the numbers you have quoted will actually turn out to be reality as I have said previously. We only have to look in the east of the county where parents are choosing to send their children to the school of their choice and not necessarily the nearest one. I have confidence in the leadership of Thurston Community College that they will continue to be a good school and therefore will be a school of choice for a continuing large number of parents.

All Cabinet Members confirmed that they had received and read all the public questions.

The Chairman thanked all the questioners in attendance for their supplementary questions and taking part in the democratic process.

Decision: The Cabinet agreed:

1. to implement the revised School Travel Policy (Appendix A) from September 2019, noting in particular:

   a) The introduction of a new nearest school with an available place travel policy with the removal of 'Transport Priority Areas' (TPAs):

      I. To be implemented on a phased basis when a child started at a new school or moved home address;

      II. Be based on the minimum distance and age criteria (over 2 miles for those under 8 years old, and 3 miles or over for 8 – 16 years old); and

      III. Include Public Rights of Way in the distance measurements;

   b) Priority would be given to Suffolk schools, allowing those whose nearest school was over the county boundary the option to choose the nearest Suffolk school.

   c) Provide travel to Rising 5s.

   d) Parents whose children were eligible for funded transport would be required to opt-in to the Council's funded travel annually.

   e) For students that were nearest to a 3-tier school they would also be offered the option of transport to the nearest 2-tier school or, in the case of the split site school of St Benedict's Catholic School, either travel to both sites or the next nearest 2-tier school. The distance and age criteria apply to all these scenarios.

   f) Any unallocated seats on Council funded closed contract buses would be sold on a first come first served basis with a phased-in increase of £30 per term (£90 per year) to reduce the subsidy of SCC providing a travel ticket. This would be phased-in over four years to the average mainstream ticket price, starting at £750 pa.

   g) Students with SEND would pay £690 per annum in line with the current policy, to increase the charge by £10 per term (£30 pa).

2. the Post-16 Policy (Appendix B)

   a) From September 2019 continue with the current Post-16 travel policy and include Rights of Way in the distance measurement.

   b) Phase in an increase of £30 per term (£90 per year) to reduce the subsidy of SCC providing a travel ticket. This would be phased-in over four years to the average ticket price, starting at £750 pa.

   c) Students with Special Educational Needs and Disability (SEND) would pay £690 per annum in line with the current policy for 2019-2020, to increase the charge by £10 per term (£30 pa).

3. To Introduce a revised individual exceptions policy for both School and Post-16 Travel.

4. That the Council would work with schools and communities at a local level, to implement a range of local solutions.
5. That the overspend in 2018-19 be funded from the Council's contingency reserve. Any overspend and its value is subject to financial review before it was wholly funded.
6. For 2019-20:
    a. Provide the base budget with an additional £3.025M, in comparison to 2018-19. This sum included the growth in demand and the discretionary costs and savings for the new Policy, as they formed a part of the base budget, but no element of inflation (see Table 2 of the report).
    b. The Council's contingency reserve to be set at £4.7M to implement the policy on the phased basis, to be released on a profiled basis over the following 7 years of implementation (see Table 1 of the report).
    c. Review at each yearly budget setting round, inflation and demand pressures before further inflationary increases are applied to budgets.
7. To continue to implement a series of efficiency measures to reduce the cost of transporting children with SEND from June 2018 listed in paragraph 96 of the report.
8. To establish a group of key stakeholders to monitor the impact of the new policy.

Reason for decision: The revised School and Post-16 travel policies met the Council's statutory obligations and provided a sustainable and best value approach to the changing educational landscape in Suffolk.

On current modelling the recommendation would lead to a £1.2M reduction in the forecast costs for 2019/20. Over a 10-year period that would reduce the future liabilities of providing the Council's School and Post-16 Travel service by £5.8M per year and avoid cumulative costs of £40M over that period.

By phasing in the change in School Travel Policy the recommendations limit the council's financial obligations over the medium and long term without directly impacting education attainment in the short term.

The recommendation provided equity and clarity for parents, and consistency to all schools in Suffolk.

The Council would retain the Post-16 travel policy to ensure that students in particularly rural communities would still be able to access Post-16 education.

The more efficient approach to arranging travel for those with SEND supports the approach of family choice and control, whilst providing better value for the tax payer.

The increase in budget will put the travel budget on a sustainable footing and reduce the need to fund the service from non-recurrent reserves.

Comments by other councillors: The Deputy Leader and Cabinet Member for Highways, Transport and Rural Affairs commented that the recent County Council Network Report underlined the pressure on rural counties through school transport and that last year school transport per head of the population cost £2 in Salford, £16 in Solihull and £142 per pupil in Suffolk. The Deputy Leader and Cabinet Member for Highways, Transport and Rural Affairs advised that she had previously chaired a Policy

Development Panel which looked at rural transport issues and had heard first hand how deeply important it was to enable students to get to Post-16 education and expressed her pleasure that this was to remain unchanged. She noted that the Council was making a commitment to the brokerage service and would provide help to families who wanted to arrange local solutions through facilitation, encouraging lift shares, liaising with bus operators and the community transport operators. The Deputy Leader and Cabinet Member for Highways, Transport and Rural Affairs noted that the Council was embracing technology such as the Q Routes, working with BT to optimise routes and the use of vehicles whilst minimising cost and that the Vertas Taxi Service had provided savings. She advised that there were already parents who organised their own transport to and from school and they should be put in touch with others in order to help them find strong sustainable local solutions. The Deputy Leader and Cabinet Member for Highways, Transport and Rural Affairs pointed out that the Ombudsman was absolutely clear that to avoid disadvantaging parents who may otherwise miss the opportunity to apply to a school for which free school transport would be available the Council when changing policy should provide clear, accessible and timely information to parents and schools in time for the school admission round and she confirmed that this would be done. She supported the proposal and considered they struck the right balance between supporting education attainment whilst managing the cost.

In response to the Deputy Leader and Cabinet Member for Highways, Transport and Rural Affairs' query regarding Hargrave, a school in her division, the Cabinet Member for Children's Services, Education and Skills advised that there was the opportunity, in the spirit of co-operation, to work out local solutions with schools, colleges, local communities, transport providers and the Council's Transport Team.

In response to a query regarding how the Stakeholder Group would work, the Cabinet Member for Children's Services, Education and Skills advised that the Terms of Reference were being drafted along with the proposed membership which would be inclusive, and discussion would also take place with the Primary Heads Association and the Secondary Heads Association to ensure the right mix. The Stakeholder Group would include representatives from the Further Education Sector, representatives from the Suffolk Parent Carer Network, officers and Councillors. He suggested bringing the arrangements for the Stake Holder Group to a future Cabinet Meeting.

The Cabinet Member for Adult Care addressed the complex area and difficult decisions from three different perspectives. As a parent she understood the complex issues faced when deciding on schools, particularly when there was more than one child and that the ability to transport children to and from school was an important consideration. The options available had to work for her as a parent as well as benefitting her children which was why she was pleased that the Council had listened and had discounted Option 1. A phased in approach would allow her as a parent to consider all options available and to plan for future moves and put in place any arrangements. As the Cabinet Member for Adult Care she had to consider the financial implications of any new area or existing policy and the potential it had on the Council's budget as a whole and therefore in turn to the Adult Care Budget. She referred to the efficiency savings so far and future savings required and that all directorates had to contribute to the financial challenges the Council faced. The Cabinet Member for Adult Care noted that home to school transport had a year-on-year increase in cost of £3m with an increase in budget from £39m to £45m over a ten-year period. She advised that the spend per day on adult care was £813,000 at that the cost for one year of home to school transport equated to 4.5 days of providing service to some of the most vulnerable people in the county. As a local Councillor representing children going, or wishing to go, to Thurston Community College, the school most affected by the proposed changes in policy, she was pleased to see how the school and the local authority had worked collaboratively to work-up local solutions and she thanked Thurston Community College and other schools who had committed to this activity. The Cabinet Member for Adult Care stressed the importance of monitoring the impact of any change in policy.

The Cabinet Member for Adult Care referred to a letter received from Thurston Community College which made observations on the proposals to implement a phased in approach and one of the important issues raised was the potential educational impact and Appendix F showed further analysis of this and she asked for clarification on the educational impact the phased in approach would have on pupils. In response the Cabinet Member for Children's Services, Education and Skills advised that the education impact would be very closely monitored and referred to other local authorities who had implemented similar proposals not having witnessed any decline in the educational attainment of those schools as a result or in the years when the changes were being phased in and the Stakeholder Group would carefully monitor this. The Cabinet Member for Children's Services, Education and Skills confirmed that with Suffolk's population due to grow by 4.8% over the next ten years providing extra income but pointed out that most of the growth was in over 65s and the Cabinet Member for Adult Care had already highlighted the costs.

In response to the Cabinet Member for Adult Care's comment about the all through Academy Trust in Bury St Edmunds and query on whether an exception policy would apply to the new system, the Cabinet Member for Children's Services, Education and Skills considered this to be a good example of an academy which could set its own admissions policy and had chosen a three-tier model as other schools could do. He advised that the Council would support this where it was the nearest suitable school and in addition would also support those pupils who wished to go to a two-tier school within that area as this was the chosen model of the authority.

The Cabinet Member for Environment and Public Protection referred to the financial pressures faced by the Council and the huge financial challenges faced in Social Care and Children's Services and the task of delivering statutory services to an increasing population for less money. This he stated required the Council to make some difficult decisions. He noted that the Council needed a sustainable transport policy which met statutory obligations without disrupting education. He referred to the Equality Impact Assessment and page 14 of Appendix C and that the solution must deliver equality and consistency for parents and schools across the county and he considered the recommendations achieved these goals. The audited modelling suggested the recommendation would see a reduction of £1.2m in forecast costs for 2019/20 and over the next ten years reduce future liability by £5.8m the total of which would wipe out the unearmarked reserves and in affect could leave the Council in the same situation as in Northamptonshire County Council. In referring to the extensive consultation the Cabinet Member for Environment and Public Protection advised that the Council had listened and made changes but the consultation was not the only factor taken into consideration and that officers had looked at to name just a few; The Education Act, The Department for Education Guidance and Education Best Practice, The Local Government Ombudsman Report on School Transport Issues, the Equality Impact Assessment, the Council's financial position, the Raising the Bar initiative, the impact on education, the impact on schools and the implication for the Council of any potential changes. The Cabinet Member for Environment and Public Protection was happy to support proposals.

In response to a query from the Cabinet Member for Environment and Public Protection the Cabinet Member for Children's Services, Education and Skills confirmed that the Council did and would continue to work with Thurston for the benefit of all particularly for the children in that area.

The Cabinet Member for Ipswich, Communities and Waste pointed out that to take tough decisions that would not please everyone was far from expedient and the Council would be wrong to ignore the financial situation with regard to this issue and the right thing to do was to tackle the issue head on and properly. He considered that the Council had listened and had heard and taken account of what people had said and he set out the changes made which he considered would appear fair to those people not directly impacted by them. He considered that Councillor Jones had put forward a very fair and reasonable proposal which both addressed the concerns made during the consultation process but also took into account the position and responsibility the Council had in setting a balanced budget for the whole Council going forward.

The Cabinet Member for Finance and Assets referred to the Appendices being very detailed containing a mass of information which justified the conclusions. He referred to Blything which had one secondary school and five primary schools. The secondary school was Saxmundham Free School and was one of the few urging the Council to choose Option 1, however the Council had looked at the evidence and was now supporting Option 2. The Cabinet Member for Finance and Assets noted that schools had been asked to give viable suggestions on where the funding could come from if they wanted Option 3 but not many had been received. He noted that the Cabinet Member for Children's Services, Education and Skills was to meet with the Secretary of State for Education to discuss funding and noted Option 2 required further transitional funding which would have to come from the uncommitted reserves which were diminishing year by year. He reminded the Chamber that in his last Budget speech in February 2018 he had committed the Council to continue with two priorities, both statutory duties, first, to safeguard the vulnerable and elderly residents and second, to protect the young people who were at risk. He advised that these priorities cost large sums of money and bearing in mind his commitment to these priorities, he had to take due account of where the money to meet the Council's responsibilities came from and that he would not be responsible for failing finances. The Cabinet Member for Finance and Assets stated that the Council must learn from what happened in Northamptonshire and act responsibility and he supported Option 2 as defined in the papers before them. He added that he would monitor the outcomes carefully to ensure the financial objectives were kept to.

The Cabinet Member for Health advised he had taken a very keen interest in this topic as it had progressed and was very confident that the recommendation, Option 2a, was the correct one and demonstrated Councillor Jones had listened throughout the Consultation. He recognised the debate had been led by those schools most affected as shown in Appendix 4 of Appendix F and the Cabinet had to adopt a policy for the whole of Suffolk and one that looked to the future. He considered that in several year's -time the affected communities would have a completely different demographic and the travel to school distance could be considerably different and phasing in the policy change not only gave current students certainty of staying at their current school but enable future decisions to be planned in light of the new policy and the ever-changing world. He noted that some schools in his Division commissioned and ran buses to bring in students who lived a considerable distance away and asked Councillor Jones as more and more schools had their own admission policies would a practical solution be for schools to run their own transport arrangements and the Council pay for the seats that they were required to provide. In response the Cabinet Member for Children's Services Education and Skills considered that it was certainly worth exploring but the Council had to ensure that it was set up in a way that the Council did comply with its statutory responsibilities.

The Leader of the Council and Cabinet Member for Economic Development and Infrastructure noted that the report was really clear that the Council was currently spending £21m transporting children to and from schools and colleges and that the financial forecast showed this would continue to grow in ten years to around £45m. This was due to a combination in the increase in number of students entitled to be transported, inflation pressures in the transport industry and of course delivering the statutory requirements. He believed that any authority which did not face up to this challenge was irresponsible and that it would be financially dangerous not to face up to it in this manner. He understood the concerns expressed and referred to the Consultation Document at Appendix H pointing out that the Administration had yet again listened to the concerns of residents. He stressed it was essential to create a sustainable and affordable school and post-16 travel policy which took account of the everchanging education landscape and limited the Council's costs in the medium and long-term whilst continuing to provide the Council's statutory obligations, equality and consistency for parents across Suffolk. He pointed out that as part of the review extensive engagement had taken place with the public and other stakeholders via a very formal consultation process, the outcome of which had clearly shown that really good evidence and research had gone into getting to the recommendations. The Consultation Institute had been involved and had shown the Council had carried things out in a proper manner in the pre-consultation. Alternative options and local solutions were being developed, Rising 5s had been accommodated for, phasing in was proposed and post-16 travel policy was to be retained. He stated that the Council was committed to continuing ongoing dialogue with schools, colleges and communities to develop local solutions and that it was important to note that Option 2 was in accordance with the Best Practice Guide from the Department for Education. He was confident this was the right decision and advised he would be supporting the recommendations.

A Councillor advised that his previous concerns would be significantly reduced if Option 2 was adopted but raised concern regarding the delivery of the Rising 5s policy. The Cabinet Member for Children's Services, Education and Skills referred to the many discussions he had had with the Councillor with regard to the impact in his area and that his concerns had been listened to. Another Councillor noted that, with regard to Bungay High School, the initial options showed that 100 pupils would have been affected, however with the changes for Post-16 reduced that number to 51 pupils and Option 2a brought that down to 11 pupils potentially affected. Therefore, in the first year the number of affected pupils had gone down from 100 to possibly just 2 or 3 pupils and he expressed his gratitude for listening to the concerns.

A Councillor accepted that the concerns had been listened to and some changes made for which she was grateful, but she still believed that the future of some excellent schools such as Thurston Community College was being put at risk. In response to the Councillor's question regarding Thurston being a local authority-maintained school the

Cabinet Member for Children's Services Education and Skills advised that he was fully aware of this and that the Council would continue to work closely with the College. He was pleased to see that Thurston Community College had retained its 'Good' Ofsted rating. He advised that if this was a possibility, he hoped schools would work with partners and the local authority in order to minimise any downturn. The Cabinet Member for Children's Services, Education and Skills advised that no school had confirmed they would work with the Council following the decision but equally none had said they would not. Some were waiting for the decision as indeed he was. He considered it to be an incentive to work together and to co-produce and hoped that this view would be realised. The Deputy Leader and Cabinet Member for Highways, Transport and Rural Affairs informed the Councillor that the Council would have time to carry out a traffic impact assessment on the impact in Thurston's neighbouring villages such as Beyton as the policy would not come in until September 2019, then being phased in allowing time to properly study the assessment and any other impacts such as new housing.

A Councillor who represented a border area of Suffolk which would be seriously potentially affected by the decision and which was served by several excellent high schools acknowledged that concerns had been listened to and she understand the need to reduce costs. The Councillor noted the really good alternative proposals such as the one from Thomas Mills High School and Thurston Community College and welcomed the suggestion that the Council look broadly at solutions that give high schools themselves more opportunity to use funds in an innovative way. The Councillor requested that alternative proposals continue to be looked at in order not to lose the value that had come into the Council in response to the consultation and try and do things better so that the quality of education in the county was not affected negatively in the future. The Cabinet Member for Children's Services, Education and Skills confirmed that work would continue possibly through the Stakeholder Group, or in other ways, and acknowledged that it would be foolish to discard some of the ideas which had come through the consultation.

A Councillor raised concern about the proposals impacting women, who made up 71% of the respondents, more than men. In response to the Councillor's concern about the Traffic Impact Assessment focused only on congestion issues and that levels of pollution and road damage were not assessed and why was it only for this small area and not for the whole county, the Cabinet Member for Highways, Transport and Rural Affairs explained that currently the Council could not justify the expense of doing a full pollution survey across the whole of Suffolk but would have time to do the necessary road studies and work out the traffic impact and that pollution and road wear and tear would be monitored with a tracking system.

A Councillor commented on the current transport offer being more generous than the Government minimum but the Government minimum making no distinction between urban and rural students. She pointed out that urban students around the country did not have the distance to travel to schools that rural students did and that rural students did not benefit from cheap/free transport. In response the Cabinet Member for Highways, Transport and Rural Affairs explained she had wanted to try to give an idea of the sheer scale of difference in home to school transport spending in different local authorities, Suffolk currently being one of the highest spending rural authorities.

In response to a Councillor's query about the financial modelling, officers advised this was extraordinarily complex and therefore had been published well in advance to enable Councillors to ask questions. It was explained that officers had looked very carefully at the Council's historic inflation rates for the cost of travel and historic trends had been extrapolated forward. Officers had looked at growth in housing and in the number of children currently in primary school. The Councillor was advised by officers that the modelling had given them an indication of the £45m cost in ten-years' time if nothing were to change. This cost did take account of growth in numbers and growth in inflation but was modelled at the current year's prices and took account that the Council would have to pay the transport operators more each year to get the same level of service.

In response to a Councillor's concern about possible redundancies, the Cabinet Member for Children's Services, Education and Skills advised that the evidence from other authorities who have implemented a similar policy had not seen a decline in standards or any reductions so the likelihood of a significant number of redundancies was extremely small, but it was not possible to give an absolute guarantee. In response to a further question from the Councillor the Cabinet Member for Children's Services, Education and Skills advised that the University of Suffolk had not been chosen to undertake the educational impact assessment as it was felt to be more appropriate to use an expert in this field. In response to his question on split villages the Councillor was advised that these were already an issue across the county and would continue to be so however, where there was any real detriment it could be reviewed through the Exception Policy.

A Councillor referred to Essex County Council's implementation of a similar policy and stated that the cost per pupil of mainstream bus home to school transport jumped 40% after its implementation and that the overall savings were miniscule and the cost per pupil jumped because buses had to run even when they were half empty. With regard to Option 2 the Councillor appreciated the additional cost of laying on extra buses because of the phasing in, but he questioned why no reference was made with regard to the cost of extra buses because of the policy change and the possibility of more split villages than currently. The Councillor wished to know why the savings were based on numbers of pupils rather than the numbers of buses. The Cabinet Member for Children's Services, Education and Skills challenged the figures quoted and referred to the letter received from Essex County Council stating that the spend per school day across all education transport had reduced year on year from 2011/12 to 2017/18. The Councillor responded by pointing out that the figures quoted by Essex County Council included Post-16 cuts that Suffolk was not intending to make and that it was not possible to compare the overall figures with the savings being proposed from mainstream school bus cuts.

With regard to Rights of Way measurements not being included in Option 3 the Chamber was advised that Option 3 was to do nothing.

With regard to a Councillor's concern regarding one of the recommendations including public Rights of Way distance measurements, the Cabinet Member for Highways, Transport and Rural Issues advised that measurement of the statutory eligibility distance for school travel was measured by the shortest available route which a child, accompanied as necessary, may walk safely. Distance measure definition for school admissions, which was different legislation however, was a straight line and as such routes could include footpaths, bridleways and other paths. The Cabinet Member for Highways, Transport and Rural Affairs advised that the Education Transport Appeals

Committee would continue to consider cases when the safety of the route was challenged.

In response to a Councillor requesting assurance that children who currently went to school in Barrow would not have to go to four schools in their school career due to the nearest school policy and, whether there might be a local solution available for those children, the Cabinet Member for Children's Services, Education and Skills suggested meeting with the Councillor outside of the meeting to discuss local solutions.

A Councillor paid tribute to the teachers, parents and pupils from Thurston College and requested clarification on whether the Consultation Institute had signed off the pre-consultation or the full consultation. The Cabinet Member for Children's Services, Education and Skills advised that representatives from the Consultation Institute had been in attendance at the workshops and events. Officers confirmed that the Council had worked with the Consultation Institute throughout the pre-consultation process after which the full Consultation document was prepared and presented to the Institute advising that this was what was to be consulted on and this was what the Consultation Institute had signed off, stating that the document was sound, and the Council was ready to consult. Once the consultation was complete and the analysis carried out, officers confirmed that the Council had not gone back to the Consultation Institute to present the findings. The Cabinet Member for Children's Services, Education and Skills confirmed that the Consultation Institution had signed off on the Consultation document as set out in Appendix H.

In response a Councillor's query regarding Thurston Community College's alternative proposals not being properly investigated, the Cabinet Member for Children's Services, Education and Skills advised that the Council's Transport Team did speak with Thurston, but the College had made it clear it would work with saving the one bus service but not on anything further unless the Council guaranteed that it was going to go with Option 3. In response to the Councillor's further query regarding the cost to the Council of the Rising 5's policy cost the Council the Cabinet Member for Children's Services, Education and Skills advised this would depend how many parents took up that offer but would be in the region of £220,000.

In response to a query on why the Option 3 presented in the report was not the same as the option 3 presented to the public as part of the consultation, Officers explained that the Option 3 in the consultation lookied at the consequences if there was a decision not to change the policy and that the financial modelling for Option 3 looked at the policy but also looked at the potential savings from the work around children with SEND. Therefore, the numbers in Option 3 in the report were not the same as doing absolutely nothing because the consultation was about the policy change and not the changes to SEND.

Officers advised that the first table on page 126 of the report provided a backward look to try and establish a cost per pupil per year to give a starting point in order to run projections further forward. Different academic years had a different number of academic days and there were also changes in cost of services during that time and these had been taken into account. This had then been distilled down to a cost per day per student. This provided an indication of the direction of travel of inflation which had been modelled at 4.5%. Officers acknowledged that inflation was one of the many unknowns therefore the report included a recommendation to review on a year by year basis through the annual budget setting cycle using the 4.5 % as a model indicator.

A Councillor, in noting the fact that 70% of the respondents to the consultation said they were strongly opposed to Option 2, asked what impact that had on the decision to go for option 2 if considering there was such an overwhelming objection to it by those people affected. The Cabinet Member for Children's Services, Education and Skills advised that a balanced view was taken on the whole process.

In response to a Councillor's question on the reasoning behind adding SEND, Out of County and Pupil Referral Unit travel in with the mainstream home to school travel costs and issues, the Cabinet Member for Children's Services, Education and Skills advised that SEND was included as it was part of the current £21m spend and because some consultation responses had asked why they weren't being included. He reminded the Chamber that SEND provision was a statutory minimum, but work was underway to put measures in place to contain that budget and to try and minimise any increases.

Officers advised that the Out of County non-SEND was included within the home to school college and season tickets boxes set out on the graph on page 18 of the report.

A Councillor noted that the Freedom of Information response 15820 broke down the spend for years 2014 to 2017 into big buses, mini buses and taxis and over four years, the cost of big buses had reduced by £723,000, the cost of mini buses was up by £50,000 but taxis had gone up by £1.35m. The Councillor asked why the cost of taxis was not broken down in any of the modelling. Officers advised that this was a wellbeing and safeguarding issue with a number of children needing to be transported a long way, some with very acute needs and unable to travel with other children. The Council was conscious of the spend on taxis and had done a lot of work in trying to understand the market with many taxi operators having the Council 'over a barrel' as only a few were prepared to transport these children and therefore charged higher prices. For this very reason the Council, through Vertas, had established its own taxi company to essentially disrupt the market enabling it to provide route planning and giving a sense of control and quality of vehicles. Officers advised that one proposal within the report was to extend the Vertas Taxi model in order to provide more supply in areas as currently there were not enough taxi operators to get value for money.

A Councillor stated that, although Option 2 was not a solution perfect for her ward, she welcomed the moving to Option 2 and particularly the extra things added and recognised the Council had been listening. The Councillor expressed disappointment that that there was very little in the paper about identifying where new houses were to be and impact. The Councillor stated that she was not overwhelmed by 'Local Solutions' and hoped quick fixes could be looked at with regard routes and their timings and also suggested more than just the one Stakeholder Group. The Cabinet Member for Children's Services, Education and Skills advised that the Terms of Reference were in draft form and that he was unable to speak on behalf of those people likely to be on the Stakeholder Group, but suggested sub groups could take into account local representation.

In response to concerns about supporting families when dealing with family dilemmas such as a child starting a new school, moving home half way through a child's education, families facing hardship or siblings being at different schools, the Cabinet Member for Children's Services, Education and Skills advised that, if the proposals were agreed, the Council would continue to do all it could to make sure no school was penalised as a result.

Officers advised that the two areas for modelling were chosen because they have significant transport going into those areas nothing to do with railway stations.

In response to a Councillor's concern regarding a Member of Cabinet, in correspondence with their constituent, stating that "any local solution which can be implemented from September 2018 will be implemented for that day" ahead of the meeting and before the papers of the meeting were released, the Leader of the Council and Cabinet Member for Economic Development and Infrastructure advised that he was unable to comment on this. He assured the Chamber he was confident his Cabinet colleagues had spent a lot of time going through all the paperwork carrying out due process and suggested that the comment may have been taken out of context

A Councillor advised he was involved in two of the consultation events and at one of them he took a photo of 23 ideas on how to raise additional income and not one made it into the proposals. He asked for an explanation as to why, this far down the line, no solution in raising extra income had been identified. Officers advised that the consultation events had been very helpful in generating a number of ideas. The recommendations did include generating income and offsetting costs by charging for spare seats on buses and, the Council was proposing not only to continue, but increase the charges it made to individual students who were not entitled to the transport but where the transport was available if they were prepared to pay. Officers advised that there had been suggestions to put a flat charge for all students, but this was not possible for those that were statutorily entitled. Suggestions were also made to charge for the Endeavour Card, but the Council did not want to do that as it recognised this was how young people received their discount. Officers informed the Chamber that there were other suggestions the Council was interested in looking into further for example sponsoring of vehicles and conversations would take place with those schools thinking of laying on their own transport to help facilitate this.

With regard to a query regarding some communities being worthy of positive discrimination and others not, the Cabinet Member for Children's Services, Education and Skills stated that very clear feedback had been received from the consultation stating that money which came in to Suffolk was for Suffolk children and should be spent in Suffolk i.e. for them to attend a Suffolk school.

Cabinet Members paid tribute to Councillor Gordon Jones, Cabinet Member for Children' Services, Education and Skills for his work ethic and dedication on this topic and commended officers for their hard work.

Alternative options: None considered.

Declarations of interest: Councillor Mary Evans declared a non-pecuniary interest as she was a Trustee at Stour Valley Educational Trust.

Councillor Gordon Jones declared a non-pecuniary interest as he was a Director of Samuel Ward Academy Trust.

Councillor Beccy Hopfensperger declared a non-pecuniary interest as she was a Foundation Governor at King Edward School in Bury St Edmunds.

Councillor Matthew Hicks declared a non-pecuniary interest as he was a Governor at Worlingworth CEVC Primary School.

Dispensations: None reported.

Cabinet adjourned at 5.06 pm.

Cabinet reconvened in the Elisabeth Room at 5.26 pm

8. Residential and Nursing Care Home Strategy 2018-2025

A report at Agenda Item 8 by the Director for Adult and Community Services invited the Cabinet to consider the Residential and Nursing Care Homes Strategy which outlined the key priority areas for Care Homes development, informed future direction and demonstrated the short, medium and long-term outcomes for the sector.

Decision: The Cabinet approved the inaugural Residential and Nursing Care Home Strategy covering the period 2018-2023.

Reason for decision: The Residential and Nursing Care Home Strategy had been developed with providers and strategic Health and Social care partners in Suffolk. It would provide a clear vision for the integrated work needed by all partners to secure a sustainable and vibrant Care Home market in the future. It would enable the health and social care system and relevant stakeholders to be confident for the future.

Comments by other councillors: A Councillor expressed her disappointment at the quality of both the report and the Action Plan commenting on the fact that the Action Plan also only consisted of one page, lacked clarity on what the priorities actually meant and that it also needed to be in Plain English. The Cabinet Member for Adult Care apologised for the errors within the report and advised that the Plan had been co-produced with a number of organisations and that she was happy to meet with the Councillor to take on any comments on how the Plan could be improved and the use of Plain English. This however, she considered did not distract from the principles, priorities and vision over the next 5 years.

The Cabinet Member for Adult Care advised that she took on board comments made regarding there being no mention of environmental sustainability. In response to a Councillor's concern about service users and their families being unable to articulate specific needs, the Cabinet Member for Adult Care advised that decisions regarding care were a collaborative responsibility between family members, professionals and the individual themselves.

Alternative options: None considered.

Declarations of interest: None declared.

Dispensations: None reported.

9. Lake Lothing Third Crossing, Lowestoft the Next Steps

A report at Agenda Item 9 by the Interim Corporate Director for Growth, Highways and Infrastructure invited the Cabinet to note the consultation outcomes and consider whether officers should proceed with the planning application submission.

Decision: The Cabinet:

1. Welcomed the positive public response to the proposed Lake Lothing Third Crossing and endorsed the project changes to address consultation feedback as considered as set out in paragraphs 42-53 of the report;
2. Acknowledged the current expenditure projections in paragraphs 8-11 and asked that the Assistant Director of Infrastructure and Waste manage the project to contain the requirement for additional funds and report back to Cabinet in the Autumn of 2019 with a definitive budget requirement; and

3. Authorised the Interim Director of Growth, Highways and Infrastructure, in consultation with the Leader of the Council and the Cabinet member for Finance and Assets, to finalise the submission and apply for a Development Consent Order for the finalised Lake Lothing Third Crossing Scheme by the end of Summer 2018.

Reason for decision: The Council's Lake Lothing Third Crossing project had completed its initial design and statutory pre-application consultation. The next stage of the project was to finalise and submit the application for development consent to the Planning Inspectorate. It was advised that Cabinet reflect upon the outcome of the consultation, consider the proposed changes to the project, acknowledge the proposed budget adjustment and decide whether it wished to proceed with the submission of an application for a development consent order. It was important the Planning Inspector could see the importance the Cabinet had attached to delivering the Lake Lothing Third Crossing, accommodating public feedback and its commitment to ensuring the project was properly funded.

Comments by other councillors: The Cabinet Member for Health, who was also one of the local members endorsed the report.

The Cabinet Member for Ipswich, Communities and Waste asked about the possible additional uplift in land value. Officers advised that this was £3.7m initially, plus another £7.6m. The Cabinet Member for Finance and Assets added that one of the properties needing to be obtained was a second-hand car dealership and that case law existed for selling and compulsory purchasing car dealerships which had decided you had to buy the whole thing and the value was being enhanced because of this. Originally it was thought that the Council could have the alignment without buying this land but, in order to take maximum advantage the alignment of the bridge now had to include some of this land and that was one of the reasons why the land was costing more. He emphasised that the Council had plenty of opportunities such as buying the steel needed for the bridge at a fixed cost so that any market fluctuation was taken out of the equation.

A councillor stressed the great importance of the project and recalled the then Prime Minister David Cameron visiting Lowestoft and giving a commitment to build a bridge over Lake Lothing and that a petition had collected 10,000 names asking for commitment to the project.

A councillor commented that it was an iconic project which would give the communities of Lowestoft self-belief and that Lowestoft, going forward, would be seen as a forward-looking town that the rest of the county valued.

The Cabinet Member for Finance and Assets assured a Councillor that the officers working on the project were fully aware of the process of value engineering.

Alternative options: None considered.

Declarations of interest: None declared.

Dispensations: None reported.

10. 2017-18 Outturn for Revenue and Capital Spending

A report at Agenda Item 10 by the Director of Corporate Services and Deputy Chief Executive invited the Cabinet to consider the summarised Council's latest Revenue and Capital financial position. It included an explanation of under and over spendings compared to the budget. The report also showed the Council's reserves, virements and the Council's Treasury Management Activities

Decision: The Cabinet noted:

a) the final out-turn position for 2017-18 for revenue and capital spending;

b) the significant transfers (virements) in accordance with the Council's Financial Regulations;

c) the balances on the Council's reserves; and

d) the final position on the Treasury Management and Prudential Indicators in paragraphs 81 to 98 and Tables 13 to 17d of the report.

Reason for decision: The Cabinet had been receiving regular budget monitoring reports throughout the year and this report presented the final year-end position. It showed the Council had overspent its net revenue budget and explained variances against the revised capital programme.

Comments by other councillors: A Councillor referred to paragraph 75 which provided information on the Greenest County budget being refocused to look at schemes that reduced overall energy usage rather than use green energy. The Councillor considered the policy to be short sighted and that the Council needed to re-focus. The Cabinet Member for Finance and Assets offered to discuss this further with the Councillor outside of the meeting and commented that he had received advice that the use of more mature technology was preferred. The Cabinet Member Environment and Public Protection took on board the Councillor's comments that the Council needed to invest early in new technology. The Leader of the Council and Cabinet Member for Economic Development and Infrastructure confirmed that Suffolk becoming the Greenest County was a top priority.

Alternative options: None considered.

Declarations of interest: None declared.

Dispensations: None reported.

The meeting closed at 6.16 pm.

Chairman

Suffolk County Council

Agenda Item 7

Cabinet

Report Title:	The Future of the Upper Orwell Crossings project
Meeting Date:	9 October 2018
Lead Councillor(s):	Councillors Matthew Hicks, Leader of the Council and Cabinet Member for Economic Development and Infrastructure; Councillor Richard Smith MVO, Cabinet Member for Finance and Assets; and Paul West, Cabinet Member for Ipswich Communities and Waste
Local Councillor(s):	Councillors Jack Abbott, Kim Clements and Mandy Gaylard, David Goldsmith, Kathy Bole, Chris Chambers, Inga Lockington, Sandra Gage, Sarah Adams, Helen Armitage, Peter Gardiner Bill Quinton, Robert Whiting and Stuart Lawson
Interim Director:	Aidan Dunn Interim Corporate Director for Growth Highways and Infrastructure
Assistant Director:	Bryn Griffiths, Infrastructure and Waste, SRO The Upper Orwell Crossings
Author:	Suzanne Buck, Project Manager - The Upper Orwell Crossings, Tel: 01473 260443, suzanne.buck@suffolk.gov.uk

Brief summary of report

1. The Upper Orwell Crossings current projected costs exceeds those that were set out in the outline business case considered by the 17 May 2016 Cabinet. The purpose of this report is to consider the findings of an independent review (the “Jacob’s Report”) of the projected costs and determine what action to take next.

What is Cabinet being asked to decide?

2. Cabinet endorses the findings of the independent report carried out by Jacobs and is of the view that the Council must seek further external resources if the funding gap is to be closed to enable the Upper Orwell Crossings project to proceed.
3. Cabinet supports the Leader of the Council and the Interim Corporate Director for Growth Highways and Infrastructure to commence formal discussions with the Department for Transport and other central government departments, the New Anglia LEP, Ipswich Borough Council and Associated British Ports and others to explore the availability of additional funding for the Upper Orwell Crossings project. The additional maximum capital funding is £43.2m.
4. That the Interim Corporate Director for Growth Highways and Infrastructure report to the December Cabinet on the outcome of the above funding discussions so a decision can be made on the future of the project.

Reason for recommendation

5. The Council does not have enough capital resources to fill the funding gap between the current project cost estimate and the Department for Transport (DfT) funding of £77.546m confirmed in 2016. Funding for the project comprised the DfT funding together with a local contribution of £19.103m; the local contribution was underwritten by the Council with the expectation of contribution from other parties.

What are the key issues to consider?

6. Current projected costs for delivery of the project exceed those in the Outline Business Case.

7. There is significant support from business, although there is focussed local opposition from residents in areas that would experience an increase in traffic levels.

8. The funding for the Upper Orwell Crossings project must be seen in the context of the forthcoming Capital Programme Review and revenue implications of borrowing. The funding decisions made regarding this project will inevitably have an impact on the ability to fund other capital projects, but the extent of the impact will not be understood until the exploration of additional funding is completed.

9. The Upper Orwell Crossings would deliver the substantial benefits set out in paragraph 27 of this report and these would be lost if the project does not proceed. In addition, the DfT funding of £77.546m to the project could be lost to Ipswich if the project does not proceed.

What are the resource and risk implications?

10. Financial resource implications to the Council if the project continued and the Council is required to cover the funding gap. This could be mitigated if sources of additional funding are identified.

11. If the project did not continue, £77.546m Department for Transport funding is very likely to be lost with potential negative impact on the Council's reputation and ability to deliver future large infrastructure where funding projects would require government funding. The Council would explore whether the current funding could be used for other projects, but this would not be in the Council's gift and it may prove not to be possible.

12. The estimated cost in the Outline Business Case was £96.649m. The Jacob's Report has confirmed that the latest estimated cost falls between the range of £121.5m to £139.8m. Given that the current DfT contribution is £77.5m and the Council previously committed to the DfT that it would underwrite a local contribution of £19.1m this leaves an additional capital funding requirement in the range of £24.9m to £43.2m. This would have a significant impact upon other Council capital projects, so it is for this reason further external funding will be sought as outlined above.

13. An Equality Impact Assessment screening has been undertaken, this would need to be updated if the scope of the project was to change.

14. The report is urgent because in the absence of a final decision the project is paused. The longer the pause the more difficult it becomes to deliver the project in accordance with the DfT timing requirements. It is also the case that delay will place a further upward budget pressure on the project making it more difficult to

deliver. If this report was called-in, the ability to seek additional funding would be delayed to the detriment of the Council decision to proceed with the project as agreed at Cabinet on 17 May 2016. However, the call-in mechanism could be applied in respect to the report which the Interim Corporate Director for Growth Highways and Infrastructure will bring to the Cabinet to determine the future of the project.

What are the timescales associated with this decision?

15. It is currently the intention of the Interim Corporate Director for Growth Highways and Infrastructure to report back to the Cabinet as soon as practicable on the outcome of the funding enquiries with a recommendation on how to proceed with the project. A final decision regarding which Cabinet meeting receives a report on the outcome of the additional funding discussions will be made by the Interim Corporate Director for Growth Highways and Infrastructure in consultation with the Leader of the Council and will be dependent on the nature of the response made by potential funding bodies.

Alternative options

16. The Cabinet could decide to fund the additional capital cost in full, but this would be inadvisable given the substantial impact this would have on the other projects to be considered in the Capital Programme Review. The Cabinet could terminate the project straight away, but this would result in the loss of the benefits set out in paragraph 27 of the report and in addition it is likely that the DfT funding of £77.5m would be lost to Ipswich without having fully explored all reasonable options to continue. The proposed pause to explore further funding opportunities will allow the Cabinet to make a more informed decision.

17. The section ‘Options to reduce costs’, from paragraph 44 of this report considers options to reduce the estimated cost by reducing the quality of the design, realigning the main crossing, reducing the gradient of the bridge or reducing the number of bridges.

Who will be affected by this decision?

18. Any decisions regarding the Upper Orwell Crossings will have an impact upon the community in the immediate vicinity of the bridge and Ipswich as a whole. The final decision in the next report will also have implications for the capital programme so it may have an impact on other communities in Suffolk.

19. Paragraph 27 of this report sets out the benefits for the economy and local businesses that would arise from the Upper Orwell Crossings. The benefits will not occur if the bridge does not proceed. The eventual decision will also have an impact on the businesses in the immediate vicinity of the bridges such as the Associated British Ports.

Main body of report

Background

20. The Outline Business Case for the Wet Dock Crossing (as the project was then known) was submitted in December 2015. The estimated cost for delivering the project was £96.649m

21. A letter dated 23 March 2016 confirmed programme entry of the project to the Large Local Major Schemes programme with the Department for Transport (DfT) funding contribution capped at £77.546m. The remainder of funding, £19.103m, to be covered by local contributions and underwritten by Suffolk County Council. The project has a benefit cost ratio (BCR) of 4.01 which categorises it as a high value for money scheme. The ratio measures the relationship between defined benefits to the local economy and the cost of delivering an infrastructure project. There is no direct benefit to the Council, but growth does improve the local tax returns from businesses and any additional housing which is enabled by the project also increases the local tax base. The costed benefits were associated with the main crossing, Crossing A (the location of the three crossings are shown in figure one below).

22. In the Cabinet report on the 17 May 2016, the Cabinet approved £5m revenue and £5m capital funding for project development and for the remainder of the local contribution to be underwritten by the Council.

23. On the 30 June 2016 the Secretary of State directed that the project be progressed as a Nationally Significant Infrastructure Project. An application for a Development Consent Order is therefore required which would be determined by the Secretary of State.

24. The Upper Orwell Crossings comprises three crossings, shown in figure one;

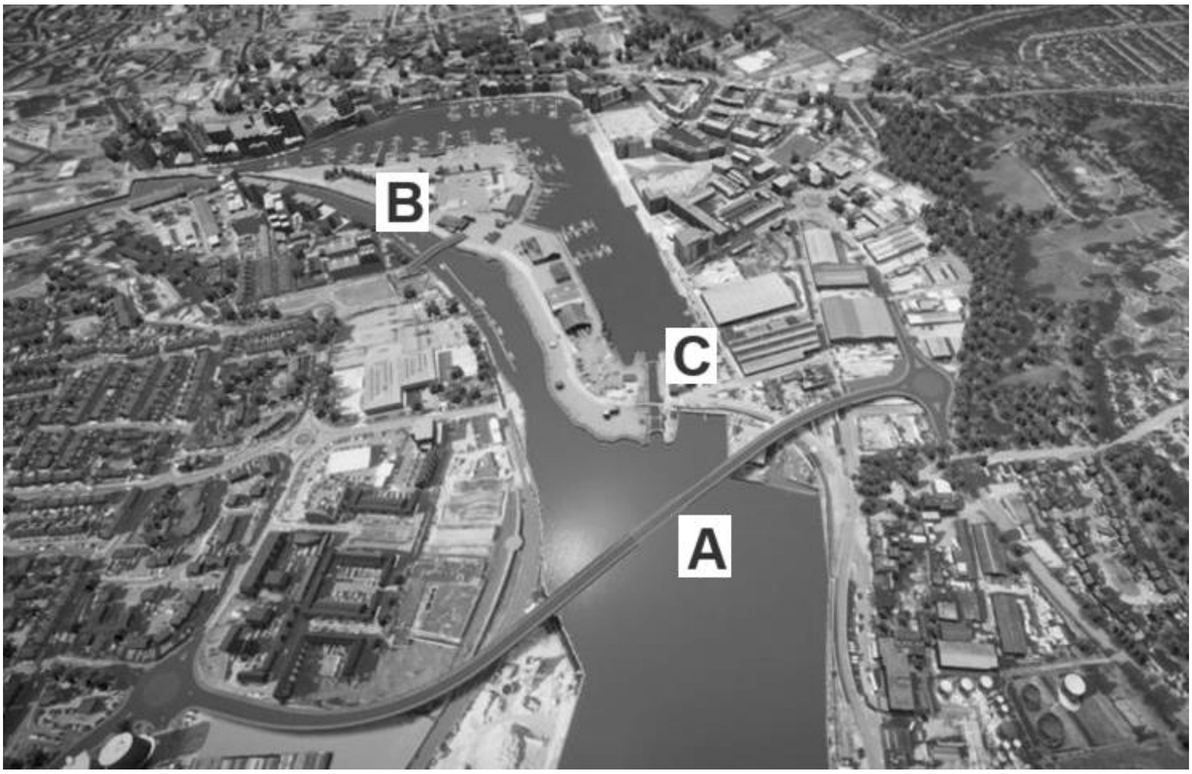
    - Crossing A is located south of the Wet Dock Island; this crossing will provide a link from Wherstead Rd on the west side of the river to Holywells Rd on the eastern side; this crossing would be for all vehicles, pedestrians and cyclists. The bridge will have an opening section to allow maritime access along the current navigation channel.

    - Crossing B provides access from the west, in the area of Felaw Maltings, across the New Cut onto the island site; this crossing would be for all vehicles, pedestrians and cyclists. This crossing would act as a catalyst for the regeneration of the island site and supports the wider strategic case for the project. The preference is for this structure to be fixed terminating the navigational limit at the bridge; this currently extends to Stoke Bridge. An opening structure has also been considered.

    - Crossing C provides a pedestrian and cycle link across the lock, the current proposal is to refurbish the existing swing bridge.

    - There will be a sustainable link for cyclists and pedestrians between crossings B and C.

25. Figure 1 showing location of the three crossings.



26. There are five project objectives:

- Enable the redevelopment of the Wet Dock Island Site.
- Increase connectivity across the town and promote sustainable transport modes.
- Relieve congestion both in Ipswich and on the A14.
- Secure the future success of the Waterfront, Marina and Port.
- A catalyst for the regeneration of the southern section of Ipswich

27. The project has key benefits for the town:

- Reduce congestion in the town centre and reduce journey times, 17% during the am peak and 27% during the pm peak.
- Improve journey reliability and productivity.
- Improved connectivity for sustainable travel.
- Support growth in the Greater Ipswich area.
- Reduce traffic using the A14 for journeys that start and finish in Ipswich.
- Provide resilience to the network when the A14 Orwell bridge is closed.
- Benefits outside of Ipswich, easier journeys for more than 35% of Ipswich's workforce who live outside of the town.
- £6.5bn wider economic benefits to the town over 60 years.
- Approximately £120m peak hour journey time savings for vehicles on the A14.

28. A procurement process was undertaken in 2016 and completed in 2017 and engaged Foster + Partners as architects to join the design team. WSP are the design consultants engaged as subcontractors through the Suffolk Highways Contract.

29. Work to date has included design development, environmental surveys, traffic model development, extensive ground investigations and boat height surveys.

30. Between May and early July 2018 Kier Infrastructure and WSP reviewed the projected costs to deliver the project.

The issues

31. Following his election as the Leader of Suffolk County Council in May 2018, and sight of the updated project costs in July 2018, Cllr Hicks ordered an independent review of the project costs as the predicted project costs significantly exceeded those in the Outline Business Case and the May 2016 Cabinet report.

32. There is significant support from the business community, although there is focussed local opposition from residents in areas that would experience an increase in traffic levels.

33. The funding demand for the project in the context of the forthcoming Capital Programme Review.

34. Jacobs, one of the world's largest providers of technical, professional and construction services, including all aspects of engineering, architecture, construction, operations and maintenance, was commissioned to undertake the review.

35. The independent review was to provide answers to two questions.

    a) Are the capital cost figures correct? What level of confidence can we have in them?

    b) Are there ways to reduce the cost of the project?

36. The Jacobs report is attached as Appendix A

Project costs

37. The estimated capital cost of the project at the Outline Business Case stage was £96.649m. The Department for Transport provided funding of £77.546m requiring a local contribution of £19.103m, to be underwritten by the Council.

38. The incurred and estimated capital and revenue project costs for the project as currently designed are shown below; in addition, recognising current uncertainty around Brexit and the potential cost implications due to uncertainty in the market for the construction of the project, Council officers advised that a safeguard estimate of 15% should be applied to the costs when considering what new capital allocation would be required.

	Project cost estimate	**With 15% safeguard estimate**
Capital costs	£ 121.5 m	£ 139.8 m
Revenue costs	£ 6.7 m	£ 6.9 m
Total costs (including revenue)	£ 128.2 m	£ 146.7 m
Additional local capital contribution	**£ 24.9 m**	**£ 43.2 m**
Total local capital contribution	£ 44.0 m	£ 62.3 m

39. The estimated maximum cost to deliver the project, (including revenue), would be £146.7m giving a maximum additional capital requirement of £43.2m

40. In response to the first review question; are the capital cost figures correct? What level of confidence can we have in them? Two types of costs are referred to here:

    a) the net costs relate to the cost to construct;

    b) the total costs include the cost to construct and the additional costs required to deliver the project, this includes costs such as fees, quantified risk and inflation.

41. The review found that the Jacobs estimate of the net costs for the project were 2% higher than the project estimate and overall the total costs are within the expected acceptable range for a project at this stage of development. In addition, when benchmarking against other projects, the net costs are broadly in line with three projects which were identified for comparison.

42. A key reason for the increase in costs is the year delay in obtaining permission to undertake the ground investigations. This has introduced additional inflationary costs, which on a project of this size are significant. In addition to this, key areas of cost increase are:

    a) Associated project and programme costs associated with the ground investigation delay.

    b) Additional costs associated with the complexity of undertaking ground investigations.

    c) The costs of engaging an architect team to join the design team.

    d) The cost that would be associated with providing an opening structure for Crossing B, requested by the Ipswich Maritime Trust, which was not foreseen at the Outline Business Case stage.

    e) The additional architectural design, material and construction costs required to provide a wider deck to more satisfactorily accommodate pedestrian and cyclists. (It should be noted that the following an early project cost review, the cost of the aesthetic elements of the structure were significantly reduced).

43. The project has proved to be more complex than originally envisaged in the estimates in the Outline Business Case. Officers have now had more time to develop more robust estimates and Jacobs have confirmed that the latest estimates can be considered realistic for a project at this stage. It is worth noting that the benefit cost ratio (BCR) remains high despite the increase in costs.

Options to reduce costs

44. In response to the second question; are there ways to reduce the cost of the project? The Jacobs Review considered a range of changes to the design and scope together with the benefits of procuring a contractor to engage with the design team to value engineer the project.

45. Table 1 below explains the range of cost reduction options considered in the Jacobs Report. Several of the changes are not mutually compatible, so the Jacobs Report modelled the practical options and they can be found in section 8, table 12, page 27 of the Jacobs report.

Table 1. Potential changes to reduce costs.

Design Change	**Indicative cost saving**	**Jacobs comments/risks**	**Initial SCC response**
Adoption of the "Do Minimum" design for Crossing A	£10m	Bridge perceived as lower quality; reduced provision for pedestrians and cyclists and may be seen as undesirable or unsafe; additional cost in design development and potential increase in provision to be acceptable for planning application.	Due to the increase in cost, funding and delivery risk, this option is not supported by the council
Revised alignment on western side of Crossing A	£10m	Further work would be required to assess the local impacts and deliverability.	Further investigation required, however, any option that directly impacts local housing is not acceptable to the Council
Revised junction at eastern end of Crossing A to provide signals	£0.75m	Design change already within scope.	Agree change
Revised junction at eastern end of Crossing A to reduce gradient	£3.32m	Would require stopping up of Cliff Road and an alternative access found for ABP, there would be additional costs for this.	Further investigation required. The Council is sensitive to negative impacts on a key local business
Remove Crossing B from the project	£13m	Removes additional access to the Wet Dock Island site, required for redevelopment. Reduction in sustainable links	Further investigation required
Remove Crossing C from the project	£2m	Reduction in sustainable links	Further investigation required
Provide a fixed bridge for Crossing B	£2.2m	Would require an amendment to the limit of navigation in the New Cut	Further investigation required

Refer to figure 1 for location of crossings.

46. Procurement of a contractor to provide early contractor involvement during the next stage of design would provide the opportunity to reduce costs going forward and provide more cost certainty prior to committing to the construction phase. The procurement process to engage a contractor was commenced in May 2018, continuation is now on hold to allow the review to be completed.

47. It should be noted that although the Outline Business Case benefits that are used to calculate the benefit cost ratio are associated with Crossing A only, the strategic case included the additional sustainable connectivity and access to the Wet Dock Island site. There may be a case for continuing with Crossing A only, although this would require confirmation from the Department for Transport to ensure no implications for the final business case and Department for Transport funding. Alternatively, to progress with Crossings B and C only would result in a significant change in scope and not deliver the transport benefits defined in the Outline Business Case. A new business case would therefore be required to secure funding, therefore progressing within the current funding allocation would be a significant challenge.

Funding

48. As part of a review earlier this year, four potential avenues of funding were identified to meet the funding gap in the project:

    a) Government funds included the DfT Local Majors Fund, the National Productivity Investment Fund, the Transforming Cities Fund and New Anglia LEP. The key constraint in progressing these opportunities has been the position within their funding cycles. The project has already been submitted as part of the Council's response to Highways England on the 2nd Road Investment Strategy, details of funding will be announced in 2019.

    b) Local sources included pooled business rates, section 106 planning contributions, council tax, countywide capital receipts and Ipswich Borough Council. No direct approach was made for these options and the retained business rates have been allocated for Ipswich for this year, although it may be possible to secure money from future pilots.

    c) Private finance would be a new area for the Council and professional advice would be needed to develop this as an option. Support from key stakeholders would also be required.

    d) Borrowing. Whilst the Council has the ability to borrow money for capital projects, the amount of borrowing possible is extremely limited as it has to be repaid from the already overstretched revenue budget.

49. To progress discussions around additional funding, it is important to have confidence in the cost of the project and the funding gap. The independent review has provided this.

50. The maximum additional funding to be sought is £43.2m.

Conclusion

51. The Jacobs report confirmed the project costs were realistic, therefore the additional capital funding gap is between £24.9m and £43.2m. The maximum additional funding to be sought is £43.2m. If additional funding is forthcoming because of the discussions proposed in this report, Cabinet may have to consider whether it is prepared to make some of the options proposed in table 1. It is currently proposed that funding be sought based on the project as described in the Outline Business Case. There is concern about the deliverability of the possible options outlined in the Jacobs report. Cabinet will consider these options in the next report, if additional funding is secured but insufficient to completely close the gap.

52. The Council does not have enough capital resources to fill the funding gap. Therefore, Cabinet is being asked to support officer and member contact with the Department for Transport, and other government departments, New Anglia LEP, Ipswich Borough Council and Associated British Ports to explore the availability of additional funding for the Upper Orwell Crossings; and to seek support from other key parties to put the case to Government.

53. The December Cabinet will receive a report on efforts to secure additional funding and make the final decision on whether to proceed with the project.

54. Appendix A – Jacobs, The Upper Orwell Crossings, Project Review, 28-09-2018.

Sources of further information

a) Ipswich Wet Dock Crossings Outline Business Case, December 2015 can be found on the project website:

   https://www.suffolk.gov.uk/assets/Roads-and-transport/public-transport-and-transport-planning/Ipswich-Wet-Dock-Crossing-Business-Case-Final-24-12-2015.pdf

   and appendices to the report here:

   https://www.suffolk.gov.uk/roads-and-transport/transport-planning/upper-orwell-crossings/upper-orwell-crossings-appendices/

b) Department for Transport letter confirming programme entry, dated 23 March 2016.

c) Determination of project as a nationally significant infrastructure project, dated 30 June 2016.

d) Cabinet report, agenda item 7, Wet Dock Crossing, Ipswich and Lake Lothing Third Crossing, Lowestoft, 17 May 2016 .

The Upper Orwell Crossings

Suffolk County Council

Project Review

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28 September 2018

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The Upper Orwell Crossings Project Review

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03	26/09/2018	Final Draft	JJ	NF	JJ
04	28/09/2018	Final	JJ	MC	JJ

Contents

1. Purpose of Report

This report has been prepared by Jacobs in response to a project brief received in July 2018 by email from Suffolk County Council to review the status and capital cost of the Upper Orwell Crossings project.

The Upper Orwell Crossings Project comprises two new bridges over the River Orwell and the refurbishment of a third (existing) bridge. New road and pedestrian / cycle links are also provided for each bridge, as needed to link to existing infrastructure.

As at 24th July 2018, the estimated project cost of the Upper Orwell Crossings project is £122,302,557 (based on escalation to November 2022). In addition, the SCC project team has recommended that a 15% 'safeguard estimate' be included due to the complexity and variables of the project as well as uncertainty over the impact of Brexit. This additional amount would take the cost of the scheme to £140,083,353. Funding of £77.546million has been secured for the project from DfT which would therefore require a local contribution of between £39,786,557 and £57,537,353 to meet the project cost requirements.

A number of Costs have been incurred by the project to date during the project development and survey work which are included in the figures above. The focus of this report is on costs yet to be incurred.

As requested, the report will respond to the following questions to inform members of the current position of the project:

1) Are the capital cost figures above correct?
2) What level of confidence can we have in them?
3) Are there ways to reduce the cost of the project?

In order to prepare the report and respond to the questions detailed above Jacobs has been provided with information relating to the project development to date. This information has been made available by Suffolk County Council officers who are responsible for scheme delivery. In addition to the information issued directly to ourselves, there is also a large amount of background information available through the public domain including the 2015 outline business case (OBC). The information which has been relied upon in preparing this report is presumed accurate in the context of the stage of the project development.

A detailed review of the 2015 Outline Business Case for the project including the options considered and the associated benefits has not been undertaken in the scope of these works. The OBC is deemed to be sufficiently robust having been reviewed by DfT and used as the basis for successful funding allocation. Similarly, the adequacy of the road layout, cross section and junction capacity to accommodate future traffic has also not been reviewed in detail.

The report provides a summary of the activities undertaken by Jacobs in reviewing the project information provided as well as the conclusions and recommendations. Activities that were undertaken include:

- Design / technical review
- Cost reviews
- Buildability / construction strategy review
- Risk review
- Procurement strategy review

This report summarises the findings of each of these activities, with more detailed reports for each area appended for reference.

It should be noted that the main focus of the review is on Crossing A due to this being by far the largest element of the proposed work.

2. Scheme Description

2.1 Introduction

The Upper Orwell Crossings Project in Ipswich comprises three bridges, known as Bridges A, B and C. Crossing A (incorporating Bridge A) is a new road bridge approximately 750m long with an opening/swing section to accommodate marine traffic and located to the South of the Wet Dock Island; Crossing B is a 50m long new road bridge providing access from the West across the New Cut onto the ABP Island Site; and Crossing C is a refurbishment of an existing swing bridge which will accommodate pedestrians and cyclists. Crossing A and its associated highway work is by far the largest cost element of the overall project.

An outline business case for the project (including all three bridges) was submitted in December 2015 to apply for funding from Government. Confirmation of programme entry for the Project to the Department for Transport Local Majors Fund was announced in March 2016 with allocated funding of £77.546m which represented 80% of the estimated scheme cost. A local contribution of £19.1m was therefore required to achieve 100% funding for the scheme. The project was categorised as a very high value scheme with a Benefit Cost Ratio of 4.01 which was based on delivery of transport and wider economic benefits to the area.

2.2 Project Overview

Ipswich is the county town of Suffolk, and a key regional centre in the East of England. The proposed scheme comprises two new road crossings of the River Orwell (Crossings A and B), and upgrades to an existing NMU bridge near to the Wet Dock in Ipswich (Crossing C), as shown in Figure 1 below. For both Crossing A and B, there are also works required to connect to the local road network.

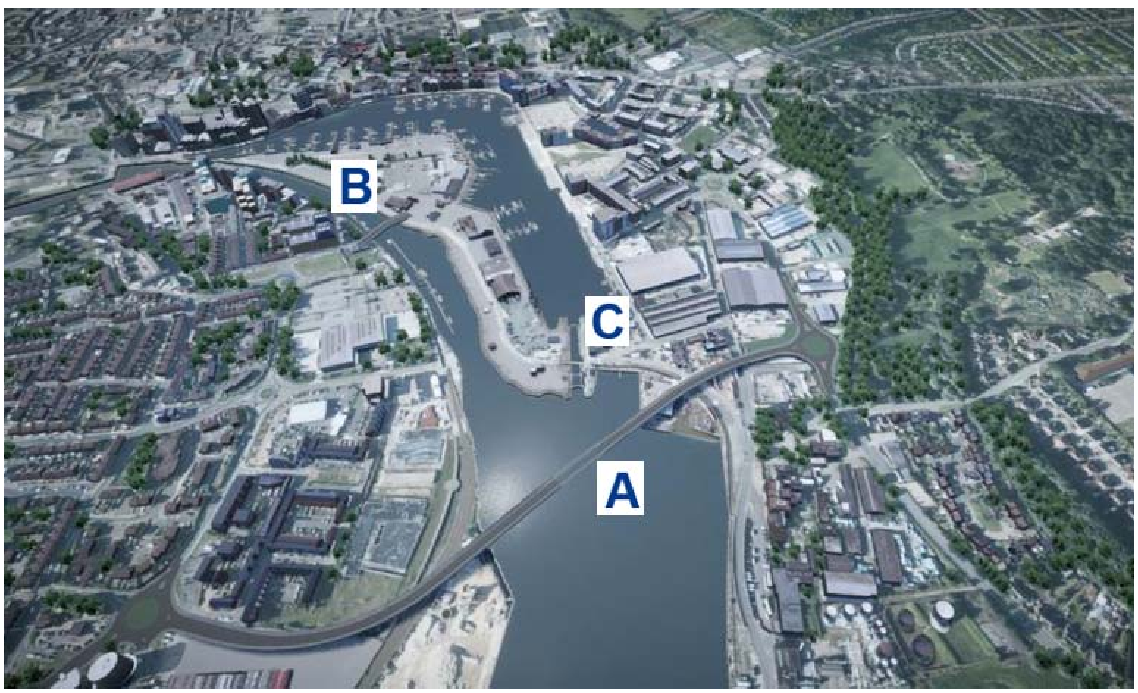

Figure 1: Sketch to Illustrate Proposed Crossings A, B and C in Ipswich

2.3 Project Aims/Statement of Benefits

The outline business case (OBC) stated that the scheme has two intended outcomes which will improve Ipswich:

- Transport Improvements: –
  - relieve existing traffic congestion on east – west routes in the Ipswich area and on the A14
  - provide new routes and accesses for all road users
- Economic Regeneration: –
  - enable the development of the Island Site
  - regenerate Southern Ipswich including the land near the Star Lane gyratory

The transformation of the Island Site into 'Enterprise Island' will stimulate regeneration in the surrounding area, providing a concentrated area of new high value employment, residential and leisure development on land that is currently of low value.

Key routes in Ipswich will see a 26% reduction in journey times during the PM peak and there will be a 5% reduction in journey times on the A14 across the Orwell Bridge.

The OBC determined that the scheme provides a very high value for money when taking into account the benefits of the above outcomes and the wider benefits to the economy over the 60-year life of the scheme.

On the basis of the OBC, the Department for Transport awarded project funding of £77.546m from the Local Majors Fund in March 2016.

2.4 Project challenges and key constraints

The Upper Orwell crossings project has many constraints and complexities. In discussing the scheme with the project team, it is evident that the scheme has developed and been defined by detailed consideration of these issues. The challenges and constraints include:

- Confined urban environment with mixed developments and commercial premises on both sides of the river. This constrained the choice of alignment and connectivity into the existing road network for both Bridge A and B.
- Rail and road infrastructure in close proximity to the river which restricts the locations for embankments or bridge supports as well as requiring headroom clearances beneath the proposed Bridge A structure.
- Marine traffic movements and navigation clearances which had to be accommodated by the positioning and form of the Bridge A structure.
- Consideration of access and operation of adjacent businesses and landowners during and after construction. This includes a number of proposed new developments in the vicinity of the scheme which have planning permission in place as well as consideration of boat / river access.
- Poor ground conditions and known contamination in the area which create a challenge for both design and construction.
- The number and varied needs of stakeholders and affected parties.
- Associated British Ports (ABP) operations in the river, dock and port area. Impacts on free-flow access to the Wet Dock.
- Difficulties of access by road for construction materials.
- Impacts of the scheme on utility infrastructure requiring diversion or avoidance of some facilities (e.g. Anglian Water site to the East of the river).

- Potential impact on existing flood defence walls which are in poor condition in some locations.
- Minimising land impacts and the scheme footprint to minimize costs.

Based on the information made available, the proposed scheme appears to manage the conflicting requirements of these key constraints as far as possible.

3. Technical Review

The design information and drawings for the concept design which forms the basis of this review have been developed by the Suffolk County Council and WSP project teams. The review itself included information on all three bridge crossings and also included the enhancements proposed by Foster+Partners to the bridge of Crossing A. This report section includes a summary of the more detailed Technical Review paper which is included in Appendix A.

3.1 Crossing A

Crossing A is the principal component of the overall project, providing a viaduct river crossing for vehicles, pedestrians and cyclists. The viaduct itself includes an opening span to provide unrestricted access to the Wet Dock and New Cut West for maritime traffic.

3.1.1 Design development for Crossing A

To date, a 'Do Minimum' design has been developed to provide a baseline scheme cost for this crossing. In addition, an enhanced design option has been considered which includes proposals from collaborative work with Foster+Partners to create a statement structure. This enhanced design is the current preferred solution and is known as the 'RIBA2 option' for the purposes of this report. All work at the moment is considered to be at 'Concept Stage' although some aspects of the design have been developed in more detail. 'Outline Design' will be the next stage to be undertaken. A comparison of the Do Minimum design and enhanced design bridge option details is included in Table 1 below:

Element	Do Minimum design option	RIBA2 design option	Comments
Road carriageway	7.3m wide	7.3m wide	Same provision for each option
Pedestrian and Cycle facilities	2.5m footway to one side	2.5m footway to one side plus 3.5m unsegregated footway/cycleway on the other	RIBA2 option has increased provision to address safety concerns relating to the gradient of the bridge
Total deck width	11.4m	14.3m	
Viaduct Length	450m	450m	Same provision for each option
Opening span	86m	86m	Same provision for each option
Pier construction	Full height concrete leaf piers	Steel 'trees' located on concrete piers	
Deck construction	Composite deck	Composite ladder beam deck	Difference in deck detail for the Do Minimum design reflects the lesser level of design development compared to the RIBA2 option
Maximum gradient	6%	6%	Same provision for each option
Approach roads and embankments	Links to existing Hawes St roundabout on the West and provides a new roundabout on Holywells Road on the Eastern side	Links to existing Hawes St roundabout on the West and provides a new roundabout on Holywells Road on the Eastern side	Both options have same road and junction layouts

Table 1: Comparison of Do Minimum and RIBA2 Design Features

The table above indicates that the main geometry of the two options is similar, and the key differences are the bridge width (due to differences in pedestrian and cycle provision), pier design and deck construction.

3.1.2 Crossing A Costs

The scheme costs are discussed in more detail in Section 4. In summary however, the estimated cost difference between the Do Minimum design and the RIBA 2 design for Crossing A are given in Table 2 below:

Bridge Option	Do Minimum Design	RIBA 2
Indicative Net Cost [£m]	44.4	52.1
Indicative Total cost [£m]	92.4	102.0

Table 2: Indicative Cost Differences for Crossing A

The costs provided above in Table 2 do not include those already incurred. It should be noted that whilst there are some approximations in the quoted numbers due to the early development stage of the project, this does indicate a premium in the order of £10m total cost for the RIBA 2 design compared to the Do Minimum design. The premium is due to a combination of increased deck width to accommodate improved pedestrian and cycling facilities, maturity of deck design and aesthetic features. It should also be noted that the pedestrian provision for the Do Minimum design would need to be increased if it were to be used as a shared facility (with cyclists). If the Do Minimum design width were increased to make better provision for non-motorised users, the cost differential will be reduced.

3.1.3 Potential Cost Saving Measures for Crossing A

As the RIBA 2 Design is the current preferred option, the review team has focused on this and identified a number of potential cost saving measures. These include:

- Reduced deck width
- Revised vertical profile
- Optimisation / simplification of the deck structure
- Alternative forms of pier foundations to simplify construction and reduce materials

These cost saving measures are difficult to allocate costs to without furthermore detailed work being undertaken which is outside the scope of this report however the SCC project team has investigated the savings from reducing the width of the deck and revising the vertical profile.

Below is a summary of the factors considered by the SCC project team in undertaking this high-level work (although it should be noted that no redesign work was undertaken for the structural implications of these design considerations):

- Reduction in gradient from 6% to a maximum of 4%
  - This would have a minor saving in terms of the length of the bridge. There would be other savings associated with this change, for example pier and piling costs.
  - Reducing the gradient would also make Crossing A a more sustainable link for pedestrians and cyclists which then introduces the potential for a crossing A scheme only.
- Reducing the width of the main deck for crossing A
  - Three cross-sections were considered (11.4m, 13.3m and 13.6m wide) although it should be noted that if a lower gradient resulted in implementation of only a single crossing, the bridge is likely to require full NMU provision.

The indicative savings estimated from implementation of these changes is between £0.5m and £1.6m (on net costs) although this may be an underestimation due to the high level of the review. Investigation of additional savings from pier and piling costs etc is recommended although it should be noted that the impacts on stakeholders should also be considered.

In addition to the above, the SCC project team has recently investigated two scenarios for reducing the project costs by amending the road alignments and tie-ins to the existing network. These scenarios are detailed in Table 3 below and have been included in the cost reduction options considered for the scheme in Section 8:

Scenario	Indicative cost saving (provided by SCC)	Comments / Risks
1. Realignment of Crossing A western landing to reduce land costs	Land: £10m	Further work is required to fully understand the local impacts and any changes of impact would need to be carefully considered by the Council.
2a. Revise Crossing A eastern junction layout from roundabout to signals to reduce footprint	Earthworks: £750k	Reduced construction costs, although no reduction in land take expected, however there is increased potential to re-use land after completion of the project.
2b. Repositioning of Crossing A eastern landing point and reduction of elevation of the junction, revise junction layout (signals) to reduce utility diversion costs, structural embankment costs and land costs; also reduced gradient / lowering of bridge profile	Earthworks: £2.7m Land: £620k Total: £3.32m	Requires the stopping up of Cliff Road and re-routing of vehicular traffic (ABP access). In addition, the height above the navigation channel will be reduced by 2-3m. It should be noted that the costs do not include utility diversion savings which would be significant. This option may introduce additional issues with ABP and may also require the bridge span to open more frequently, disrupting road traffic. An alternative access for ABP would need to be agreed, this cost is not considered here. The increased need to open the span would need to be managed in the agreed opening protocol.

Table 3: Alternative Scenarios

These scenarios can be adopted for either the Do Minimum option or the RIBA2 option, however each scenario has issues which require careful consideration prior to inclusion and may raise significant questions for Council to consider.

Alternatively, as noted above, adoption of the Do Minimum design could be considered which is expected to provide an indicative cost saving of £10m. If the Do Minimum option was adopted, careful detailing of the structure, for example in surface finish and cross-section of the of the concrete piers can result in a quality attractive structure without significant impact on the overall cost. It should be noted however, that there would be additional time and cost for new design development due to the current level of design development of this option and the implication of the acceptability of the minimal pedestrian facilities in terms of funding and planning would need to be considered. Appendix A contains recent example projects that demonstrate certain aspects that apply to TUOC.

3.2 Crossing B

3.2.1 Design Development and Costs for Crossing B

Crossing B provides access for vehicular, pedestrian and cycle traffic to and from the Island Site. Two options have been developed:

- An opening solution to provide navigation with unrestricted headroom
- A fixed bridge which will prevent navigation for the majority of vessels along the New Cut beyond Felaw Street

Both options will provide a 7.3m road carriageway with a 3.5m wide combined footway/cycleway on each side. In addition, the construction of the bridge will facilitate redevelopment of the Island Site owned by ABP, as the current access to the island via Stoke Quay is deemed undesirable to support the expected future traffic.

Due to the smaller scale of this bridge, the design of the options for this crossing is less developed than Crossing A. From the information available, the estimated costs for this bridge are provided in Table 4 below.

Bridge Option	Fixed	Opening
Indicative Net Cost [£m]	4.0	5.4
Indicative Total cost [£m]	11.4	13.6

Table 4: Indicative Cost Differences for Crossing B

The values cited in the table above suggests that the opening span commands a premium of approximately £2m. Given some of the outstanding design issues and the inherent complexity of an opening span this difference is less than Jacobs would expect and may require further investigation.

3.2.2 Potential Cost Saving Measures for Crossing B

A number of potential cost saving measures have been identified by the design team and include:

- Reduction in deck width by reducing or removing some of the pedestrian / cycle provision will create a proportional saving based on the amount of reduction
- Selection of the fixed option /omission of the opening span
- Omission of this crossing from the project in its entirety
- the delayed provision of this Crossing by introducing project phases which might allow staged allocation of funding or monies to be sought from elsewhere

Each of these measures are likely to require careful stakeholder management to understand their wider implications.

3.3 Crossing C

3.3.1 Design Development and Costs for Crossing C

The proposed work to Crossing C is refurbishment and enhancement of the existing swing bridge crossing of the Prince Philip Dock. Within the overall project, Crossing C has the smallest capital value and is therefore not considered in detail in this report. From the information available, the costs are as shown in Table 5 below:

Bridge Option	Indicative Cost
Indicative Net Cost [£m]	1.5
Indicative Total cost [£m]	2.3

Table 5: Indicative Cost for Crossing C

3.3.2 Potential Cost Saving Measures for Crossing C

There are limited measures available for cost savings for this Crossing. Considerations include:

- that the scope of works be critically reviewed in terms of minimum requirements to give a safe and functional crossing
- Omission of this crossing from the project in its entirety
- the delayed provision of this Crossing by introducing project phases which might allow staged allocation of funding or monies to be sought from elsewhere

Again, implementation of these measures would require careful stakeholder management, including ABP.

3.4 Technical Review Summary

In undertaking our technical review, ways to reduce the project costs were considered and are detailed in Appendix A. The opportunities include changes to the design concepts as well as amendment to the project scope (such as removal of the smaller bridges). It should be noted that application of any of these possible cost savings will require careful consideration as they change the Project as it is currently proposed and change the impacts on land and key stakeholders.

The items identified along with the indicative cost savings, comments and risks are summarised in Table 6 below.

Opportunity	Indicative cost saving (on total project costs)	Comments / Risks
Adoption of the 'Do Minimum' design for Crossing A rather than the RIBA2 option	£10m	Bridge perceived as lower quality; reduced pedestrian/cycle facilities and may be seen as undesirable or unsafe. Additional cost and time to develop this option may reduce the saving identified.
Adoption of the 'Do Minimum' design plus increased pedestrian and cycle provision for Crossing A rather than the RIBA2 option (wider Do Minimum option)	Not calculated in scope of review	Bridge perceived as lower quality. Additional cost and time to develop this option may reduce the saving identified.
Reduce deck width by reduction in footway/cycleway provisions on RIBA2 Crossing A	Not calculated in scope of review	Route may be seen as undesirable or unsafe by pedestrians and cyclists.
Simplify pier foundation design for Crossing A	Not calculated in scope of review	Could improve buildability and potentially saves time during construction
Revise the vertical profile of Crossing A	Not calculated in scope of review	Depends on a number of critical factors relating to marine and road traffic delays as well as clearances. Alternative access for ABP would be required, the cost of which is not yet known.
Include fixed (not opening) Crossing B	£2.2m	Navigation North of Crossing B restricted which may cause ABP and other stakeholder objection.
Remove Crossing B from the project	£13m	ABP and other stakeholder objection. Island site development is not enabled. Reduced local sustainable pedestrian and cycle routes.

Opportunity	Indicative cost saving (on total project costs)	Comments / Risks
Remove Crossing C from the project	£2m	ABP and other stakeholder objection. Island site accessibility limited. Reduced local sustainable pedestrian and cycle routes.
Phasing of the project works by delay of work to Crossings B and C	Delay in spend of £15m	Messaging of timeframes for phases will need careful consideration. Provides time to seek alternate funding contributions. Costs will increase if delivered separately from Crossing A.
Revised road alignment at Western end of Crossing A to change land impacts	£10m	Additional work is required to clearly understand local impacts.
Revised junction at eastern end of Crossing A to provide signals	£750k	Agreed change to scope driven by traffic demand.
Revised junction at eastern end of Crossing A to provide signals plus amendment of vertical profile (stopping up of Cliff Road)	£3.32m	Will introduce issues with ABP existing access. The increased need to open the span would need to be managed in the agreed opening protocol.

Table 6: Summary of Cost Saving Opportunities

4. Costing Review

4.1 Introduction

This section provides a summary of our Costing Review and includes:

- A commentary of the information provided
- A summary of the review of Crossing A detailed costs and material quantities to determine the level of confidence
- General cost items
- A summary breakdown of the costs for each Crossing
- Summary of areas of uncertainty including contingency and safeguard

These are each discussed below.

4.2 Information Provided

The Outline Business Case for the Upper Orwell Crossing project was prepared by WSP in 2015 and identified the project cost as £96.649m. The project costs in the OBC have not been reviewed in detail.

The costing information included in the OBC has been superseded and further detailed as the project design has been developed. As noted earlier, the largest proportion of project cost sits with Crossing A and therefore the focus of the work by the project team (and in this report) is on this crossing. As noted in Section 3.1 above, a 'Do Minimum' design was developed for Crossing A and enhancements to this work to create an iconic structure and to increase the deck width to provide improved facilities for pedestrians and cyclists were included in the RIBA2 design option.

In June 2018, Kier Infrastructure prepared a Construction Advice Report for the UOC project. This included pricing of a Bill of Quantities (provided by WSP) for the construction / material costs of each Crossing using the November 2017 base option design drawings (including both fixed and lifting options for Crossing B).

WSP updated the costs to reflect the design development associated with the RIBA2 design for Crossing A. These were summarised in a spreadsheet which also included a comparison of the changes to Crossing A from the base option. This spreadsheet also included a revised risk allowance and estimating uncertainty based on the full project risk register and the QCRA; however, the spreadsheet excluded land costs, SCC management and professional fee base costs. A further spreadsheet was provided which compared the current scheme costs against the OBC cost estimate as well as details provided of costs to date.

4.3 Crossing A BoQ Review

The cost information provided for the review comprised a Bill of Quantities prepared jointly by Kier Infrastructure and WSP along with cost summary information and design drawings. Due to time constraints, only Crossing A (being the major cost element) was considered as part of this review.

Jacobs QS team have carried out a high level review of the costs provided in respect of the Upper Orwell Crossings. The review considered the rates applied to the major cost elements (items with a value >£20K) and any anomalies noted in the costs have been commented upon in the detailed report.

In general, the Jacobs QS team is in broad agreement with the rates applied in the computation of the Cost Summaries with only a few areas of major differences of opinion. In terms of the quantified and rated items, the overall difference between the Jacobs costs and the costs provided amounts to £1.072M.

Recommendations

Based on the review undertaken, the following recommendations are made: -

A review of the quantities used in the computation of the costs should be carried out. Although a detailed check on the quantities was not carried out as part of this review, several anomalies were noted during the review which warrants this recommendation.

The BoQ upon which the overall cost has been calculated is based upon an original document which has been amended and added to by various parties. It is recommended that a comprehensive review of this document is carried out to ensure that no items have been missed during the amendment process.

4.4 General Cost Items

The General Cost items included in the spreadsheet provided are shown below in Table 7 along with commentary on each item.

Additional Cost Item	Project Amount included in £122.303m estimate	Comments / Confidence	Considered Jacobs view (when considering the expected -10% to +20% for an Early Budget Estimate)
Fee at 12.5% on Total Net Combined Costs	£7,373,091	Higher than would normally be expected	high
Design – Temporary Works and Incidental	£200,000	Would expect to be included in the main construction cost estimate	n/a
STATS Allowance as at July 2018	£3,000,000	Allowance is currently based on SCC experience and other similar SCC projects.	Needs clarity from initial service provider estimates
Risk (see QRA P80 3/7/18)	£5,281,736	Risk Register review recommended and updated P80 Risk output calculated	low
Estimating Uncertainty P80 (4/7/18)	£2,572,271	Risk Register review recommended and updated P80 Estimating Uncertainty output calculated	low
Escalation 13.37%	£10,349,962	Appropriate application for cost base date.	n/a
Design	£5,000,000	No breakdown provided. Suggest this be broken down into more detail and updated.	high
Environment mitigation	£663,200	Based on information available	Within range
Land	£22,322,263	Based on information available	Within range

Additional Cost Item	Project Amount included in £122.303m estimate	Comments / Confidence	Considered Jacobs view (when considering the expected -10% to +20% for an Early Budget Estimate)
Network Rail	£0	An estimate for NR fees and other charges should be included for Crossing A	Low
Junctions	£2,000,000	Based on information available and other similar work	Within range

Table 7: Summary of Additional Cost Items and Confidence Level

In relation to the general cost items above, there is again broad agreement with the level of most of the costs provided, however it has not been possible to carry out any detailed analysis of all costs in the absence of more detailed information on the methodology and thinking behind the allowances made.

There are no costs currently included for Network Rail, which needs to be better understood and a cost allowed for the interface and approval process. It should be noted, however, that a risk is included in the project risk register for delay associated with Network Rail.

The costs noted for 'Junctions' are for works which are expected to be required for off-site locations due to alterations in traffic movements caused by the new bridges. The work required needs further development to clarify the costs. Consideration could be given to using an alternative and separate means of procurement to undertake these works which may reduce the costs / provide better value and the costs could be borne under a separate budget.

We understand that the STATS costs included are based on experience and information from other projects (Lake Lothing Third Crossing) as the detailed returns have not been received from the relevant providers. It is therefore difficult to comment on the accuracy of this.

4.5 Overall Costing – Revised Breakdown

SCC have provided a cost summary that uses the detailed BoQ costs for each bridge from Kier Infrastructure and is amended for the inclusion of the increased deck widths and Foster+Partners proposed enhancements. In addition, the spreadsheet includes allowed costs for land, risk allowance and other general items.

In carrying out the high-level cost review for The Upper Orwell Crossings, Jacobs has noted that a number of project costs were allocated solely to Bridge A, eg £3m STATS allowance, thus giving a distorted view of the relative cost of each bridge. A revised version of the spreadsheet has been prepared and is provided in Appendix B which allocates the preliminaries and other costs across each bridge and therefore aims to provide a clearer view of the total for each individually (note that the split is based on a pro-rata of some costs and on judgement for other costs and may require further adjustment). The outcome of this is given in Table 8 below:

Element	SCC Element Cost	Jacobs Element Cost
Crossing A	£52.09m	£101.89m
Crossing B (opening option)	£5.42m	£13.55m
Crossing C	£1.47m	£2.30m
Other Costs	£58.76m	-
Total Project Cost	**£117.74m**	**£117.74m**

Table 8: Allocation of On-costs to Crossings

In addition to the £117.7m costs listed, costs incurred to date and future staff costs have been included in the project team's total project costs. This brings the project total to £122.30m.

4.6 Benchmarking

Benchmarking against other projects can provide useful guidance to assessment of the confidence in cost estimating exercises, however to identify a project which is directly comparable is difficult. The construction costs before addition of additional costs such as risk and land are broadly in line with the three projects which were identified for comparison.

4.7 Cost Review Summary

The costs quoted in Table 7 are 4th Quarter 2017 prices with escalation calculated to November 2022. The costs quoted on the OBC were escalated to 2021. The difference in assumed escalation dates gives rise to an apparent increase in overall project costs. A review of escalation cost base dates should be undertaken to determine if these can be reduced.

Overall, the costing differences noted (+2% of construction (net) costs) are not considered to be unusual in the context of a competitive tendering situation and consequently, the cost summary information which has been provided is considered to be an accurate reflection of potential outturn costs given the level of design information available at this stage.

The difference between the total project cost quoted in Table 7 of £117.74m and the currently advised total cost of £122.30m is due to a mixture of costs incurred to date and predicted future SSC staff costs. Jacobs' view is that at least some of these costs, such as the costs of the ground investigation works, can be deemed to be part of the costs and fees included within the £117.74m.

Based on the level of detail of the information provided to Jacobs in the Cost Summary and other information provided by Keir Infrastructure / WSP / SCC, Jacobs standard estimating procedures would class this as an 'Early Budget estimate'. The confidence level normally associated with an Early Budget Estimate is usually -10% to +20% of net/construction costs.

It is recommended that the approach to contingency and risk for this project is reviewed and updated. The risk allowance and additional estimating uncertainty allowance included in the project cost estimates in Table 7 are based on the QCRA output and are approximately 15% of the net costs. The QCRA output used in the estimate is considered to be slightly low for a scheme at this stage of development (discussed in more detail in Section 6 of this report). SCC have noted that the oncosts which have been included after the net costs also include an element of contingency. This contingency would be better identified in the risk register and QCRA, as well as inclusion of any cost saving opportunities identified.

In addition, a 15% 'safeguard estimate' which has been recommended by SCC officers to make allowance for Brexit and possible market uncertainty and the perceived complexity of the project. Jacobs recommend that this should not be included as a straight percentage increase, rather, these items should be included in the risk register with appropriate values allocated and would therefore be included in the QCRA outputs that inform the risk allowance value. Depending on the detail of what this 'safeguard estimate' is intended to cover, it should potentially be more appropriately applied to the net costs only; this needs further clarity. Jacobs also note that some aspects of the safeguard estimate do appear to be addressed within the current QCRA and hence that combining the existing 15% risk allowance with an additional 15% safeguard estimate on total project costs is potentially unduly conservative. *Given the unique nature of Brexit related issues SCC may seek an alternative approach to cover these risks*.

5. Construction Strategy / Buildability Review

5.1 Introduction

Jacobs construction management team have reviewed the proposed construction methodology detailed in The Upper Orwell Crossings Bridges A, B & C Construction Advice Report (June 2018) and also reviewed other project documentation provided. Details of this review are included in Appendix C to this report.

The construction approach proposed represents a (conservative) practical solution which uses robust temporary work and construction methods that have been tried and tested. The methodology proposed will also limit the need for a specialist marine contractor as the methodology will be familiar to traditional contractors who are less specialised. This approach will help to manage the construction risks at this early project stage.

By focusing on minimising marine activities, several innovative marine construction methods which may well offer cost or programme benefits were not included; indeed, the proposal for extensive use of temporary works contributes significantly to the programme duration and risk.

The main reasons for dismissing the use of large marine's plants within the context of the report was because of the need for dredging to utilise such plants. It is acknowledged that dredging activities are likely to disturb the contaminated river bed and the operation does risk dispersion of the contamination. If undertaken, this would need to be managed by a specialist contractor to ensure the risk is minimised and to obtain regulatory approval. It should be noted however, that the use of cofferdams and installation of complex temporary piles carry similar risks of dispersing and appropriate mitigations will have to be put in place for either method.

5.2 Alternative Construction Options

Possible alternative construction methods which may offer cost, programme and risk savings for Crossing A are included in Table 9 below:

Kier Constructability Advice Report	Alternative
Temporary works jetties	Use of a jack-up barge (targeted dredging needed) will remove the need to construct temporary jetties
Pile cap construction requiring cofferdams	use of monopile transitioning directly into a circular column to remove the need for the pile cap and the need for cofferdam construction for individual piers.
Bridge deck construction using complex temporary works and heavy lifting cranes to erect beams brought in by barge	• bridge spans can be delivered fully constructed on a jack up barge or on a normal flat bottom barge and a combination of jacking and ballasting used to position the deck directly on the piers • incremental launching of the deck
Installation of the moving span using sheerlegs	Consideration of an alternative approach to using sheerlegs is likely to reduce the cost of the works.

Table 9: Possible Alternative Construction Methods for Crossing A

5.3 Construction Review Summary

Specialist marine contractors are likely to bring a more streamlined methodology and deliver the Crossing A bridge with a more effective marine engineering solution compared to those proposed by Kier Infrastructure in the construction advice report. This should be considered during the procurement process to ensure that the tenderers and selected contractor have or bring in appropriate (subcontracted) expertise for marine works. The purpose of the ECI element of the procurement process should enable influence to be brought to the design at an early stage. This will help to minimise risks and manage programme and cost.

There are a number of unknown factors that require clarification and management within the construction methodology as the project progresses. This includes:

- The extent of contamination of the river bed: The mitigations being proposed to manage the contamination from the river need to be adequate for the level and type of contamination.
- The riverbed material and suitability of dredging: Review of marine plant to be used and extent of dredging defined
- The size of the barge that can navigate the river and the lifting and working capacity (the option to dredge the river to enable larger barge for construction is an alternative solution that could provide cost and programme savings).

It is recommended that these items are considered during the next stages of the project development and that the procurement process makes due allowance for the potential of alternative construction methods.

6. Project Risks

A review of the project risk register and QCRA report provided was undertaken by a Jacobs senior risk manager to assess the robustness of these key project documents.

The QCRA report offers the statement that qualitative assessment of the risks was carried out, which appear to have then been converted to cost impact. When working with limited time and resources sometimes this is the best option, however the requirement to have a clear understanding of risk against cost and time of the scheme especially within the difficult nature of space, area and environmental factors would mean that an increased level of effort around risk analysis is recommended.

The risk elements reported are well constructed but appear to be limited in review and assessment. In reviewing the QCRA and risk register there are a number of probabilities and values assigned to a number of risks that we consider to be in need of review and some are particularly low. In addition, there are items which appear not to be included such as construction risk around delivery of materials, voids when piling etc. Risks should also be included in the register to remove the need for the 'Safeguard Estimate' of 15% that has been suggested by the project team. It should be noted that in discussions with SCC officers, an element of contingency is considered to be included in the on-costs (such as Fees) that have been applied to the construction costs. Jacobs considers that for clarity, all contingency and risk allowances should be clearly and separately identified.

Our review considers that the P80 figures are low for a scheme in early design stage that has not been fully developed, however some key surveys such as the ground investigation have been completed and confirmed that the conditions are similar to those used for design development. With the level of effort yet to be fully understood, uncertainty in interest rates and material costs, as well as the uncertainty of design to meet environmental and other factors, it would be our expectation of a P80 value of at least 15 to 20% of the baseline value. It is our recommendation that a full risk review with proper scoring of risk is required for this scheme as soon as possible and the QCRA re-run.

To better understand the scheme risks and opportunities and to assure expected timescales and delivery to available funds, a full analysis should be undertaken to review, capture and manage:

- Lessons learned on the scheme to date
- Dependencies
- Identify any contingency included in other items
- Assumptions
- Issues
- Risks and opportunities

Once completed this should give greater confidence to confirm baseline schedules and budgets.

7. Procurement and Contract Strategy

We have reviewed the Upper Orwell Crossing Procurement and Contract Strategy Report prepared in April 2018 by Mace. This section of the report provides a summary of our review, with further detail being provided in Appendix D of this report.

The Upper Orwell Crossing Procurement and Contract Strategy Report recommends the following strategy:

- A procurement strategy based on "Two-Stage Open Book with Early Contractor Involvement"
- A contract strategy using and NEC4 Engineering and Construction Contract incorporating option X22 (Early Contractor Involvement) where the Contractor's appointment in Stage 1 is to assist the Employer's consultant in designing the project
- The use of a single contract with two payment mechanisms; main option E (Cost reimbursable contract) for Stage 1 and main option C (Target cost with activity schedule) for Stage 2.

We are aware that an OJEU Notice has been issued inviting pre-qualification submissions on the basis of the above strategy but have not reviewed any supporting tender or contract documentation.

We understand that the objectives for the procurement are:

- Cost certainty
- Protect the project programme and achieve key dates associated with external funding
- Maximise the benefit of Early Contractor Involvement in the planning process
- Retain the involvement of Suffolk's existing consultant team in the project

The procurement report discusses the challenges and risks that the Two-Stage Open Book approach poses specifically to the objectives in respect of cost certainty and programme. These risks are summarised as:

- Stage 1 costs can escalate and must be closely controlled
- A lack of competitive tension when agreeing the Stage 2 price
- Agreeing the Stage 2 price can be time consuming and may have an adverse effect on the overall programme
- There is a risk that no agreement can be reached with respect to the Stage 2 price.

The procurement report also recognises that careful consideration of risk allocation will be required to strike the right balance aspiration to reduce overall costs and achieve a degree of cost certainty.

When used in combination with main option C the provisions in X22 incentivises the Contractor on two levels. In addition to the option C Target Cost (Pain/Gain) mechanism X22 establishes a Budget (which represents the maximum amount of money the Employer wishes to spend on the project) and an incentive payment based on sharing any savings on the Budget. There is no 'pain' side to the incentive so, while this secondary mechanism encourages collaborative behaviour, it does not 'cap' the Employer's costs.

The adoption of a Two Stage Open Book procurement process seems to be a reasonable approach. Evidence from trial projects suggest that this may achieve cost savings of as much as 20% when compared with more conventional procurement models.

Similarly, securing Early Contractor Involvement in advance of making an application for the Development Consent Order (DCO) is also a reasonable approach.

There are some aspects of the strategy, specifically the extent of Supply Chain Collaboration, that seem to lack detail in the report. However, these may have been expanded upon in the documents issued to candidates in the pre-qualification which have not been available as part of this review.

Furthermore, the fact that a OJEU Notice has been published is likely to restrict the potential to refine the procurement and contract strategy. Therefore, if the project is to continue following the affordability review any changes to the procurement strategy would be minor in nature. In that respect Jacobs would make the following recommendations:

- Consider the extent of supply chain collaboration in more detail. As a minimum implement optional clause X12 (Multiparty Collaboration) in all contracts and sub-contracts.
- The adoption of two payment mechanisms within a single contract for both stages of the ECI project will require additional drafting. The Employer could reconsider a single procurement process based on the conditional award of two separate contracts for Stages 1 & 2. This approach would allow the use of a Professional Services Contract which may be more appropriate to Stage 1 services. Alternatively, the Employer may wish to use Option C but adopt a different target cost (pain/gain) mechanism for each. Both of these alternatives would avoid the need for additional drafting.
- The Target Cost (Pain/Gain) mechanism is held out as an area that the Employer will negotiate. Based on previous experience this must be done carefully. The need for cost certainty and incentive to deliver to savings over the current cost estimated must be carefully balanced with avoiding the adverse consequences of a Contractor suffering 'pain'.
- The procurement report does not consider procuring the works as a programme of separate construction contracts. Jacobs advise that during Stage 1, consideration should be given to whether each of the bridges and the remote highways improvements might be better procured as separate contracts. This would allow the contractor to focus their efforts to best effect on Bridge A. It may also be that there are options to procure the smaller packages through existing framework arrangements.
- Within the chosen procurement model it is important that the client retains a robust consultant team to manage both the process and the contactor and to verify the Contractor's price for Stage 2

Suffolk are advised that they should seek the advice of a specialist procurement lawyer on the whether the extent of these changes would be permissible within the context of the publish OJEU Notice.

If a more radical change to the procurement strategy were possible the following options would merit consideration (or reconsideration) for the reasons stated below:

- A more traditional Design & Build approach may offer greater cost certainty and more control over the project programme but would bring less benefit from the contractor's involvement
- The use of a partnering contract or alliance in order to leverage greater benefit from collaborative working.

8. Report Summary

The Upper Orwell Crossings is a complex project in early stages of development. Significant benefits to the communities and businesses of Ipswich and the surrounding areas are expected to be realised by construction of the scheme however it should be noted that the majority of benefits identified in the OBC are associated with Crossing A.

In summary, we have reviewed the scheme design concept and found that it is generally sound, with appropriate consideration given to the numerous site constraints, to the engineering issues, and requirements of stakeholders.

This report summary is structured to respond directly to the specific questions included in the original brief received from SCC.

8.1 Capital Costs

A number of costs have been quoted for the scheme with the reason for the changes not necessarily clearly understood; headline costs are therefore summarised below. As shown in the Cost Summary table in Appendix B, the cost review can be split into two main areas – the net construction cost and the additional project costs such as land, design, fees, risk, etc. Our review has considered both areas and also the suggested 15% 'Safeguard Estimate'.

8.1.1 Capital Cost Summary

The key capital cost estimates provided to Jacobs by SCC are shown below in Table 10 as follows:

Stage	Estimated Capital Cost (£m)	Escalation Date	Comment
Outline Business Case	96.649	2021	
RIBA Stage 2 (concept design)	117.74	November 2022	Design development of Bridge A, and more complex piers introduced
Current estimate	122.30	November 2022	Additional allowance made for capital costs incurred to-date and future SCC staff costs

Table 10: Capital cost summary

It should be noted that the above costs exclude the 15% safeguard estimate.

The basis of the OBC costs has not been reviewed as part of this commission. However, the design development of Bridge A, plus the later escalation date give a clear basis for overall cost increase.

The relative costs of the three Crossings are summarised in Table 11 below, based on an apportionment (as assessed by Jacobs) of the additional project costs,

Element	Estimated Total Cost (£m)
Crossing A	101.89
Crossing B (Opening Span)	13.55
Crossing C	2.30
Total	**117.74**

Table 11: Relative Costs of the Three Crossings

8.1.2 Net Construction Cost

In general, the Jacobs standard estimating procedures would class this as an 'Early Budget estimate' with an expected confidence level of -10% to +20% for most projects. As summarised in Section 4 of this report, based on the information provided to Jacobs, the construction cost estimates appear in general to be of the right order. The differences noted in our review are +2% of construction costs which is not considered significant.

8.1.3 Additional Cost Items

Our review identified that there is some variation and uncertainty on the cost items which have been added to the net to give the total project cost. These include items such as risk and land costs and these are discussed in more detail in Section 4. At present these additional costs include approximately 15% of risk and estimating uncertainty, based on net costs.

When considered overall, the total value of these cost items is within the expected acceptable range for a project in this stage of development.

Items for which further work is recommended include:

- the STATS allowance for utility diversions based on estimates from the providers (understood to have been requested but not yet received); note that it has been included for in the Estimating Uncertainty assessment.
- Risk allowance – the risk register and QCRA should be fully reviewed to ensure that all issues are captured, costed and assessed. The QCRA risk allowance figures can then be updated.
- Separate identification of any contingency which has been included in these figures to ensure that allowances are not compounded.

8.1.4 Safeguard Estimate

It is our opinion that the additional 15% safeguard estimate which has been added to the overall cost estimate in order to make allowance for Brexit and possible market uncertainty should not be included as a blanket increment. Rather, these items should be detailed and included in the risk register. This would therefore ensure that there is more clarity on the number and value of the project risks and the QCRA outputs that inform the risk allowance value will be more representative than currently. Jacobs also note that some aspects of the safeguard estimate do appear to be addressed within the current QCRA and hence that combining the existing 15% risk allowance with an additional 15% safeguard estimate on total project costs is unduly conservative.

8.2 Items for Consideration to Reduce the Cost of the Project

The Jacobs technical review (Appendix A) identified ways to reduce the project costs which are summarised in Section 3.4 along with the potential concerns or issues associated with each one. In addition, Section 3 also includes details of cost reduction options which have been identified and costed by the SCC project team.

The opportunities identified for cost reduction include amendments to the project scope (such as removal of Crossings B and C) as well as changes to the design concepts.

Whilst crossings B and C are included in the original OBC, they can potentially be separated from Crossing A. Jacobs has made an estimate of the indicative overall cost of each crossing by apportioning costs such as Utility Impacts and design fees across all three Crossings. Some reduction in costs on these smaller Crossings are possible but relatively small. More is to be gained by considering whether these bridges can be delayed or omitted. It should be noted however that if these bridges are separated out and constructed at a later date, then their costs are likely to increase to allow for inflation, design, planning, additional preliminaries etc.

Should Crossings B and C be delayed or removed from the scheme, further consideration will be required to ensure that the pedestrian and cycle provision is safe and accessible depending on which Crossing A option is selected (Crossing A will be the only route available). Items which will impact the safety and accessibility include the width of the provisions and gradients.

Table 12 below provides a summary of the options identified to reduce the cost of the project including combinations of the individual items where appropriate. The changes considered to the design concepts and presented below will, in general, require some compromise for either land, stakeholder acceptance or accessibility. The table provides the indicative total cost variance for each option when compared to the current RIBA2 design as well as the associated risks and issues.

Table 12 also includes a column which indicates the cost of each option including the 15% safeguard allowance. This has been included for consideration until the risk register and risk allowances can be amended to include items for Brexit, market uncertainty etc. It should be noted that this 15% safeguard allowance has been applied to the overall project cost and is therefore applied differently to the -10% to +20% confidence factor which applies to the net/construction costs only.

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Option	Description	Indicative cost variance from RIBA2 three crossings (current proposals)	Total Estimated Cost excluding the 15% safeguard estimate (including incurred and future costs)	Total Estimated Cost including the 15% safeguard estimate (including incurred and future costs)	Risks / Impact of Cost Reduction
1	RIBA 2 A, B & C (three crossings)	£ -	£ 122.303m	£ 140.648m	Current RIBA2 design (three crossings)
2	RIBA 2 A, B & C (three crossings) + eastern landing junction saving	£ 0.75m	£ 121.553m	£ 139.785m	This change to the eastern landing is proposed for all options (so will become part of the current design)
	Option combinations that may be deliverable – note that all would require additional design				
3	RIBA 2 A, B & C (three crossings) + eastern landing junction saving and new western alignment	£ 10.750m	£ 111.553m	£ 128.285m	• Further work would be required to understand specific local impacts on western side
4	RIBA 2 A, B & C (three crossings) + eastern landing junction saving, new western alignment and reduced bridge gradient	£ 13.320m	£ 108.983m	£ 125.330m	• Further work would be required to understand specific local impacts on western side • Alternative options for access to ABP east bank would be required. The cost for this is currently not included. • Reduced gradient likely to require more frequent bridge opening for maritime traffic (delay for road traffic)

Option	Description	Indicative cost variance from RIBA2 three crossings (current proposals)	Total Estimated Cost excluding the 15% safeguard estimate (including incurred and future costs)	Total Estimated Cost including the 15% safeguard estimate (including incurred and future costs)	Risks / Impact of Cost Reduction
5	RIBA 2 A and B (two crossings) with eastern junction change, new western alignment & reduced bridge gradient (As Option 4 with Crossing C removed from the scheme)	£ 15.320m	£ 106.233m	£ 122.167m	• Further work would be required to understand specific local impacts on western side • Alternative options for access to ABP east bank would be required • Reduced gradient likely to require more frequent bridge opening for maritime traffic (delay for road traffic). • No work to Crossing C may create ABP and other stakeholder objection. Island site accessibility limited. • This option includes the maximum option savings but could be adjusted to provide the range of schemes indicated in options 2 and 3 above.
6	RIBA2 Crossing A only with eastern landing/junction change (As Option 2 with Crossings B and C removed from the scheme)	£15.750m	£ 106.553m	£ 122.535m	• Potential ABP and other stakeholder objection. • Island site development is not enabled. • Island site accessibility limited. • Sustainable access across Bridge A is undesirable due to the bridge gradient. Alternative access for pedestrians and cyclists would be via existing (substantially longer) routes.
7	RIBA2 Crossing A with eastern landing junction change + reduced bridge gradient	£ 18.320m	£ 103.983m	£ 119.580m	• Potential ABP and other stakeholder objection • Island site development is not enabled. • Island site accessibility limited. • Alternative options for access to ABP east bank would be required • Reduced gradient likely to require more frequent bridge opening for maritime traffic (delay for road traffic).
8	RIBA2 Crossing A with eastern landing change + new western alignment and	£ 28.320m	£ 93.983m	£108.080m	• Further work would be required to understand specific local impacts on western side

Option	Description	Indicative cost variance from RIBA2 three crossings (current proposals)	Total Estimated Cost excluding the 15% safeguard estimate (including incurred and future costs)	Total Estimated Cost including the 15% safeguard estimate (including incurred and future costs)	Risks / Impact of Cost Reduction
	reduced bridge gradient (As Option 4 with Crossings B and C removed from the scheme)				• Alternative options for access to ABP east bank would be required • Reduced gradient likely to require more frequent bridge opening for maritime traffic (delay for road traffic). • Potential ABP and other stakeholder objection. • Island site development is not enabled. • Island site accessibility limited.
9	Do Minimum A + B and C, (three crossings) with eastern landing junction	£ 10.750m	£ 111.553m	£ 128.285m	• Bridge perceived as lower quality • reduced pedestrian/cycle facilities may be seen as undesirable or unsafe for dual use • Additional cost and time required for developing the design of the Do Minimum • There is a funding and planning approval risk due to the minimal provision for sustainable access.
10	Do Minimum A + B and C (three crossings) with eastern landing junction + revised western alignment	£ 20.750m	£ 101.553m	£ 116.785m	• Bridge perceived as lower quality • reduced pedestrian/cycle facilities may be seen as undesirable or unsafe for dual use • Further work would be required to understand specific local impacts on western side • Additional cost and time required for developing the design of the Do Minimum • There is a funding and planning approval risk due to the minimal provision for sustainable access.
11	Do Minimum A + B and C (three crossings) with eastern landing junction + new	£ 23.320m	£ 98.983m	£ 113.830m	• Bridge perceived as lower quality • reduced pedestrian/cycle facilities may be seen as undesirable or unsafe for dual use

Option	Description	Indicative cost variance from RIBA2 three crossings (current proposals)	Total Estimated Cost excluding the 15% safeguard estimate (including incurred and future costs)	Total Estimated Cost including the 15% safeguard estimate (including incurred and future costs)	Risks / Impact of Cost Reduction
	alignment and reduced bridge gradient				• Revised alignment impacts on residential properties on the Western side. Replacement accommodation would be required • Alternative options for access to ABP east bank would be required • Reduced gradient likely to require more frequent bridge opening for maritime traffic (delay for road traffic). • Additional cost and time required for developing the design of the Do Minimum • There is a funding and planning approval risk due to the minimal provision for sustainable access.
12	Do Minimum A + B (two crossings) with eastern landing junction + new western alignment and reduced bridge gradient (As Option 11 with Crossing C removed from the scheme)	£ 25.320m	£ 96.983m	£ 111.530m	• Bridge perceived as lower quality • reduced pedestrian/cycle facilities may be seen as undesirable or unsafe for dual use • Revised alignment impacts on residential properties on the Western side. Replacement accommodation would be required • Alternative options for access to ABP east bank would be required • Reduced gradient likely to require more frequent bridge opening for maritime traffic (delay for road traffic). • No work to Crossing C may create ABP and other stakeholder objection. Island site accessibility limited. • Additional cost and time required for developing the design of the Do Minimum • There is a funding and planning approval risk due to the minimal provision for sustainable access.
13	Do Minimum A with eastern landing junction, new western alignment and reduced	£ 38.320m	£ 83.983m	£ 96.580m	• Bridge perceived as lower quality

Option	Description	Indicative cost variance from RIBA2 three crossings (current proposals)	Total Estimated Cost excluding the 15% safeguard estimate (including incurred and future costs)	Total Estimated Cost including the 15% safeguard estimate (including incurred and future costs)	Risks / Impact of Cost Reduction
	bridge gradient (As Option 11 with Crossings B and C removed from the scheme)				• reduced pedestrian/cycle facilities may be seen as undesirable or unsafe for dual use • Revised alignment impacts on residential properties on the Western side. Replacement accommodation would be required • Alternative options for access to ABP east bank would be required • Reduced gradient likely to require more frequent bridge opening for maritime traffic (delay for road traffic). • Potential ABP and other stakeholder objection. • Island site development is not enabled. • Island site accessibility limited. • Additional cost and time required for developing the design of the Do Minimum • There is a funding and planning approval risk due to the minimal provision for sustainable access.

Table 12: Summary of identified Cost Saving Options

We note that application of any of these possible cost savings will change the Project as it is currently proposed and its impacts on land and key stakeholders. Decisions to include any of these changes will require careful consideration before implementation. Consultation with DfT is recommended if the project scope is substantially changed.

8.3 Other Non-Quantifiable Opportunities

We have reviewed the construction methodology prepared by Kier Infrastructure. The proposals are essentially sound and represent a practical approach which is buildable. When a Contractor has been selected, various options may be available for reducing cost and construction programme but that will be very dependent on the chosen methodology of the selected contractor, and in particular the use of marine plant, versus use of extensive temporary works.

The current procurement route is to source a contractor at an early stage and then develop the final design and construction methodology together with the SCC project and design team (Early Contractor Involvement). This approach is intended to allow the design to be tailored where possible to the Contractor's preferred construction methodology, which should offer ether cost or programme savings. We note that this procurement route is reliant on setting a Budget to incentivize the Contractor. Ensuring that this is accurately and appropriately determined is critical to the success of the project.

Appendix A. Technical Review Paper

Technical Review Paper

1.1 Introduction

This section of the report presents a review of the technical information that has been made available for the current scheme including the enhancements proposed to Crossing A by Foster+Partners. The review looks at each of the three bridge crossings in turn.

1.2 Crossing A

1.2.1 Description

Crossing A is the principal component of the scheme and links Holywells Road, at the east end, to the roundabout junction of Hawes Street, Virginia Street, Rapier Street, Wherstead Road, at the west end, providing a link for vehicle, cyclists and pedestrians. The road links on either side of the bridge which connect to the existing network are severely constrained for both horizontal and vertical alignments by local development and infrastructure such as Network Rail sidings, port and commercial access requirements. These constraints necessitate work to adjust the levels on the existing network in order to tie-in.

The overall structure is approximately 770m long including approach embankments with approximately 450m of viaduct, with typical spans of 40-50m. To provide navigation access to the Ipswich Wet Dock the viaduct includes an opening span with a total length of 86m. This allows unrestricted height access for vessels and provides a 20m wide navigation channel. The viaduct also crosses Cliff Road and an Associated British Ports access road on the eastern side and Network Rail sidings on the western side. Each of these provide constraints in terms of required clearances and the location of pier foundations.

The viaduct features a composite ladder beam deck (steel beams supporting a concrete slab) supported by steel trees (an arrangement of 4 inclined steel columns) located on reinforced concrete piers founded on a pile cap and piles, with the pile cap located within the river bed, to provide minimal obstruction to river flows.

The highway cross section consists a 7.3m wide single carriageway, a 3.5m wide unsegregated pedestrian / cycleway to the north and a 2.5m wide pedestrian footway to the south. This gives a total width including parapets of 14.3m. The new highway will have a speed limit of 30mph and rise at a maximum gradient of 6%.

1.2.2 Design Development

The design presented above (Section 1.2.1) is known as the RIBA stage 2 (Concept) design. In order to meet an aspiration that the design be of high aesthetic quality befitting the town centre location Foster & Partners were appointed to contribute to the design development process. The RIBA 2 design is the result of that collaboration, with the steel tree piers being the most visible aspect of that work. The design team has also previously developed a ‘Do Minimum’ option design to benchmark the project cost. The Do Minimum option has a deck width of 11.4m encompassing a 7.3m wide single carriageway, and a 3.5m wide unsegregated pedestrian / cycleway, as shown below. The deck for the base design is supported on full height concrete piers, with no steel tree piers.

1.2.3 Design Commentary

The next stage of the planned design development is classified as RIBA stage 3 (Outline Design), and it is understood that the SCC design team have identified a number of items to be considered in more detail to confirm their practicality.

The following are comments by the Jacobs design team with respect to the current design, made as independent reviewers and acknowledging that these are aspects that the design team may already be planning to address at the next stage. It is worth noting that the current level of design is more detailed than would normally be expected at the concept stage.

Bridge vertical profile

It is understood that the philosophy behind the RIBA 2 design is to maximise the gradient (6%) in order that the bridge deck will be a high as practically possible at the crossing of the shipping channel. The intent is that this will minimise the number of occasions when the bridge will need to open to shipping and thus obstruct the use of the crossing by vehicles, cyclists and pedestrians. From the discussions with the project team work is ongoing to more clearly define the relationship between vessel heights and the requirements for bridge opening, and hence the impact on highway traffic flows.

Maximum gradients of 6% are considered relatively arduous for some pedestrian and cyclist users. Jacobs would therefore question the attractiveness of Bridge A for non-vehicular traffic, particularly if an alternative low level route is available via Bridges B and C (although we note that during tidal free flow, used to refresh the wet dock, crossing C is inaccessible to pedestrians or cyclists for approximately 2 hours twice a day).

The opening span

The opening span represents additional complexity. Given that it is located within the viaduct, remote from the river banks, there are concerns regarding robustness of power provision and support to operating systems, how the bridge operation will be overseen including possible requirements for direct observation of the moving span by the operators (although discussion of possible remote viewing/operation is currently underway), emergency procedures in the event of equipment failure, and maintenance provisions including the need for future replacement of mechanical parts, such as the slewing bearing.

It is believed that the design team have adopted a balanced swing span on the basis that this reduced eccentric load effects on the main slewing bearing, and thus reduces stresses on this key mechanical item. The disadvantage is that this leads to a relatively long moving span which is an expensive form of deck construction and may be susceptible to displacements under environmental load conditions that complicate the operation.

Tree Piers

The tree piers give rise to a distinctive form for the crossing and if incorporated into the final design will be significant in giving the bridge an identity closely associated with Ipswich. They do however provide additional complexity to the structure and hence potentially additional cost. A potential advantage of the trees is that they reduce the effective span of the deck between the piers, but they also complicate the articulation of the deck and its ability to respond to changes in traffic and thermal loadings. Provision of suitable bearings and allowance for future bearing replacement is considered to be a particular challenge. The alternative being the provision of additional joints in the deck with movement joints at deck level, which add additional maintenance requirements. The manufacture of the nodal point at the top of the concrete pier will be complex and installation of the trees complicates pier erection.

Vessel Impact

Whilst we appreciate that the navigation channel manages impact on the piers / trees by the location of the fenders, the tree members are relatively thin and therefore potentially more susceptible to accidental impact damage from errant vessels than the main deck or concrete piers. Similarly, the moving section of the deck is susceptible to impact damage when open to allow shipping traffic. To deal with both issues requires provision of sufficiently robust vessel protection measures to clearly define the navigation channel and to prevent accidental collisions with the structure.

Costs

Costs are discussed in more detail in Section 4 of the main report and in the cost review report. The indicative difference between the Do Minimum design and the RIBA 2 design are summarised below:

Bridge Option	Do Minimum Design	RIBA 2
Indicative Net Cost [£m]	44.4	52.1
Indicative Total cost [£m]	92.4	102.2

There are some approximations in the quoted numbers, and it is considered that additional design development has occurred with the RIBA 2 design that if it were applied to the Do Minimum design would result in some changes to the quoted costs. Nevertheless, this does indicate a premium in the order of £10m total cost for the RIBA 2 design.

1.2.4 Recommendations

Design Basis

No formal Design Basis document or Approval in Principle has yet been developed for the scheme. Given that Bridge A is a non-standard highway structure and of significant scale Jacobs would have expected a design basis document to have been produced early in the design stage to act as a clear reference, to establish design philosophy, and to define items such as required carriageway width, navigation clearance requirements, and outline requirements for dealing with the contaminated river bed.

Agreed navigation requirements

It is suggested that the project team develop a clear understanding of the interaction between crossing height, navigation clearance to the swing span when not open to shipping, and the likely frequency of opening, with consequent impact on highway traffic flow. It is understood that a survey of vessel heights has recently been undertaken. Developing a good understanding of the interaction between crossing height and requirements for operation of the Crossing A swing span allows a rational decision to be taken with respect to setting the crossing height – see 'revised vertical profile', below.

The location of Crossing A with respect to the Prince Phillip Lock is likely to result in the need for operational interaction between the Crossing A swing span and the lock. It is recommended that early discussions with the port operator are undertaken to understand whether this impacts the predicted duration and frequency of opening of the Crossing A swing span.

Revised vertical profile

The current vertical alignment features gradients of up to 6%. Based on the outcomes of the navigation study it is recommended that a less steep profile, perhaps with gradient of around 4% is developed. This potentially makes the crossing more attractive to pedestrians and cyclists and offers some cost reduction, with a possible small increase in number and duration of swing bridge opening events.

1.2.5 Potential cost saving measures

Deck width

In general terms reduction in deck width gives a proportional saving in net costs due to reduced material and reduced loads on the foundations. Jacobs view is that that the level of likely use by non-motorised users does not necessarily justify the provision of the 2.5m wide pedestrian footway to the south adopted in the RIBA 2 design, however we have no visibility of the predicted usage. The Do Minimum option deck design may be considered sufficient depending on predicted usage and subject to the gradient / vertical profile of the bridge.

Based on a simple pro-rate assessment of cost a conservative indicative saving is £1.6m.

Revised vertical profile

Subject to the outcomes of a navigation requirements study it is considered that reducing the height of the crossing mid-river can offer a small saving, through reduced height piers and reduced foundation requirements. Although the benefit in absolute cost terms is considered relatively small, there is also an important user benefit in making the bridge more accessible to pedestrian and cycle traffic.

Optimised structure

From discussions with the project team it is apparent that some optimisation of the design has occurred during the development of the RIBA 2 design. It is however the view of Jacobs that further optimisation (and may well be the intent of the project team during the next phase) is possible. The current design adopts a steel ladder beam deck with both longitudinal and transverse members formed of rectangular hollow sections. This is not common for this form of construction and the adoption of 'I' section beams as per industry practice would result in reduced steel weight and simpler connection details.

The trees give a distinctive feature but are considered to add cost and complexity to the crossing. If the trees are to be retained it is suggested that they be reduced in number and retained only close to the mid-point of the crossing.

The current drawings and construction method report indicate pile caps formed within the river bed, thus necessitating the need for cofferdams and the removal of contaminated material. Alternative forms of foundation should be considered including the use of precast pilecaps and monopiles, integrated directly into circular columns. These solutions offer the potential of reduced material and simpler and faster construction. Such considerations are closely related to the contractor's expertise and equipment for working in marine conditions.

Adopt the Do Minimum Design in lieu of the RIBA 2 design

If the reduction in deck width and the removal of the trees postulated above are deemed acceptable then effectively the Do Minimum design option could be adopted. Although the do minimum option was conceived as having minimal aesthetic input that does not need to be the case. Careful detailing of the structure, for example in the surface finish and cross-section of the concrete piers, can result in a quality structure without significant impact on overall cost.

Revised vertical profile and access at east end

The current RIBA 2 vertical profile provides sufficient headroom to clear both the ABP access road and Cliff Road before meeting Holywells Road. At present the proposed junction with Holywells Road is a roundabout. To provide the necessary vertical clearance at Cliff Road it has been necessary to raise the entire roundabout area above existing ground level, which increases the cost of land, service diversions and engineering material required for fill, embankments and retaining walls.

It is understood that the project team have identified a number of possibilities around reducing the vertical profile, replacing the roundabout with a signalised junction and providing alternative access for Cliff Road. The extent of cost saving depends on a number of variants. While it is recognised that this revised option requires greater flexibility from stakeholders to accept compromise, it is considered worthwhile that the project team progresses this option, as a variant to the current RIBA 2 scheme.

1.2.6 Similar example projects

Attached to this report are examples of two relatively recent projects that demonstrate certain aspects that may be applied to The Upper Orwell Crossings. Both have been procured via conventional design and build routes with the Clackmannanshire Bridge showing that such a procurement route does not preclude the development of an aesthetically pleasing design solution. This is also combined with cost effective construction techniques. The Sheppey Crossing is an example of a steel/concrete composite bridge with the design optimised for the site constraints and construction methods.

It should be noted that in both cases the unit cost of construction is significantly less than the current estimates for Crossing A, however they do not have an opening span and are not in urban areas.

1.3 Crossing B

1.3.1 General

Two options have been developed for Crossing B: an opening solution to provide navigation with unrestricted headroom; and a fixed bridge which will prevent navigation for the majority of vessels along the New Cut beyond Felaw Street. Both options would provide access for vehicle traffic and for pedestrians and cyclists between New Cut West and the "Island Site" located within the centre of Ipswich Wet Dock.

Construction of the bridge will facilitate redevelopment of the Island Site by Associated British Ports (ABP), Current access to the Island site is via Stoke Quay but this is judged undesirable to support the future traffic to be generated by the redevelopment. A master plan for redevelopment of the island site is currently being developed by ABP. The plan has not been reviewed by Jacobs, but it is understood to for a mixed-use redevelopment which is different in emphasis form the development of the island site as a high-tech hub envisaged when the Outline Business Case was submitted for funding. At this time limited work has been done to develop either option, and the intent is that public's view be sought at the next consultation phase on the need for an opening or fixed crossing.

The highway cross section for both options will consist of a 7.3m carriageway with a 3.5m wide combined pedestrian and cycleway located on either side to connect into existing and planned pedestrian and cycleway routes. The proposed speed limit is 30 mph.

1.3.2 Fixed Option

At present the fixed option consists of a 50m single span post-tensioned reinforced concrete voided deck. The span has been selected to be sufficient to cross the New Cut and to have the bridge foundations located behind the existing river walls, thus minimising any impact on the walls and avoiding disruption of contaminated material in the bed of the New Cut.

The new tidal barrier to the south of the New Cut provides 1:300yr downstream flood protection which will reduce the flood risk however the bridge soffit would still be within the flood level determined by the flood walls. Information of the revised fluvial flooding event is unknown. The Environment Agency is aware of proposed designs and requires the structure to take impact associated with debris.

1.3.3 Opening Option

The opening option is by necessity more complex than the fixed option. The crossing comprises two spans: a fixed steel/concrete composite deck span 24.7m long; and a 23m long lifting span consisting of two steel box girders supporting cantilever walkways. The lifting span is positioned on the eastern side of the New Cut over the deeper part of the channel.

The adopted option for the opening span is a single leaf bascule bridge with a overhead lifting arms and counterweight. This option is considered by the project team to be an economically advantageous solution that minimises the size of the central pier required within the river and keeps the operating machinery clear of the water. Positioning the eastern abutment within the river reduces the span length, and minimises impacts on the existing eastern river wall which is currently showing signs of distress

The inclusion of the moving span, including the need to raise the span during flood events, complicates the provision of integral flood defence measures and the project team acknowledge that at the end of RIBA stage 2 this remains an outstanding item requiring further design development.

As a moving bridge a mechanical and electrical control building is required. At the present this is envisaged to be a 2-storey structure, with a plant room on the ground floor and the bridge controls on the first floor. The building will be located on the island. The project team recognise that further development of this design is required.

1.3.4 Design Commentary

Design development
It is noted that the extent of design development for Crossing B is less complete than for Crossing A. This does however reflect that the capital cost of this crossing is significantly less than for Crossing A. the lack of design development is most apparent in the context of the integration of crossing B with the flood defence requirements, and the development of control tower options for the opening variant.

Costs

Costs are discussed in more detail in the Cost review report. The indicative difference between the opening and fixed design are summarised below:

Bridge Option	Fixed	Opening
Indicative Net Cost [£m]	4.0	5.4
Indicative Total cost [£m]	11.4	13.6

Whilst there are some uncertainties with the allocation of general costs across the three crossing elements, the table suggest that the opening span commands a premium of approximately £2m. Given some of the outstanding design issues and the inherent complexity of an opening span this difference is less than Jacobs would expect.

1.3.5 Recommendations

Vertical Profile
It is noted that the soffit of the fixed option (and it is assumed that the same applies to the opening option) is within the 1 in 100 year flood event. It is no clear whether this has been agreed with the Environment Agency, and in general terms is regarded as not satisfactory. Jacobs recognise that the existing infrastructure on the western side offers constrains to the vertical profile, but suggest that at RIBA 3 stage effort be made to lift the soffit clear of flood levels.

Integration of Crossing B with flood defence requirements

Particularly for the opening option the lack of a current viable solution represents design and approval risk and should be progressed as an early RIBA stage 3 activity.

Control Building

The control philosophy for Crossing B needs to be developed further including consideration of integrating operations with Crossing A into a single building, and/or integration in to ABP's facilities for operation of Prince Phillip Lock.

Estimating uncertainty

Given that there is additional work to do to define the engineering solutions, particularly with respect to the opening bridge option, it is considered that a proportionally higher cost uncertainty applies to this structure, while noting that overall it remains a relatively small part of the overall scheme.

1.3.6 Potential cost saving measures

Reduction in deck width
The current RIBA 2 scheme has two 3.5m combined footway/cycleways. Jacobs would question whether this is strictly necessary and suggest that the omission of one footway will lead to a largely proportional reduction in a number of cost elements.

Omission of Opening span

Due to increased complexity, the opening span is more expensive than the fixed span. The current limit of navigation along the New Cut is Bridge Street, approximately 400m further upstream from the Crossing B location. Apart for a small number of moorings there are no specific marine destinations along this stretch of the river. Adoption of the fixed span is therefore recommended, subject to the agreement with the relevant authorities.

Omission or phased provision of Crossing B
The Island site already has vehicular access at the north end. While this is not wholly satisfactory this might provide an interim solution until the development becomes more fully defined or established. It is also noted that the main beneficiary of Crossing B is ABP as owner of the island development site. The main benefits of the overall Upper Orwell Crossings scheme accrues from Crossing A, and therefore the council may wish to seek alternative funding sources for this aspect of the project.

1.4 Crossing C

1.4.1 Description

Crossing C is the existing swing bridge crossing of the Prince Philip Dock which is to be retained, refurbished and enhanced to provide pedestrian and emergency access to the island from Ship Launch Road. It is understood that scope of works includes the following:

- Removal and off-site repair of the bridge superstructure.
- Undertaking extensive modifications of the existing deck plate, and deck construction, to realise the F&P architectural design intent.
- Inspection and refurbishment of the mechanical and electrical systems including renewal of the drive mechanisms and hydraulics which are approaching the end of their serviceable life.
- landscaping works to the bridge approaches,
- Modification of the bridge parapets to meet current standards.
- Installation of new feature lighting across the deck to provide lighting to the proposed combined footway and cycleway.

Crossing C has the smallest capital value of the three elements of the Upper Orwell Crossings project and as such is considered only briefly in this report.

1.4.2 Design Commentary

Design intent
It is noted that the proposed refurbishment scheme is a high-quality scheme including landscaping works and the substantial rebuilding of the deck to improve the user experience. It is considered that this is adding cost to the scheme, though it is also noted that the removal and rebuilding of the deck is likely to address the typical uncertainties that arise when seeking to repair old structures in-situ.

1.4.3 Potential cost saving measures

It is suggested that the scope of works be critically reviewed in terms of minimum requirements to give a safe and functional crossing.

As for Crossing B delayed implementation of Crossing C until the development has been progressed may be possible.

Clackmannanshire Bridge

Scheme Overview

The Clackmannanshire Bridge crosses the Firth of Forth and was constructed as part of a £120 million scheme to construct a 6.4km route to act as a relief road to Kincardine.

Structure Overview

The bridge is 1.188km long and carries a three-lane carriageway. It comprises 26 spans with lengths ranging from 36m to 65m, and sits on single circular columns. The central 65m span provides a navigation channel 60m wide and 9.2m above high tide. The site phase for the bridge lasted from June 2006 to August 2008.

Figure 1 Clackmannanshire Bridge

Superstructure

The deck has a total width of 17.5m and depth of 2.8m. It is a three-cell concrete box girder with doubly-curved soffit, with the main vertical webs at 4m centres. Slabs are typically 225mm thick and webs 400mm thick. The deck is partially prestressed using external prestressing cables throughout, with the continuity cables sized so that the section is fully compressed under the long-term permanent loads. Launching cables were sized to impose an average axial stress on the section of around half that which would be required to achieve full compression.

Substructure

The deck sits on 3.75m diameter circular piers, typically supported on a single 3m diameter bored cast in situ pile. The underlying geology is layers of sandstone and mudstone. Piles were designed to carry vertical load by socket action in the rock, with the load carried by a combination of skin friction and end bearing. Typical piers have one guided bearing and one free bearing, with the four central piers having fixed bearings.

Construction

Piling in the Firth of Forth was carried out using a sea-going jack-up barge. Pile casings were driven by vibration, and then the piles drilled with reverse-circulation tools under water. The reinforcement cage could then be placed, and the concrete pour carried out. Cycle time for construction of each pile was 3 to 5 days. The pile casings were used as cofferdams for construction of the pier shafts.

The bridge deck was incrementally launched from the north side of the firth. It was constructed in 45m long units on a two-week cycle. Each unit was cast in four lengths, comprising three 11m lengths of the span and a 12m long pier section. The 11m lengths were cast in two sections, with the webs and bottom slab as the first pour, and the top slab as a second pour. The pier section, containing a diaphragm and the prestressing anchorages, was cast as a single pour. The launching nose was a 35m long, twin-plate girder which was attached to the front of the deck with prestressing bars. Launching was by two 600t capacity pushing jacks at the rear of the deck. Three temporary piers were constructed to ensure the maximum span during launching was no greater than 45m.

References:

{1} Design and construction of Clackmannanshire Bridge, Scotland, S Bourne et al, Proceedings of the Institution of Civil Engineers, Bridge Engineering 162, December 2009, Issue BE4

New Sheppey Crossing

Scheme Overview

The New Sheppey crossing was constructed as part of the £100 million A249 Iwade bypass to Queensborough improvement scheme, to improve transport links between the Isle of Sheppey and mainland Kent. The 5.6km long route includes the new fixed, high-level crossing of the Swale, reducing congestion at the existing vertical lift bridge.

A 30-year DBFO contract for the scheme was awarded in February 2004, with the bulk of construction work on the crossing completed between June 2004 and summer 2006.

Figure 1 New Sheppey Crossing
Phil Pead (https://commons.wikimedia.org/wiki/File:Sheppey_Bridges.jpg#filelinks), https://creativecommons.org/licenses/by-sa/4.0/legalcode

Structure Overview

The fixed road bridge carries 4 lanes of traffic, two in each direction, and provides a clearance of 29m above high water level. The 19 spans vary in length from 44m at each abutment, to the central navigation span of 92.5m. The bridge deck is 1.27km long and supported on 2 abutments and 36 columns. There are 18 pier bases, 13 on land and 5 within the Swale. The viaduct is of composite steel and concrete construction.

Superstructure

The 22.4m wide deck comprises 4 plate girders at spacings of 5.5m, with cross girders provided at typical spacings of 3.5m. The concrete deck slab is generally 250mm thick, and sits on permanent participating precast concrete formwork, which spans longitudinally between cross girders. The main girders vary in height from 1.56m at the abutments, to 3m at the centre of the bridge.

Substructure

The ground conditions comprise alluvium, London Clay and Lambeth Beds. The bridge is supported on bored piled foundations at all intermediate piers and abutments, with piles acting in both skin friction and end-bearing in the London Clay. Pile diameters are typically 900mm and 1200mm. The main piers, either side of the central navigation channel, are founded directly onto the London Clay to provide resistance to ship impact. These were constructed within a permanent steel sheet-piled cofferdam. Permanent fixity is provided at these main piers.

Construction

Due to the limited construction corridor, spans over water, and plan and vertical geometry, the bridge steelwork was erected by launching. Approximately 1000t of temporary steelwork was used in the form of pier head frames and nose girders. The bridge steelwork was launched in 5 phases using low-friction PTFE pads, and pulled using strand jacks. As various phases of steelwork construction were completed, construction of the concrete deck slab started. A bespoke gantry was manufactured to lift and place the 300mm wide precast concrete formwork planks into position, and also to lift reinforcement onto the deck. This gantry ran along the centre of the outer main girder top flanges. Deck pours were carried out in typical lengths of 35m. Construction of the concrete deck cantilevers followed on from the main deck pours and was carried out using a combination of a bespoke overhang-type system and a modular cantilever falsework system.

References:
{1} Design and construction of the New Sheppey Crossing, R Clough and J. Parsons, Proceedings of the Institution of Civil Engineers, Bridge Engineering 160, September 2008 Issue BE3.

Appendix B. Cost Summary Spreadsheet

TUOC PRICING - RIBA 2 DESIGN JULY '18 - CONSTRUCTION COSTS - JACOBS ADJUSTED

		CROSSING A	CROSSING B	CROSSING C
		July'18	Opening	Refurbishment of Existing Bridge
100	Preliminaries	£13,854,506	£1,724,087	£557,003
100	Temporary Works	£6,084,851	£502,227	£484,255
200	Site Clearance	£432,153	£62,000	£49,650
300	Fencing and Gates	£600,000	£68,000	
400	Road Restraint Systems	£1,289,750	£27,280	
500	Drainage	£886,755	£7,170	
600	Earthworks	£6,836,486	£61,106	
700	Pavements	£200,545	£13,539	£3,737
1100	Kerbs, Footways & Paved Areas	£108,631	£9,009	£3,217
1200	Traffic Signs & Markings	£14,927	£2,000	
1300	Road Lighting	£28,860	£11,100	
1400	Electrical Works for Lighting	£143,932	£8,118	£5,000
1600	Piling Works	£2,437,996	£552,846	
1700	Structural Concrete	£2,277,101	£309,880	£4,368
1800	Steelwork for Structures	£11,954,943	£988,500	£99,896
1900	Protection of Steelwork Against Corrosion	£720,000	£72,000	£37,500
2000	Waterproofing	£306,286	£11,490	£3,575
2100	Bridge Bearings	£105,000		
2200	Mechanical & Electrical Works	£2,210,720	£580,000	£221,342
2300	Expansion Joints	£30,000	£570	
2400	Stonework	£0		
2500	Special Structures	£1,401,150		
2700	Accommodation Works	£167,350	£410,000	
3000	Landscape and Ecology	£0	£2,325	
	TOTAL NETT COSTS	**£52,091,942**	**£5,423,247**	**£1,469,543**
	Total Nett Combined		**£58,984,732**	
	Fee at 12.5% on Total Nett Combined Costs	£6,511,493	£677,906	£183,693
	Design - Temporary Works and Incidental	**£150,000**	**£50,000**	
	STATS Allowance as at July '18	£2,649,428	£275,830	£74,742
	Risk (see QRA P80 3/7/18)	£4,664,527	£485,620	£131,589
	Estimating Uncertainty P80 (4/7/18)	£2,271,683	£236,503	£64,085
	Total Costs (excluding Escalation) per bridge	**£68,339,073**	**£7,149,105**	**£1,923,652**
	Total Costs (excluding Escalation)		**£77,411,830**	
	Escalation 13.37%	£9,136,934	£955,835	£257,192
	Design	£4,415,714	£459,716	£124,570
	Environment mitigation	**£500,000**	**£163,200**	
	Land	**£18,000,000**	**£4,322,263**	
	Network Rail			
	Junctions	**£1,500,000**	**£500,000**	
	Total Costs per bridge	**£101,891,721**	**£13,550,120**	**£2,305,414**
	TOTAL COST		**£117,747,255**	

Appendix C. Construction Strategy / Buildability Review Paper

Construction Strategy / Buildability Review

1. Introduction

The Upper Orwell Crossings project comprises of three separate bridge crossings termed A, B and C. As can be seen from the graphic representation in Figure 1 below, Crossing A is the most substantial element of the project in terms of size and cost, therefore the key focus of the project review will be put on crossing A.

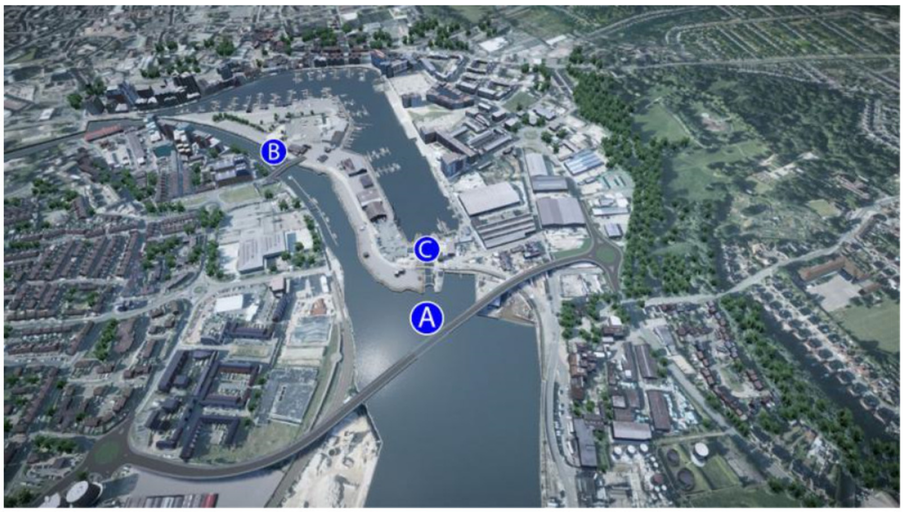

Figure 1: Scheme Overview

Crossing A is a 770m single carriageway bridge between the A137 Wherstead Road and C26 Holywells Road, spanning the River Orwell. The bridge will consist of approximately 7 piers with 3/4 proposed in the river. The bridge will consist of an opening section in the deepest part of the river for navigation channel with 20m width as agreed with the Statutory Harbour Authority.

The opening section of bridge A will be a swing span, of approximately 85m centred over a single pier in the middle of the river as illustrated above. The bridge approach structure is formed in reinforced earth embankments. The approach spans are formed of trapezoidal twin box beams supported on bearings on leaf piers (Rectangular Piers). An in-situ concrete deck is formed on permanent shuttering with road finishes and vehicle restraint systems. The swing span is an orthotropic deck turning on a swing pier and two outer rest piers of the same design.

Crossing B is a 50m span bridge from Felaw Street, spanning the New Cut and landing on the Island Site, following a south-west to north-east alignment. There are no significant savings to be made following the review of the construction methodology of Bridge B. It can be confirmed that the fixed bridge design will be substantially cheaper and quicker to construct than the opening bridge.

Crossing C is a non-motorised users (NMU) bridge connecting the Island Site to Ship Launch Road. Similar to B, no significant savings to be made from the review of the construction methodology.

This paper has been prepared in response to a request from Suffolk County Council for a review of the Upper Orwell Crossings project due to concerns of affordability. A key component of any proposed infrastructure project is the construction methodology as this will influence both the cost and programme.

2. Proposed Construction Methodology - Bridge A

The current proposed construction methodology detailed in the TUOC Bridges A, B & C Construction Advice Report (Kier Infrastructure, June 2018) can be summarised as:

- Installation of temporary works jetties from each river bank to the extent of the piers at the navigation span. The jetty will be constructed using a 160t crawler crane driving fenders piles and installing crossheads and deck panels to form the temporary structures.
- The jetties will be used to construct a cofferdam using sheet piles and the bridge pier pilling foundation. Following the construction of the cofferdam, the dewatering system will be set up to keep the cofferdam dry and enable a more traditional construction methodology.
- The pile cap will be install by excavating the river bed to a suitable layer (Underside of the pile cap) and the pile cap install using steel cage and shitter and concrete.
- The pier construction will follow similar methodology to the pile cap utilising traditional methods of in-situ concrete and the cofferdam temporary work.
- For approach spans, 160t lifting cranes will operate on temporary works jetty structures. The trapezoidal beams will be delivered by barge to be off-loaded from the jetty ends in the river navigation channel. On land cranes will assemble the bridge beams before being delivered by barge and transported along the temporary jetties.
- The Cantilever beams will be erected on the outside of the combined boxes to be overlaid with precast soffit panels incorporating edge upstands. The deck will be cast inside in panels.

The above methodology represents a practical solution with the majority of construction risk dealt with using robust temporary work and construction methods that have been tried and tested. The use of jetties will ensure the navigation channel is kept clear of construction activities as far as possible and any potential delays will have minimal impact on ongoing marine users.

The methodology proposed will also limit the need for a specialist contractor, as the methodology will be familiar to more traditional / general contractors.

The current proposed strategy for construction minimises marine specialist operations. This is reflected on the construction methodology proposed by Kier for the pricing and the buildability assessment. By focusing on minimising specialist activities, several marine innovative construction methods were not considered in favour of a more traditional form of construction which may offer less cost and programme benefits. Whilst this proposed approach can be reviewed as conservative, the excessive use of temporary works potentially contributes to programme duration and risk.

The main reasons for not proposing the use of large marine plant within the context of the report was due to the need for dredging works that are likely to be necessary for use of such plant. It should be noted that dredging activities may disturb the contaminated river bed and the operation does risk dispersion; it would need to be managed by specialist contractor to ensure the risk is minimised and obtain regulatory approval. By comparison, the use of cofferdam and installation of complex temporary piles is likely to carry similar risks of dispersing and appropriate mitigations will have to be put in place.

3. Bridge A Construction Methodology Alternatives

A marine engineering specialist contractor may be able to offer potential alternatives that may offer saving of time, cost and risk compared to the traditional more conservative methodologies proposed. Noted below are alternative construction methods for consideration.

Current Proposal - Temporary Works Jetties: Temporary works jetties will be installed from each river bank to the extent of the piers at the navigation spans. Installation will be carried by a 160T crawler crane driving piles and installing crossheads and deck panels ahead of it. The jetties will then provide a working platform to construct the Cofferdam, pilling and pier construction for the bridge.

Alternative for Consideration: Following targeted dredging, a jack up barge can be used as alternative to extended jetties on fender piles (see figure 2 below). The barge will offer a similar working platform and flexibility of positioning for specific tasks such as pilling and pier construction.

Figure 2: Jack up barge capable of adjusting to tides to enable the construction of the piers and pilling activities.

Current Proposal - Pile cap construction: The current method proposed involves piling, the driving of sheet piles to form cofferdams and the excavation of bed level material to form pile caps. This will involve significant disturbance and removal of potentially contaminated material. This carries an approvals risk around disturbance and disposal of the excavated material.

Alternative for Consideration: Due to the limited width of the bridge (single lane carriageway)**,** the use of monopole (see figure 3 below) transitioning directly into a circular column would be preferable as opposed to the traditional (proposed) pilling with pile cap. This alternative approach would remove the need for a pile cap and therefore the need for cofferdam construction for individual piers. The use of monopoles will have no impact on the aesthetic of the bridge and will provide a cleaner interface with the navigation channel. This is a technique that is heavily used in windfarm construction with a number of UK marine specialist contractors locally available.

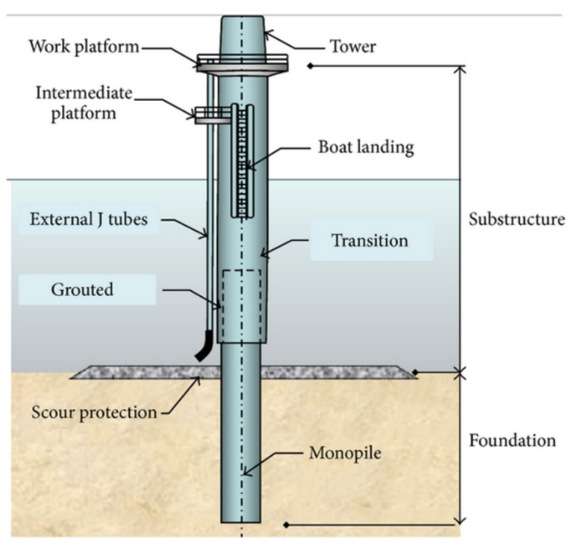

Figure 3: Monopile transition to bridge pier.

The monopile structure is a relatively simple design by which the bridge pier is supported by the monopole either directly or through a transition piece as illustrated above. The pile can be made from steel tube or bored concrete pile (cased concrete pile, with casing driven first). This type of piles is heavily used in the offshore wind farm construction where the structures are subjected to large cyclic loading (something the centre opening pier is likely to be subject to). The diameter of monopole can be up to 6m which will ensure that the bridge can be supported adequately.

Current Proposal - Bridge deck construction: The Kier methodology for the bridge spans is for heavy lifting cranes to operate on temporary works jetty structures. The trapezoidal beams will be delivered by barge to be off-loaded from the jetty ends in the river navigation channel. This will ensure that all lifting operations are safe and stable to provide for accuracy of placement on bearings. Temporary use of the navigation channel for off-loading beams would be a day's operation for each span. Liaison with ABP would be necessary sufficiently in advance of each operation. On land cranes will erect bridge beams, delivered by barge and transported along the temporary jetties, supported on designed temporary works crane mats.

Installation of the Moving Span: The Kier methodology was to install the bridge bearing on the swing pier by use of a floating sheerlegs, of 600T lifting capacity. The whole opening span will be brought to site complete (at around 560T) and will be lifted into place with the sheerlegs (see figure 4 below). The sheerleg is an expensive process that could reduce the construction cost if it can be avoided.

Figure 4: Sheer leg for erection of moving span

Alternative for Consideration: Bridge spans can be delivered fully constructed on a jack up barge or on a normal flat bottom barge (see figure 5) and a combination of jacking and ballasting used to position the deck directly on the piers. The concrete deck can be omitted to reduce lift weight. Concrete deck can then be added as precast slabs with in-situ stitches. The barge will limit the need for large cranes and complex temporary work (jetty structures). Which is likely to reduce the programme duration and risk. The risks associated with use of a jack up barge should be mitigated by the use of a specialist marine contractor familiar with the methodology.

A further potential alternative construction method is to use incremental launching of the bridge deck (see figure 6); however, the proposed alignment does not look practical for this approach but investigation by project team of alignment and construction space would confirm.

Figure 5: Bridge deck jacking from barge to reduce the need for large temporary work jetties and cranes

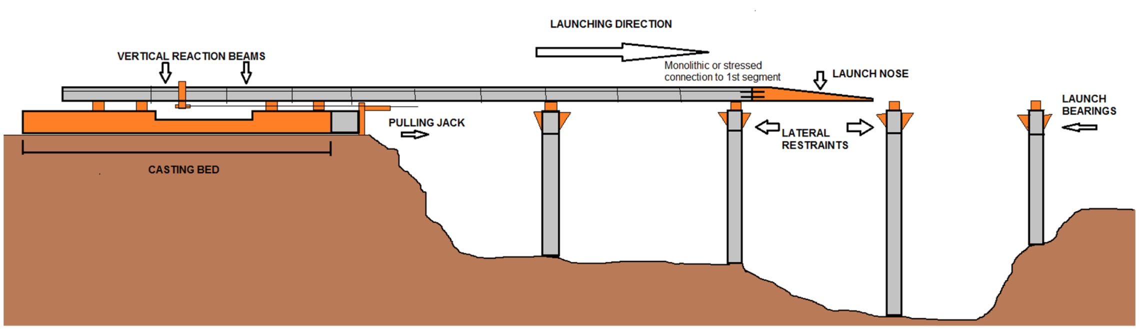

Figure 6: Incremental bridge launch process

4. Conclusion

A specialist marine engineering contractor may be able to deliver the Crossing A bridge with a more effective marine engineering solution compared to those proposed by Kier Infrastructure.

There are a number of unknown factors that require further investigation and assessment of site data in order to confirm alternative options. Data from the recent extensive site investigation and other sources will aid in understanding:

- The extent of contamination of the river bed: The mitigations being proposed to manage the contamination from the river need to be adequate for the level and type of contamination.
- The riverbed material and suitability of dredging: Review of marine plant to be used. How much of the river needs to be dredged and the extent of it
- The size of the barge that can navigate the river and the lifting and working capacity available

The option to dredge the river to enable access by a larger barge for construction is an alternative solution that could provide cost and programme savings.

Appendix D. Review of Procurement Strategy

The Upper Orwell Crossing Procurement and Contract Strategy Review

1. Summary of Procurement and Contract Strategy Report

The stated aim of the Upper Orwell Crossing Procurement and Contract Strategy Report (revision 3, June 2018), referred to as "the report", is to find a procurement route that;

- Minimises the risk to the delivery costs
- Optimises the delivery programme
- Allows for innovation and value engineering
- Maintains design flexibility

1.1 Procurement Options

The report considers three procurement options;

- Traditional Procurement with Early Contractor Involvement
- Design & Build
- Two-Stage open book

The report recommends an option which is described as "Two Stage Tendering with Early Contractor Involvement".

1.2 Contract Strategy

The report also considers and compares contract strategies based on using separate contracts for Stage 1 (NEC4 Professional Services) & Stage 2 (NEC4 Engineering and Construction Contract) or a single contract with an instruction to proceed mechanism to address the transition between the stages (NEC4 Engineering and Construction Contract with option X22).

The report recommends the use of a single contract (NEC4 Engineering and Construction Contract) with optional clause X22 "Early Contractor Involvement".

1.3 Payment Mechanism

The report also considers the various payment options that the NEC4 contract offers, including;

- Option E: Cost reimbursable contract
- Option C: Target contract with activity schedule
- Option A: Priced contract with activity schedule

The recommendation in the report is that Stage 1 should be undertaken using Option E (Cost reimbursable contract) and Stage 2 using Option C (Target contract with activity schedule). The report recognises that additional Z-clause(s) would be required to facilitate the adoption of different payment mechanisms for Stages 1 & 2 within a single contract.

1.4 In summary

Summary, the report recommends;

- A Two-Stage Open Book tender process with Early Contractor Involvement
- Use of the NEC4 Engineering and Construction Contract with option X22 (Early Contract Involvement)
- Adoption of main option E (Cost reimbursable contract) for Stage 1 and main option C (Target contract with activity schedule) for Stage 2

The report does not appear to have considered procuring the project as a programme of separate contracts.

2. Employer Objectives

Based on the report and our discussions with Suffolk we understand that the objectives for the procurement are as follows (priorities listed in no specific order);

- Cost certainty
- Maximise the benefit of Early Contractor Involvement in the planning process
- Protect the project programme and achieve key dates associated with external funding
- Retain involvement of Suffolk's existing design team in the project

Subject to the detailed comments below the strategy that is presented in the report represents a balanced approach to these objectives.

3. OJEU Procurement Process

An OJEU Notice (reference 2018/S 101-230134) was issued on 29 May 2018 inviting Contractors to prequalify for the tender on the basis of the strategy set out in the report. The return date for the pre-qualification was 29 June 2018. The report suggests that there was an intention to issue Invitation to Submit Initial Tender documentations to the selected tenderers on 9 July 2018.

The notice suggests that Suffolk County Council will negotiate the following matters:

- Contract Data
- Pain/Gain Mechanism for target cost
- Incentivisation
- Z Clauses
- Construction Phase Insurance
- Scope

The fact that this notice has been published (and that the market will now have responded to the notice) will restrict the extent to which the strategy can be changed without there being the need to revisit the pre-qualification phase.

This review has not had the benefit of reviewing the pre-qualification documents.

4. Comments on Procurement and Contract Strategy

4.1 Procurement Options

The report considers three possible procurement options;

- Traditional procurement with Early Contractor Involvement
- Design & Build
- Two-Stage open book

The report does not consider these addition new models of procurement. The process recommended by the report appears similar to the familiar approach to Early Contractor Involvement used in the highways sector for some time.

The Government Construction Strategy (2011) and "Construction 2025" (published in 2013) set out an objective to achieve savings in construction procurement of up to 20% through reform on procurement practice and effecting behavioural & cultural change. These documents promoted three new models of procurement. In addition to Two-Stage Open Book these were;

- Cost Led Procurement
- Integrated Project Insurance

These new models are set out in more detail in the Cabinet Office document "New Models of Construction Procurement" (2 July 2014). In summary;

- *Cost Led Procurement* – an integrated team is selected from an existing supply chain on their ability to work in a collaborative fashion. The team is then challenged to develop a bid that will be within an affordable ceiling set by the employer.
- *Integrated Project Insurance* – based on the adoption of a third party insurance policy to cover the risks associated with the project delivery. This insurance would include all of the conventional insurances that the various parties would hold as well as covering cost overruns on the project above a pain-share threshold.
- *Two Stage Open Book* – as described by the Cabinet Office the key to this is the supply chain collaboration as part of an integrated team that extends to include the Contractor, the consultant team and Tier 2 supply chain. It also works best when used alongside more collaborative forms of contract such as partnering or alliance contracts.

Wider supply chain collaboration is key to all of these procurement methods. In this respect the proposed route falls somewhat short of what is envisaged in the Cabinet Office documents and the more detailed guidance on two stage open book published by King's College London.

Trial projects suggest that savings of up to 20% may be achievable using the Two-Stage Open Book approach.

Similar savings may also be achievable using both Cost Led Procurement or Integrated Project Insurance. These models also offer a greater degree of the cost certainty than the preferred Two-Stage Open Book approach.

The option recommended in the report – described as Two-Stage Open Book with Early Contractor Involvement – is a balanced approach that reflects each of the Employer's objectives. The report discusses the challenges and risks associated with this strategy which are:

- Stage 1 costs can escalate and must be closely controlled
- A lack of competitive tension when agreeing the Stage 2 price
- Agreeing the Stage 2 price can be time consuming and may have an adverse effect on the overall programme.
- The is a risk that no agreement is reached with respect to the Stage 2 price.

In order to manage these risks, it is crucial that the Employer retain a robust consultant team to manage both the process and the contactor and to verify the Contractor's price for Stage 2.

Depending on the balance of the objectives some of the alternative procurement options discussed here may better align with the Employer's objectives. For example, a more traditional D&B option offers tighter control of the process and may offer a more predictable programme.

Cost Led Procurement and Integrated Project Insurance both have the potential to offer a greater degree of cost certainty.

4.2 Contract Strategy

The procurement report assumes that the project will be undertaken using a single construction contract. It does not consider whether the project might be executed more efficiently as a programme of separate contracts each of which could be tailored to the works in hand in a more appropriate way.

For example, the Contractor, and their marine sub-contractor, may add significant value to Bridge A through the process of early contract involvement but is unlikely to bring the same level on input or benefit to bridge C or the remote junction improvement works. Alternative strategies may be more appropriate to these packages. Further, it may even be possible to procure these smaller packages through existing framework arrangements.

The contract strategy also adopts a single contract for both Stages 1 & 2 but recommends that different payment mechanism would apply. The report recognises that additional drafting will be required to accommodate this. While that approach is feasible in our opinion the adoption of different payment mechanisms for each stage suggests that one of the following alternative approaches might have been more appropriate;

- a single procurement process based on the conditional award of two separate contracts for Stages 1 & 2
- use Option C but with an adopt a different target cost (pain/gain) mechanism for each stage.

Overall the approach proposed is similar to the traditional approach to ECI used by Highways England. Experience of that model suggest the risks to Suffolk County Council will be the control of costs and the risk of termination at the transition into Stage 2.

4.3 Payment Mechanism

The report recommends an approach that would use different payment mechanisms for Stages 1 & 2 in combination with a single contract (NEC4 ECC with X22). This is not an approach that naturally 'fits' with the contract which expects a single payment mechanism. This is recognised in the report which suggests that z-clauses will be required to facilitate this. While that is possible a single procurement based on a conditional award of a separate Stage 2 contract may have been more appropriate.

The report discusses the various payment mechanisms that might be used with X22 for Stage 2 and concludes that a Target Cost would be appropriate. This is a reasonable approach but will not naturally deliver cost certainty. If a target cost mechanism is to do so the 'pain' side of the risk and reward mechanism will need to set a maximum price above which all costs will be borne by the Contractor. When used in combination with main option E the provisions in X22 incentivises the Contractor on two levels. In addition to the option C Target Cost (Pain/Gain) mechanism X22 establishes a Budget (which represents the maximum amount of money the Employer wishes to spend on the project) and an incentive payment based on sharing any savings on the Budget. There is no 'pain' side to the incentive so, while this secondary mechanism encourages collaborative behaviour, it does not 'cap' the Employer's costs.

4.4 Supply Chain Collaboration

Wider supply chain collaboration has been seen to be key to the success of the trial projects using 'new' models of procurement. It is clear that report envisages a large degree of collaboration but it does not specifically address how this might be done. As a minimum the use of NEC option X12 should be considered.

5. Conclusions and Recommendations

The conclusions in the report set out what is a reasonable approach to the procurement of a project of this nature. The fact that an OJEU Notice has been published and the pre-qualification process begun restricts the options available to the Employer to refine their approach or adopt a different procurement route without re-starting the procurement process. To do so would introduce a delay of four to six months in the programme, incur additional costs and may undermine the credibility of both the project and the Employer as a procuring authority.

With that in mind our main recommendations are that the Employer should:

Recommendation # 1 – The fact an OJEU notice has already been published may limit the Employer's ability to refine their contract and procurement. Suffolk are advised that they should seek the advice of a specialist procurement lawyer on the whether the extent of these changes would be permissible within the context of the publish OJEU Notice.

Recommendation # 2 – Consider the extent of supply chain integration and collaboration in more detail. Implement NEC optional clause X12 in all contracts as a minimum.

Recommendation # 3 – The Target Cost (Pain/Gain) mechanism is held out as an area that the Employer will negotiate. This must be done carefully. The need for cost certainty and incentive to deliver to savings over the current cost estimated must be carefully balanced with avoiding the adverse consequences of a Contractor suffering 'pain'.

Recommendation # 4 – Reconsider the strategy for the novation of the consultant team. For Stage 1 a more comprehensive approach to collaboration should achieve similar results. Further the Employer's objectives may be better mat by retaining the team in an advisory capacity and allowing the Contractor to select their own designer.

We also recommend that the Employer seek advice from a procurement lawyer on the scope that remains to change tack without revisiting the re-qualification. In the event that a more radical reconsideration of the strategy is permissible then we would make the following additional recommendations:

Additional Recommendation # 5: Consider whether it would be more appropriate to undertake the works under four separate contracts as follows:

- Upper Orwell Crossing – Main Bridge A and associated infrastructure only
- Refurbishment of Bridge C
- Bridge B
- "Off-site" junction improvements

We believe that this approach will focus the contractors inputs on the areas where the contractor's input can provide greatest value. It also potentially allows greater transparency should additional funding be secured, for example from AP for Bridge B. It may also be possible that these smaller contracts can be awarded under existing framework arrangements that SCC have.

Additional recommendation # 6: The adoption of different payment mechanisms for each a single contract (NEC4 ECC with X22) for both stages of the ECI project will require additional drafting. SCC could reconsider a single procurement process based on the conditional award of two separate contracts for Stages 1 & 2. Alternatively, the Employer may wish to use Option C but with an adopt a different target cost (pain/gain) mechanism for each. Both of these alternatives would avoid the need for additional drafting.

Additional recommendation # 7: Given the opportunity the Employer may wish to consider a more radical approach to collaboration such as partnering or alliancing.

Brief Description of the project:

- The project has been assigned the status of a Nationally Significant Infrastructure Project
- DfT funding has been secure in the amount of £77.5m from the Local Majors Fund. That is conditional on there being a 'local contribution' of £19.1m
- The budget for the construction contract appears to be circa £65m
- The BCR is approx. 4:1
- Project comprises three bridges crossings the Orwell and associated accommodation and highways works;
    - Crossing A appears to be on the strategic road network
    - Crossing B is to release development potential on the island
    - Crossing C is a pedestrian & cycle only link and will be a refurbishment of the existing swing bridge.
    - There will be a sustainable link between Crossing B & C
    - There will be link between Crossing C and the existing highway network

- alterations to the junction of Cliff Lane and Landseer Road
- alterations to Hawes Street/Station Street/Bath Street roundabout
- alterations to Hawes Street/Vernon Street/Felaw Street/Mather Way.

Suffolk County Council

Confirmed

Minutes of the Cabinet Meeting held on 9 October 2018 at 2.00 pm in the King Edmund Chamber, Endeavour House, Ipswich.

Present:	Councillors Matthew Hicks (Chairman), Mary Evans (Vice Chairman), Beccy Hopfensperger, Gordon Jones, James Reeder, Richard Rout, Richard Smith MVO and Paul West
Also present:	Councillors Jack Abbott, Sarah Adams, Helen Armitage, Mark Bee, John Field, Peter Gardiner, Mandy Gaylard, David Goldsmith, Nick Gowrley, Inga Lockington, Guy McGregor, Jack Owen, Caroline Page, Bill Quinton, Karen Soons and Joanna Spicer.
Supporting officers present:	Susan Cassedy (Democratic Services Officer).

30. Apologies for Absence

No apologies for absence were received.

31. Declarations of Interest and Dispensations

There were no declarations of interest or dispensations.

32. Minutes of the Previous Meeting

The minutes of the meeting held on 11 September 2018 were confirmed as a correct record and subsequently signed by the Chairman

33. Public Questions

No public questions were received.

34. Standing Item – Update from the Scrutiny Chairman

At Agenda Item 5 the Chairman of the Scrutiny Committee introduced the Update from Scrutiny Chairman which had previously been circulated and advised he was happy to take any questions.

Decision: The Cabinet noted information provided in the Update from the Scrutiny Chairman.

Reason for decision: The Cabinet recognised the importance of the Scrutiny function.

Comments by other councillors: The Cabinet Member for Finance and Assets referred to the item 'Forecast Review and Capital Spending and Corporate Performance Summary' which was considered by the Scrutiny Committee on 27 September 2018. He advised the Chamber that the current overspend was less than it had been in Quarter 1. With regard to the item

‘Health and Wellbeing of Staff’ the Cabinet Member for Finance and Assets noted that the levels of staff sickness were above the national average and recognised that the Council needed to, and would, change how it was dealing with this issue.

Alternative options: None considered.

Declarations of interest: None declared.

Dispensations: None reported.

35. Future Home Care Operating Model

A report at Agenda Item 7 by the Director of Adult and Community Services invited the Cabinet to approve the proposed operating model, spend and any potential procurement activity.

Decision: The Cabinet:

a) endorsed the proposed operating model for home care and support; and

b) delegated authority to the Corporate Director of Adult Community Services, in consultation with the Cabinet Member, to proceed with the procurement and implementation of the new arrangements.

Reason for decision: The Support to Live at Home (StLH) contract was due to end in September 2019 with no option to extend. The Council had developed a new model for Home Care and Support following extensive market engagement, stakeholder consultation and customer feedback via a Health Watch survey. The proposed model had been developed to better manage the complexity of care needs and increasing demand and deliver the Council’s Home Care Principles.

Approval of the proposed model would enable more detailed work to progress with the implementation of home care and support services. This would include the re-procurement of home care and support services using new Locality and Bespoke contracts. It would also enable time to develop an integrated approach with health partners, particularly the Alliances, that would be required to redesign some existing health and care services and provide an integrated Responsive service.

Comments by other councillors: The Cabinet Member for Health noted that engagement with NHS providers had improved significantly and that this was absolutely key to the new home care system. In response a query raised by the Cabinet Member for Health about retaining staff in rural communities, the Cabinet member for Adult Care advised that the complexity of rurality of Suffolk had been taken in to account through the banding pricing structure recognising the cost of carers travelling to and around rural areas. The Cabinet Member for Health asked if there was any indication of the number of providers who may not take up the new model particularly in rural areas. The Cabinet Member for Adult Care stated that in recognising how unsettling it was for customers to have a change of care provider the Council was working very closely with providers to ensure their policies and business cases were ready and robust enough to give them the best chance possible to be successful in the tender process.

The Deputy Leader and Cabinet Member for Highways, Transport and Rural Affairs stated that the Council owed it to the people of Suffolk to do all it could to stabilise and support the care sector and she was pleased the new model recognised the bonds and trust that developed between people and their carers. The Cabinet Member for Adult Care stated that Home First was an outstanding provider with an ethos of re-enablement and rehabilitation, keeping people out of residential care or going into hospital and would work alongside the Council's providers to ensure consistency of care should there be a failure of the market or if there is a particular increase in demand such as winter pressures. The Cabinet Member for Adult Care added that the Council wanted to support people to live in their own home as independent as possible for as long as possible and she had every confidence that the new model would support peoples' choices.

The Cabinet Member for Environment and Public Protection noted the Council had learnt lessons from past experience and had produced a model which was a result of extensive engagement. He noted the reduction of delayed transfers of care and asked how the new model would improve delayed transfer of care still further. The Cabinet Member for Adult Care stated she was delighted to see the figures for delayed transfer of care going down and highlighted the work and effort put into ensuring those figures continued to decrease by working across with Health colleagues and GPs to provide an integrated service which would help decrease the number of people having to rely on hospital beds.

In response to a question from the Cabinet Member for Children's Services, Education and Skills, the Cabinet Member for Adult Care advised that there were various different models of home care operating nationally and that the new Suffolk model was developed by using a very strong evidence-based approach and therefore she was confident that this bespoke model was the right model for Suffolk going forward.

The Leader of the Council and Cabinet Member for Economic Development and Infrastructure asked how the Responsive Service process would develop with regard to GPs referrals. The Cabinet Member for Adult Care explained that the GP federation was part of the Council's Alliance Programme and so as the development of this locality model continued, the Council would work with Alliance partners and Health colleagues to ensure that GPs would know to contact the Responsive Service.

A Councillors noted that by 2038 one in three residents would be over 65 and asked if any assessment had been carried out regarding the impact of Brexit or the lack of affordable housing for care staff or availability of care staff now and in the future. The Cabinet Member for Adult Care advised that the Council supported providers in recruiting and retaining carers and would continue to raise the profile of the carer role and carer progression in order to show what a rewarding role it was. The Cabinet Member for Adult Care drew the Chamber's attention to the recent Suffolk Care Awards which recognised excellence in Suffolk's care industry. She pointed out the Council was unable to deliver care without care providers and dedicated carers being in place and the Council was working with them to make sure there were training programmes in place in order for them to retain staff. The Cabinet Member for Adult Care advised that discussion on Brexit had taken place with Suffolk Association of Independent Care Providers and a survey conducted on how Brexit would affect retention of carers had produced a mixed response. Some providers relied heavily on EU citizens whilst others did not, and the same unknowns would apply to affordable housing going forward. Services had to be as robust as possible to stand up to what was an unknown picture.

In response to a councillor's comments regarding wage comparison and the minimum wage, the Cabinet Member for Adult Care acknowledged that some people often moved out of the carer role as they could get more money in other jobs. However, the Council could not dictate to providers what they paid their staff and it was working with providers to ensure that they had good packages in order to recruit and retain carers. The Cabinet Member for Finance and Assets confirmed that the Council moved to the living wage a number of years ago and Officers confirmed that it was a legal requirement to pay the living wage.

The Cabinet Member for Adult Care clarified that there was just one homecare support service and that the use GPs was just an example of a first contact response with there being various different avenues. The Cabinet Member for Adult Care explained that what was important was the response to that first contact as this could affect the whole care package going forward. It was confirmed that the Council would ensure that people knew about the Responsive Service, providing contact details as part of process going forward. Officers added that on more than one occasion GPs had stated that the only resource they often had was to call an ambulance to convey the person to hospital for an assessment, this was not good for the patient, wasteful for the ambulance service and the emergency departments.

In response to a councillor's question, Officers advised that the small number of self-funders that the Council arranged care for would have a choice to either pay the new price, which may go down as well as up, or they could make direct arrangements with the care provider and pay whatever fee was negotiated. Officers reassured Cabinet that whilst the system was moving from three bands to five, the total cost of the care system was the same as before, so self-funders were very unlikely to see a significant change in cost.

A councillor noted that the key to dealing with demand was to prevent it in the first place. The councillor stressed the importance of celebrating getting older and living longer and that there were many things that the Council, working with its NHS partners, could do to enable people to have longer, fitter and stress-free lives. The councillor asked if the Council's NHS partners had the same sign-up to the new model. In response the Cabinet Member for Adult Care stated that she considered that partnership working with Health colleagues was better than ever before with a strong commitment from all to work as equal partners as there was not a sustainable NHS without a sustainable social care system.

The Cabinet Member for Adult Services provided the Chamber with the cost of each of the five price bands and confirmed that consultation had taken place with providers on the acceptability of the process. She advised that providers needed to make the business decision on whether it was right for them to continue to go forward in the bidding process. Officers explained that each individual care provider would determine its own costs. Approximately 75% of cost went directly and indirectly on staffing costs particularly in the rural areas where the price bands were higher, and that office and administration costs were fairly low. There would also be a profit element in the cost with the care industry making low margins at around 5% profit, some making no profit at all. Officers added that in order to recruit carers, providers needed to pay their staff more than the national living wage and confirmed most providers did.

A councillor expressed concern about the warnings from the Labour Group when the last system was put in place being ignored and that the Cabinet Member at the time was convinced it would work. Concern was also expressed that opposition spokespersons had not been consulted on the new model. The councillor wished to know why the Cabinet Member was convinced that the new system was going to work and what the review process would be, how regularly it will be reviewed, and how it would be reported back to Cabinet. The Cabinet Member for Adult Care referred to a radio interview she had that morning where she quite clearly stated that no one entered into any contract or proposal with the idea that it was going to fail and whilst the Council had admitted failures in the previous system, it had the confidence to stop the full roll-out across Suffolk. The Cabinet Member for Adult Care apologised for the mistakes made and pointed out that the new model was completely different to the StLH contract as it was more flexible and future proof, delivering the right care at the right time to the right person but more importantly it has the customer at the centre of decision making. The Cabinet Member for Adult Care expressed her confidence in the new model which had taken a year to develop with involvement from people receiving home care services and care providers. She reminded the Chamber that it was the Council's statutory duty to provide home care and that in 2017 it had provided 20 million hours of care and 79% of people interviewed by Healthwatch said they were satisfied with the home care they were receiving.

In response to a query regarding the geographical areas, Officers confirmed that parish boundaries were to be used as these were relatively small. Cabinet was advised that the care sector felt there were too many significant jumps between price bands, so the new model had five bands reflecting the difference in the cost of providing care across Suffolk.

Alternative options: None considered.

Declarations of interest: None declared.

Dispensations: None reported.

36. The Future of the Upper Orwell Crossings project

A report at Agenda Item 7 by the Interim Corporate Director for Growth, Highways and Infrastructure invited the Cabinet to consider a summary of the Project Review by Jacobs and options for progressing the project to include identification of the funding gap and timescales for a final decision.

The Leader of the Council and Cabinet Member for Economic Development and Infrastructure stated that only if there were protracted negotiations on funding would there be the need for the report to slip from the December

Cabinet meeting therefore he requested that ‘in principle’ to be added to the recommendation c).

Decision: The Cabinet:

a) endorsed the findings of the independent report carried out by Jacobs and was of the view that the Council must seek further external resources if the funding gap was to be closed to enable the Upper Orwell Crossings project to proceed;

b) supported the Leader of the Council and the Interim Corporate Director for Growth Highways and Infrastructure to commence formal discussions with the Department for Transport and other central government departments, the New Anglia LEP, Ipswich Borough Council and Associated British Ports and others to explore the availability of additional funding for the Upper Orwell Crossings project. The additional maximum capital funding was £43.2m; and

c) agreed that the Interim Corporate Director for Growth Highways and Infrastructure report in principle to the December Cabinet on the outcome of the above funding discussions so a decision could be made on the future of the project.

Reason for decision: The Council did not have enough capital resources to fill the funding gap between the current project cost estimate and the Department for Transport (DfT) funding of £77.546m confirmed in 2016. Funding for the project comprised the DfT funding together with a local contribution of £19.103m; the local contribution was underwritten by the Council with the expectation of contribution from other parties.

Comments by other councillors: The Cabinet Member for Finance and Assets understand the importance of the project to Ipswich and that in an ideal world the Council would be able to raise the further funds towards the project. Discussions had already commenced with the Department of Transport, NALEP, Ipswich Borough Council and the Associated British Ports who stood to gain considerably from the opening up of the island site. Most importantly, the Council needed success in any discussion with the Treasury.

The Cabinet Member for Ipswich, Communities and Waste, whilst he wished to to see the bridges built, recognised that the integrity of the overall financial position of the Council, when under so much pressure for Adult Social Care and Children’s Services, was more important. He stated that some of the options to try and bring the costs down in the Jacobs report were not acceptable to the Council as it had maintained all along that if the project was to move forward it must be of a very high standard with no direct impact on residential properties.

The Deputy Leader and Cabinet Member for Highways, Transport and Rural Affairs stated that she was keen on any scheme that would reduce congestion in Ipswich but equally she appreciated the money could not be taken from reserves and other means to fund the project needed to be found in order not to compromise the most vulnerable people for the sake of the bridges.

The Cabinet Member for Children’s Services, Education and Skills commented on the projected capital costs going forward in Children’s Services and the considerable capital cost in years to come to meet the statutory obligation to provide schools and school places for the children in our communities.

An Ipswich councillor stressed the need to have a connection for cyclists and also asked if there had been any response so far from the organisations contacted. The Leader of the Council and Cabinet Member for Economic Development and Infrastructure stated that he would report back in December.

In response to a councillor's query about timescale for finding the additional funding, the Leader of the Council and Cabinet Member for Economic Development and Infrastructure stated he believed there was enough time and there would be a good indication by December where the Council stood.

A local councillor raised the issue of traffic modelling. The Leader of the Council and Cabinet Member for Economic Development and Infrastructure reminded the councillor that the debate was not about the pros and cons of the bridges but whether Cabinet agreed to go out to try and raise the money for the bridges. The councillor also asked if there were any costs for mitigating features for the residents living near the bridge. In response the Leader of the Council and Cabinet Member for Economic Development and Infrastructure advised that the Council had only asked Jacobs to produce a report on whether the Council could be confident in the figures being presented by officers and if there was any way to reduce costs.

A councillor queried, if the £43.2m was unable to be found, whether the Council would consider a proposal for having just the pedestrian and cycling bridges. The Leader of the Council and Cabinet Member for Economic Development and Infrastructure stated that the councillor's question assumed that the project would not go ahead. In response to a further question from the councillor, the Leader of the Council and Cabinet Member for Economic Development and Infrastructure advised that the Council would have spent £8m on the project by December. With regard to whether the Council would provide further funding, the Leader of the Council and Cabinet Member for Economic Development and Infrastructure stated that the Council had so far committed to £19m and needed to find additional funding through negotiation.

A councillor expressed concern about jeopardising other projects.

Alternative options: None considered.

Declarations of interest: None declared.

Dispensations: None reported.

37. To consider whether Agenda Item 9 should be taken without the Public (including the Press) present.

Decision: The Cabinet voted unanimously in favour to take agenda item 9 without the public (including the press) present.

Reason for decision: The Cabinet was satisfied that:

a) the report contained information relating to the financial or business affairs of a particular person including the authority holding that information;

b) in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information; and

c) although the public might have benefited from the decision being taken in public in terms of accountability and transparency, there was a risk that disclosing information about the financial or business affairs of a particular person including the authority holding that information might have an impact on future partnerships and purchase negotiations.

Comments by other councillors: There were no other comments.

Alternative options: None considered.

Declarations of interest: None declared.

Dispensations: None reported.

38. Lake Lothing Third Crossing Design and Build Contract Award

A report at Agenda Item 7 by the Interim Corporate Director for Growth, Highways and Infrastructure invited the Cabinet to consider the awarding of the Lake Lothing Third Crossing Design and Build Contract.

Decision: The Cabinet agreed to the recommendation as set out in the report.

Reason for decision: Following completion of an international competitive tender process the project team had identified a preferred contractor to award the Design and Build Contract to. This recommendation had been made in order to complete this significant procurement process that had been undertaken to progress the delivery of this project.

Comments by other councillors: The Cabinet thanked Councillor Mark Bee, Peter Aldous MP and the project team for their hard work. The Cabinet Member for Finance and Assets provided the Cabinet with information on the background of the preferred contractor.

Councillor Mark Bee noted that this was a significant step towards something many considered would never happen and thanked all those involved.

Alternative options: None considered.

Declarations of interest: None declared.

Dispensations: None reported.

The meeting closed at 3.53 pm.

Chairman