

LONDON BOROUGH OF SUTTON

STATEMENT OF ACCOUNTS

2021/22

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Strategic Director - Resources



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1. Narrative Report 2021/22

Local authorities in England are required under the Accounts and Audit Regulations 2015 and the CIPFA Code of Practice on Local Authority Accounting to include a Narrative Report with their published Statement of Accounts. The Narrative Report does not form part of the Accounts and so is not subject to the same inspection regime.



Narrative Report

1. Introduction

This report is a summary of the London Borough of Sutton's main objectives and strategies and the principal risks it currently faces. The report also provides information on how the Council has used its resources to achieve its desired outcomes in line with those objectives and strategies.

This report is intended to provide a fair, balanced and understandable guide to the most significant aspects of the Council's financial performance, year-end financial position and cash flow for the year to 31 March 2022, as well as providing information as to how the Council will develop over the medium term, especially as we begin post pandemic recovery against a backdrop of economic uncertainty.

2. About the Borough

In 2021 Sutton had a projected population of 207,127 residents and this is estimated to increase to 212,385 by 2032 (2.5% increase).

Sutton is home to a high proportion of older residents with 15.4% aged over 65 years, compared with 12.2% for London as a whole.

The Borough has a large proportion of one person households at 30.4% though slightly below the London average of 31.6%. Sutton has a higher proportion of UK nationals at 79.8%, and 69.2% of Sutton residents were born in the UK (compared to 63.1% for London as a whole).

Sutton's population is 82.4% economically active as at December 2021, the 10th highest of London Boroughs. The two highest occupation types in Sutton are professional occupations (29.6%) and associate professional and technical operations (16.7%). There were 10,025 active businesses as at January 2022 of which 93.1% were micro businesses with 9 or less employees. Over 20% of these businesses are in the construction industry and a further 16.8% are in professional, scientific and technical fields.

Sutton has relatively low levels of deprivation. Approximately 10% of Sutton children are living in low income households, 8% of residents are facing fuel poverty and approximately 3 individuals per 1,000 residents are dealing with homelessness or have a priority housing need.

Sutton has the fifth lowest crime rate of all London Boroughs between June 2021 and May 2022 with only 65.3 crimes recorded per 1,000 persons. Of this 19.1 crimes per 1,000 persons are antisocial behaviour, and 23.2 are violence and sexual offences. Sutton scores lower than the London average for these and all other types of crime.

For more information about the Borough visit data.sutton.gov.uk.

3. Organisational overview

Sutton Council's vision is to build a community in which all can take part and all can take pride. This vision encapsulates the community based approach and commitment to addressing quality of life issues and inclusiveness.

The Council's five core values reinforce the vision and provide the underlying context to the way in which the Council does its work. The values form the acronym PRIDE and show how the Council is committed to being; people focused, responsible, innovative, diverse and enterprising.

At the end of March 2022, Sutton Council had 1,209 staff. Of this staffing group, 199 deliver services jointly to Sutton and Kingston (55 in Customer Contact, 18 in Pensions and 126 in Finance). An additional 314 (as at 31.3.22) HR and Organisational development, IT and digital services and Shared Environment services are all employed by Kingston, with teams that provide services to Sutton.

Our overall workforce profile is positive - our representation of employees from Black, Asian and Minority Ethnic communities has remained constant at 26%. There has been a small decrease in female employees, and female high earners have increased slightly by 1%. Our representation of LGBTQ+ employees has remained stable. Employees declaring they meet the Equality Act definition of disability has increased very slightly by 1%, with high earners seeing a 3% increase. More information can be found in the [Equalities Workforce Report](#).

Narrative Report (continued)

4. Operational Model

The Council's Corporate Plan (Ambitious for Sutton) is framed around four strategic outcome themes and was adopted in September 2018 to set out the strategic direction of the Council over a five year period. Ambitious for Sutton sets out the key objectives and priorities for the Council over the medium term to deliver the outcomes of the four themes: Being Active, Making Informed Choices, Living Well Independently, and Keeping People Safe. These are all underpinned by a fifth theme, Smarter Ways of Working, which sets out our ambitions for how the Council will work efficiently and effectively.

Strategic objectives and desired outcomes have been defined for each theme, and the Council is implementing commissioning strategies that target investment to these areas to deliver the outcomes. The Ambitious for Sutton Transformation Programme is our delivery vehicle for progressing these strategies and managing activities that shape our services to be aligned to these overarching goals. The Sutton Plan sets out how we will work in partnership with a range of stakeholders in the Borough to successfully deliver these new services.

The Council's service performance is closely scrutinised at service committees rather than via a corporate balanced scorecard.

The Council made some minor changes to organisational structure during 2021-22, by removing the Environment, Housing and Regeneration directorate and replacing it with two

new directorates - Development Growth and Regeneration and Environment, Housing and Neighbourhoods.

5. Covid-19

The Covid 19 pandemic impacted all sectors of the economy but Local Government and Health services were particularly affected by the need to manage the initial emergency response. Across 2021/22 focus shifted towards containment and recovery with less Government imposed lockdowns and restrictions, but greater emphasis on public health measures and social care support to protect the vulnerable and those struggling with Covid-19. The Council's day to day activities were still heavily impacted by Covid-19 in 2021/22 and some legacy impacts are likely to continue into 2022/23 and beyond.

6. Outlook and Risks

The Council continues to face significant financial pressure. Government Grants reduced every year between 2010/11 and 2016/17, with small increases being applied from 2017/18. The Council has seen demand for services increase over the same period, particularly in social care services as we cope with an ageing population and higher numbers of Children requiring support. Additional funding was provided to help mitigate the impact of the pandemic, however that has now ceased yet the Council anticipates that some financial impacts will be ongoing and potentially may be permanent changes.

Inflation has remained reasonably steady in recent years but the global impact of Covid-19 and the beginning of recovery, combined with conflict in Ukraine and supply chain disruptions, have led to inflation rising steeply since January 2022. At the end of March 2022 inflation stood at 7% (CPI) but is forecast to rise to a peak of 11% during 2022/23, placing significant additional pressure on Council costs and causing financial difficulty for many Sutton residents.

The key corporate risks and mitigations the Council face are:

- A balanced budget has been set for 2022/23, but an estimated £20m budget gap remains in the forecast across the next 4 years
- Cost of Living and inflation pressures are significant and causing Council costs to rise, devaluing our investments, and causing financial strain for Sutton residents. As a consequence the Council is likely to need to provide higher levels of support to families in financial difficulty to mitigate the impacts. Inflation as at the end of June 2022 was 9.4% and is forecast to remain high this year.
- Increased pay awards are likely to be a consequence of high inflation and the cost of living crisis. The Council budgeted for a 2.25% pay award in 2022/23, but has since increased this forecast to 4-5%.
- The Council has mitigation in place for inflation risks in 2022/23 through use of the budgeted inflation contingency and corporate contingency, as well as use of earmarked reserves. This should be sufficient to

Narrative Report (continued)

mitigate the pressures as currently forecast, though if inflation peaks higher than the current forecast this may not be enough. These mitigations are temporary, meaning growth will be required in 2023/24 to adjust the base budget to fund 2022/23 inflation as well as 2023/24 inflation.

- Demographic and other demand pressures, in particular from adult and children's social care. Mitigations include budget growth and the use of relevant data to track and evidence changes and ensure early warning to the organisation, as well as the use of London and national networks to articulate challenges and seek external solutions.
- Continuing increase in Education Health Care (EHC) plans beyond our financial means creates significant budget pressures in Dedicated Schools Grant (DSG) in a context of low general reserves. If this continues, there is the risk that the cost outstrips the High Needs Block Grant and reserve. There are also General Fund impacts on the provision of travel arrangements and therapies.
- Potential difficulties in integrating health and social care will pose a risk to the Council and South West London Clinical Commissioning Group. Evidence based, best practice service models are currently being explored.
- Legislative changes regarding social care funding may have an adverse impact on the Council's budget. Work is underway with colleagues across London to model the

changes and pro-actively engage in the Government consultations.

The Council's Medium Term Financial Plan (MTFP) details the current position and anticipated future for the Council's finances, including demonstrating how Sutton is proactively responding to the current financial challenges. The latest version of the MTFP is published here: [Full Council](#).

The Council's Strategy and Resources committee considered updates to this position in July 2022, particularly the changes in the level of risk posed by inflation, the Ukraine conflict and high levels of uncertainty over future funding.

7. Financial Impact of Covid-19

During the 2021/22 financial year, the Council continued to manage the financial impact of the pandemic well. The additional funding received from the Government has enabled us to manage the financial impacts on the Council, as well as provide additional financial support to local businesses and residents. The outturn position for the general fund in 21/22 was a service overspend of £4.6m. After the use of Government funding (Covid unringfenced grant and Sales, fees and Charges grant), there was a surplus in service outturn of £0.833m that has been set aside in an Recovery reserve. This is an important

achievement as it means the Council can plan for 2022/23 without the need to fund a 2021/22 deficit.

8. Revenue Budget Performance

Despite the challenges of managing the financial impact of the pandemic and other risks, the Council successfully delivered services within the planned budget for the year. There were a number of underlying budget pressures that needed to be managed alongside the pandemic, including the delivery of over £5.6m in savings to offset reductions in Government funding and costs caused by demographic changes in the borough.

A strong approach to budget management and close monitoring of the pandemic related pressures throughout the year enabled us to manage these issues and mitigate pressures as the year progressed, resulting in a final outturn underspend of £0.833m. This is a very good outcome given the context we were operating in, and means we have been able to protect our General Fund reserves which are essential to our Medium Term Financial Strategy given the high level of risk and uncertainty in the years ahead.

The breakdown of the revenue outturn position is presented on the following page.

Narrative Report (continued)

	Budget	Outturn	Variance	Variance
	£'000	£'000	£'000	%
Health & Wellbeing	7,049	7,573	524	7.43
Environment, Housing & Neighbourhoods	32,714	33,797	1,083	3.31
Development, Growth & Regeneration	822	822	0	0.00
Peoples Services	108,870	110,593	1,723	1.58
Resources	21,930	22,839	909	4.15
Chief Executives	435	457	22	5.06
Sutton College	-	295	295	100.00
Mortuary Costs	-	15	15	100.00
TOTAL SERVICE EXPENDITURE	171,820	176,391	4,571	2.66
Less Covid 19 Grant funding	0	(4,435)	(4,435)	100.00
Less Sales Fees and Charges Grant	0	(968)	(968)	
Contribution to Recovery Reserve	0	833	833	100.00
SERVICE EXPENDITURE less COVID FUNDING	171,820	171,821	1	0.00
Corporate Costs	(171,820)	(175,463)	(3,643)	2.12
Contingency		2,000	2,000	100.00
Contribution to Earmarked Reserves		922	922	100.00
Contribution to Balances	-	720	720	100.00
TOTAL NET EXPENDITURE	-	0	0	

Narrative Report (continued)

People Directorate

The People Directorate comprises the services providing social care for children and adults and education. The general fund revenue outturn position for the directorate was an overspend of £1.72m including the pandemic costs which were offset by the grants reported as non service income. The overspend mainly reflected significant pressure on placements budgets for Children's social care and high unit costs. The Dedicated Schools Grant (DSG) underspent by £0.047m, though this masks a significant underlying pressure of £0.739m on the high needs block. This was offset by an underspend on the Early Years block of £0.288m and the rollover into 2022/23 of the SENCo Cluster project spend aimed at reducing need for future Education Health and Care Plans in year. The cumulative DSG balance carried forward is £1.368m which provides some mitigation against future high needs block pressures.

Environment, Housing and Neighbourhoods

The EH&N directorate covers a wide range of services. The directorate ended the year with a £1.082m overspend including the pandemic impact and loss of income from services that were closed during the lockdown periods. The overspend in Environment Housing & Neighbourhoods was driven by Planning & Building Control services (£0.846m), Parking services (£0.681m) and the Shared Highways Team (£0.228m).

The main contributors to this position were the use of agency staff to fill vacancies in Building Control and Highways, and a shortfall in income across all three areas. These overspends are partially offset by underspends in Environment Commissioning (£0.172m) as a result of waste tonnage being lower than forecast in the budget, and in Housing (£0.296m) due to placements in nightly paid accommodation being lower than forecast.

Development, Growth and Regeneration

The directorate reported a breakeven position at year-end.

Resources Directorate

The Resources outturn position is an overspend of £0.909m mainly due to the pandemic impact on the Assets budgets (£1.300m) as covid led to losses of rental income, voids and rent reductions being applied in commercial units, and some lower valuations of retail premises.

There were overspends on staffing costs in the Finance Service due to the use of agency staff to fill some vacancies, with offsetting underspends being reported against both Business Services and the HR budgets.

Health & Wellbeing

The Health and Wellbeing outturn position is an overspend of £0.524m. The largest element of the overspend was a £0.422m shortfall on the Leisure services contract largely due to legacy impacts of the pandemic.

Sutton College reported an overspend of £0.295m, arising from a shortfall in income due to cancelled classes in the early part of the year. These were partially mitigated by underspends in the In-house Community Support team due to staff vacancies and underspends on blue badges.

Corporate revenue budgets and core grants

The Corporate budgets, covering capital financing, government grants, contingencies and other non-service costs underspent by £3.643m. This was largely due to the £2.0m Corporate contingency not being used, along with a £0.922m underspend on concessionary fares. The corporate contingency under-spend is being transferred to an inflation reserve, and the concessionary fares underspend is similarly being held as a reserve, to offset any future increases in costs of fares..

Narrative Report (continued)

9. Capital Expenditure

The 2021/22 outturn spend on capital budgets was £83.021m against a budget of £87.281m, giving an underspend of £4.260m. The budget reflects all adjustments for re-profiling agreed by the Committee during the year.

The shortfall in actual spend compared to this adjusted figure reflects further slippage in spend in the final quarter of the year. This is summarised by department in the table below.

Capital Programme 2021/22	Latest Budget 2021/22	Outturn 2021/22	Variance
	£000's	£000's	£000's
Environment Housing and Neighbourhoods	45,118	44,488	(630)
Development Growth and Regeneration	4,662	2,961	(1,701)
Health and Wellbeing	288	131	(157)
Peoples Services	4,441	3,298	(1,143)
Resources	32,772	32,142	(630)
Total Programme	87,281	83,021	(4,260)

There was a marked improvement on the delivery of the capital programme in 2021/22 compared to the £38m spent in 2020/21. This can be largely attributed to the waning impact on Covid on the delivery of the programme in 2021/22 compared to 2020/21 due to fewer and shorter lockdowns.

Two main areas where significant progress was made was in regeneration of the high street with the acquisition of the St. Nicholas Centre which enables the Council to be in the driving seat as it works to improve the offer on the high street. The other was in the acquisition of 30 housing properties as part of the housing supply strategy.

Other areas of progress was the Council's investment in the London cancer hub which continued in 2021/22 including the science specialised school on the site and a number of new affordable housing schemes at the Alexandra Gardens and Beech Tree Place site. This was alongside investments to improve highways, pavements, IT infrastructure, school expansions and maintaining the existing housing stock.

Narrative Report (continued)

10. Pensions Liability

The Council has net pension liabilities of £295m in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. In addition, the Council's pension fund has to be revalued every three years to set future contribution rates.

The last actuarial valuation was in 2019 and reported a funding level of 90%. The next actuarial valuation of the Fund was carried out at 31 March 2022, where the funding level was reported to be 101%. The Council has a deficit recovery plan in place to make additional contributions into the Pension Fund over the period to 2035, in line with the Funding Strategy Statement. Further information on the Pension Fund can be found in note 31 of the main accounts and in the Pension Fund Accounts.

11. Explanation of Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2022. It comprises core and supplementary statements as well as disclosure notes that provide additional information and explanation to the reader. Both the format and content of the financial statements are prescribed by CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 which in turn is underpinned by International Financial Reporting Standards.

The Core Financial statements are listed below and are explained on the relevant page:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement

The other financial statements also include:

- Notes to the Accounts
- Collection Fund
- Housing Revenue Account
- Pension Fund Accounts
- Group Accounts

2. Statement of Responsibilities

This sets out the different responsibilities of the Council and the Strategic Director - Resources in terms of financial administration and accounting.



Statement of Responsibilities for the Statement of Accounts

The Responsibility of the Council

The Council is required to manage its affairs in a way that secures the economic, efficient and effective use of resources and safeguard its assets.

The Council also has to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs under S151 of the Local Government Act 1972. In this Council that officer is the Strategic Director - Resources

The Responsibilities of the Chief Finance Officer

The Strategic Director - Resources is responsible for the preparation of the Council's Statement of Accounts, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2022. The Strategic Director - Resources is also responsible for preparing the Pension Fund Accounts administered by the Council in accordance with the current Code of Practice.

In preparing this Statement of Accounts the Strategic Director - Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent, and;
- complied with the Code.

The Strategic Director - Resources has also:

- kept proper, up to date, accounting records, and;
- taken reasonable steps for the prevention and detection of fraud and other irregularities across the Council's service.

My signature below certifies that the accounts were prepared in accordance with the requirements of the Accounts and Audit Regulations 2015 and, except where specifically stated, in accordance with all recognised statutory requirements and codes of practice applicable to local authorities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2022 and its income and expenditure for the year.



Richard Simpson
Strategic Director - Resources (S151 Officer)
29 September 2023

Approval of the Statement of Accounts

I certify that responsibility to approve the Statement of Accounts was delegated by the Audit and Governance Committee on 16 November 2022 to the Strategic Director of Resources, in consultation with the Chair of the Committee.



Chair, Audit and Governance Committee
29 September 2023

3. Auditor's Reports 2021/22

Auditor's Report on the Financial Statements

Auditor's Report on the Pension Fund Financial Statements



Auditor's Report on the Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF SUTTON

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the London Borough of Sutton (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund Income and Expenditure Account, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;

- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Strategic Director - Resources use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Strategic Director - Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public

Auditor's Report on the Financial Statements (continued)

sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Strategic Director – Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Strategic Director – Resources with respect to going concern are described in the 'Responsibilities of the Authority, Strategic Director – Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

The Strategic Director - Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

Auditor's Report on the Financial Statements (continued)

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, Strategic Director – Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority 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 authority, that officer is the Strategic Director - Resources. The Strategic Director – Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director – Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director – Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by

government that the services provided by the Authority and the group will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

Auditor's Report on the Financial Statements (continued)

- We enquired of senior officers and the Audit and Governance Committee, concerning the group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of control, the recognition of income and expenditure at the end of the financial year, the valuation of property, plant and equipment and investment property, valuation of defined pensions liability and the transfer of data to a new general ledger. We determined that the principal risks were in relation to:
 - journal entries
 - Challenging assumptions and judgements made by management in determining accounting estimates, especially in relation to:
 - the valuation of the Council's land and buildings and investment property;
 - The valuation of the defined pensions liability; and
 - accruals of income and expenditure at the end of the financial year.
 - The transfer of data to a new general ledger.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Strategic Director – Resources has in place to prevent and detect fraud;
 - journal entry testing, with a focus on journals meeting a range of criteria defined as part of our risk assessment;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of the Council's land and buildings and investment property and defined pensions liability valuations;
 - substantive procedures to confirm the appropriateness of income and operating expenditure with a particular emphasis on transactions recorded close to and after 31 March 2022;
 - challenging assumptions and judgements made by management in making year end income and expenditure accruals; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's and component auditor's.
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;

Auditor's Report on the Financial Statements (continued)

- knowledge of the local government sector; and
- understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
 - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

Auditor's Report on the Financial Statements (continued)

- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of London Borough of Sutton for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Paul Cuttle

John Paul Cuttle, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London
03 October 2023

Auditor's Report on the Pension Fund Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF SUTTON

Independent auditor's report to the members of London Borough of Sutton on the pension fund financial statements of London Borough of Sutton Pension Fund

Opinion

We have audited the financial statements of London Borough of Sutton Pension Fund (the 'Pension Fund') administered by London Borough of Sutton (the 'Authority') for the year ended 31 March 2022 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Strategic Director - Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the

audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Strategic Director - Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Strategic Director - Resources' use

Auditor's Report on the Pension Fund Financial Statements (continued)

of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Strategic Director - Resources' with respect to going concern are described in the 'Responsibilities of the Authority, the Strategic Director - Resources' and Those Charged with Governance for the financial statements' section of this report.

Other information

The Strategic Director - Resources' is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the

other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority, the Strategic Director – Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority 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 authority, that officer is the Strategic Director - Resources. The Strategic Director - Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the

Auditor's Report on the Pension Fund Financial Statements (continued)

Strategic Director - Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Strategic Director - Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013

and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that altered the Fund's financial performance for the year; and
 - potential management bias in determining accounting estimates, especially in relation to the calculation of the valuation of the Funds Investment Assets.

Auditor's Report on the Pension Fund Financial Statements (continued)

- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Strategic Director -Resources has in place to prevent and detect fraud;
 - journal entry testing, using data analytics to consider all journal entries against specific criteria to identify entries we considered to be of higher risk of fraud. Such criteria included journals with unusual values, journals posted after the year end, journals with a material impact on the Fund's financial position for the year and journals created by senior managers;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and IAS 26 pensions liability valuations; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed

non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.

- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the local government pensions sector; and
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation;
 - guidance issued by CIPFA, LASAAC and SOLACE; and
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to

understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Paul Cuttle

John Paul Cuttle, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London

03 October 2023

Auditor's Report on the Pension Fund Financial Statements (continued)

Independent auditor's report to the members of London Borough of Sutton on the consistency of the pension fund financial statements of London Borough of Sutton Pension Fund included in the Pension Fund Annual Report

Opinion

The pension fund financial statements of London Borough of Sutton Pension Fund (the 'pension fund') administered by London Borough of Sutton (the "Authority") for the year ended 31 March 2022 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2022 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements, in accordance with proper practices as defined in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 and applicable law.

Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our

report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 03 October 2023.

Strategic Director - Resources responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Strategic Director - Resources of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Paul Cuttle

John Paul Cuttle, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London
03 October 2023

4. Core Financial Statements 2021/22



Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with the requirements of International Financial Reporting Standards (IFRS) as applied by the Code of Practice on Local Authority Accounting in 2021/22, 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.

Gross Expenditure (Restated) 2020/21	Gross Income (Restated) 2020/21	Net Expenditure (Restated) 2020/21		Notes	Gross Expenditure 2021/22	Gross Income 2021/22	Net Expenditure 2021/22
£000	£000	£000			£000	£000	£000
30,287	(18,627)	11,660	Health and Wellbeing		30,152	(20,179)	9,973
55,532	(14,937)	40,595	Environment, Housing and Neighbourhoods		62,259	(22,719)	39,540
5,127	(4,301)	826	Development Growth and Regeneration		7,537	(6,474)	1,063
260,291	(142,376)	117,915	Peoples Services		273,366	(143,876)	129,490
95,630	(62,587)	33,043	Resources		107,458	(69,135)	38,323
546	-	546	Chief Executive (Electoral Services)		804	(278)	526
			Housing Revenue Account				
26,520	(38,686)	(12,166)	- Main HRA Revenue Account		26,908	(39,304)	(12,396)
583	-	583	- Revaluation loss/(gain) - Dwellings		-	(15,121)	(15,121)
8,300	(2,361)	5,939	Non Service Revenue Accounts		3,881	(143)	3,738
482,816	(283,875)	198,941	Cost of services		512,365	(317,229)	195,136

Comprehensive Income and Expenditure Statement (continued)

Gross Expenditure (Restated)	Gross Income (Restated)	Net Expenditure (Restated)			Gross Expenditure	Gross Income	Net Expenditure
2020/21	2020/21	2020/21			2021/22	2021/22	2021/22
£000	£000	£000			£000	£000	£000
4,541	(7,135)	(2,594)	Other operating expenditure	6	27,293	(7,215)	20,078
12,893	(604)	12,289	Financing and investment income and expenditure	7	21,908	(31,472)	(9,564)
-	(192,332)	(192,332)	Taxation and non-specific grant income	8	-	(230,685)	(230,685)
500,250	(483,946)	16,304	(Surplus) or deficit on the provision of services		561,566	(586,601)	(25,035)
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
-	-	(4,678)	Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets	12a	-	-	(20,687)
-	-	51,223	Remeasurement of the net defined benefit liability on the pensions reserve	12c	-	-	(108,299)
		46,545	Other comprehensive income and expenditure				(128,986)
	62,849		Total comprehensive income and expenditure (surplus)/deficit				(154,021)

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Accounts Balance movements in the year following those adjustments.

2021/2022	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	(8,236)	(47,819)	(56,054)	(5,724)	(14,972)	(15,008)	(10,565)	(102,323)	(68,531)	(170,854)
Movement during 2021/22:-										
Total Comprehensive Expenditure and Income	6,729		6,729	(31,764)				(25,035)	(128,986)	(154,021)
Adjustment in respect of over charged amortisation in prior years									(3,344)	(3,344)
Adjustments between accounting basis and funding basis under regulations (Note 10)	(4,211)		(4,211)	26,834	(24,520)	2,784	(4,299)	(3,412)	3,412	-
Net (Increase)/Decrease before transfers to Earmarked Reserves - restated	2,518	-	2,518	(4,930)	(24,520)	2,784	(4,299)	(28,447)	(128,918)	(157,365)
Transfers to / (from) Earmarked Reserves (Note 11)	(3,242)	3,361	119	(119)	-	-	-	-	-	-
(Increase) / Decrease in Year	(724)	3,361	2,637	(5,049)	(24,520)	2,784	(4,299)	(28,447)	(128,918)	(157,365)
Balance at 31 March 2022	(8,960)	(44,458)	(53,417)	(10,773)	(39,492)	(12,224)	(14,864)	(130,770)	(197,449)	(328,219)

*The £3,344k represents the overcharged amortisation in respect of prior years that has been reversed out of the Capital Adjustment Account into the intangible assets on the balance sheet. As this amount is not material, the Council has chosen to show the £3,344k adjustment in year on the face of the Movement in Reserves Statement. For details refer Note 13b Intangible Assets.

Movement in Reserves Statement (continued)

2020/2021 Comparative (Restated)	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Balance at 31 March 2020	(7,408)	(31,851)	(39,259)	(7,100)	(16,019)	(8,484)	(11,245)	(82,107)	(151,596)	(233,703)
Movement during 2020/21:-										
Total Comprehensive Expenditure and Income	25,055	-	25,055	(8,751)	-	-	-	16,304	46,545	62,849
Adjustments between accounting basis and funding basis under regulations (Note 10)	(41,850)	-	(41,850)	10,127	1,047	(6,524)	680	(36,520)	36,520	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	(16,795)	-	(16,795)	1,376	1,047	(6,524)	680	(20,216)	83,065	62,849
Transfers to / (from) Earmarked Reserves (Note 11)	15,968	(15,968)	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	(828)	(15,968)	(16,795)	1,376	1,047	(6,524)	680	(20,216)	83,065	62,849
Balance at 31 March 2021	(8,236)	(47,819)	(56,054)	(5,724)	(14,972)	(15,008)	(10,565)	(102,323)	(68,531)	(170,854)

Balance Sheet

This sets out the financial position of the Council as at 31 March 2022 and consolidates the individual Balance Sheets of the General Fund, Housing Revenue Account and Collection Fund. It shows the value as at the year end date of the assets and liabilities recognised by the Council. The net assets of the council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

31 March 2021 (Restated)		Notes	31 March 2022
£'000			£'000
	Non-Current Assets		
773,516	Property, Plant and Equipment	13	835,732
-	Intangible Assets	13b	3,735
124,729	Investment Properties	14	97,897
5	Long Term Investments	17a	10
4,470	Long Term Debtors	17a	12,316
902,720	Total Non-Current Assets		949,690
	Current Assets		
90,272	Short Term Investments	17a	61,546
485	Assets Held for Sale	15	936
-	Investment Properties Held for Sale	14	50,600
3	Inventories		10
68,046	Debtors	18	77,870
6,015	Cash and Cash Equivalents	20	5,467
164,821	Total Current Assets		196,429

Balance Sheet (continued)

31 March 2021 (Restated)		Notes	31 March 2022
£'000			£'000
	Less Current Liabilities		
(29,136)	Bank Overdraft		-
(1,388)	Short Term Borrowing	17a	(9,187)
(27,429)	Creditors	19a	(56,716)
(39,613)	Grants Received in Advance	19b	(42,271)
(630)	Provisions		
(98,196)	Total Current Liabilities		(108,174)
	Less Non-Current Liabilities		
(7,726)	Provisions	21	(7,471)
(412,127)	Long Term Borrowings	17a	(406,947)
(378,638)	Liability Related to Defined Benefit Pension Scheme	31c	(295,308)
(798,491)	Total Non-Current Liabilities		(709,726)
170,854	Net Assets		328,219
(68,531)	Total Unusable Reserves	12	(197,449)
(102,323)	Total Usable Reserves	11	(130,770)
(170,854)	Total Reserves		(328,219)

Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Council during the reporting period. It 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 the claim on future cash flows by providers of capital (i.e. borrowing) to the Council.

2020/21 (Restated)		2021/22
£000		£000
	Notes	
(16,304)	Net surplus or (deficit) on the provision of services	25,035
36,863	Adjustment to the net surplus or deficit on the provision of services for non-cash movements	45,785
(15,235)	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	(15,958)
5,324	Net cash flows from operating activities	54,862
(69,387)	Net cash flows from investing activities	(29,892)
40,454	Net cash flows from financing activities	3,619
(23,609)	Net increase/(decrease) in cash and cash equivalents	28,589
Represented by:		
487	a Cash and cash equivalents at the beginning of the reporting period	(23,122)
(23,122)	b* Cash and cash equivalents at the end of the reporting period	5,467
(23,609)	Net increase/(decrease) in cash and cash equivalents (b-a)	28,589

* Please refer to Note 20 for explanation of the 2020/21 cash position.

5. Notes to the Core Financial Statements



Note 1 Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place not simply when cash payments are made or received. For example:

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as an expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings 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.
- Where revenue 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours demand without material penalty. Cash equivalents are highly liquid investments that mature in no more than three days or less and that are readily convertible to known amounts of cash with low risk of change in value.

The Council has treated all cash invested in money market funds or call accounts at the Balance Sheet date as investments and not cash equivalents. This is because these funds are invested to achieve a return and not for cash flow purposes. The use of short dated instruments limits both counterparty risk and interest rate risk and reflects the current interest rate environment.

d) Material Items

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and

Expenditure Statement or in the notes to the accounts, depending how significant the items are to the authority's financial performance.

e) 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 do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by accounting practice 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 (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

f) Charges to Revenue for Non-Current Assets and Minimum Revenue Provision

Service, support services and trading accounts are debited with the following amounts to record the cost of non-current assets that they use during the year:

- depreciation;
- revaluation and impairment losses where there are no accumulated gains in the Revaluation

Note 1 Accounting Policies (continued)

Reserve against which the losses can be written off, and;

- amortisation of intangible assets

The Council is not required to raise Council Tax to fund these costs, However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis as determined by the Council in accordance with statutory guidance. Therefore depreciation, revaluation and impairment losses and amortisation are replaced by the contribution in the General Fund balance (Minimum Revenue Provision), by way of adjusting transactions in the Capital Adjustment Account through the Movement in Reserves Statement for the difference between the two. This Minimum Revenue Provision (MRP) represents the repayment of debt used to finance capital assets. The debt is to be repaid over a period that is commensurate with that over which the capital expenditure provides benefits to the Council. Assets funded by debt receive their first MRP charge once they are operational, and provision to repay debt is set aside over the asset's useful life on an annuity basis. No MRP is charged on Commercial Investment capital expenditure, as the Council has the ability to sell these properties to repay any outstanding debt. Further information can be found in the Council's Treasury Management Strategy, approved as part of the 2021/22 budget.

g) Council Tax and Business Rates

LBS, as a billing authority acts as an agent, collecting Council Tax (CT) and Business Rates (NNDR) on behalf of the major preceptors (including Government

for NNDR) and, as principals, collecting CT and NNDR for themselves. Billing Councils are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of CT and NNDR.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central Government share proportionately the risks and rewards the amount of CT and NNDR collected could be less or more than predicted.

CT and NNDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year and regulations determine the amount of CT and NNDR that must be included in the Council's General Fund. Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year end balances of CT and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of the likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

h) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements 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. Costs are charged on an accruals basis to the respective service line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of the benefits or when the Council recognises costs for a restructuring.

Where termination benefits include the enhancement of pension benefits, regulations require the General Fund to be charged with the amount payable to the pension fund rather than the amount calculated under accounting standards. Adjustments are made through

Note 1 Accounting Policies (continued)

the Movement in Reserves Statement to transfer the accounting standards based entries to the Pension Reserve and replace these with the amount payable to the Pension Fund.

i) Post Employment Benefits

Employees of the Council are members of 3 separate pension schemes:

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE), and;
- the National Health Service Pension Scheme administered by NHS Pensions, and;
- the Local Government Pensions Scheme (LGPS), administered by the London Borough of Sutton.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees within the service of the Council, in accordance with the schemes' rules. However, the national arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

The People Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to teachers' pensions in the year

The Local Government Pension Scheme

The LGPS is accounted for as a defined benefits scheme:

- the liabilities of the London Borough of Sutton Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees;
- the discount rate is the annualised yield on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the employer's liability. Using this approach, the discount rate at 31 March 2022 was 2.7% per annum.
- the assets of London Borough of Sutton Pension Fund attributable to the Council are included in the Balance Sheet at bid value as required under IAS 19;
- the change in the net pension liability is analysed into 6 components:
 - current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to 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 Statement.
 - net interest on the net defined benefit liability (asset) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - remeasurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) charged to the Pensions 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 - charged to the Pensions Reserve as Other Income and Expenditure.
 - contributions paid to the London Borough of Sutton Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 pensioners and any such amounts payable but unpaid at the year-end. The negative

Note 1 Accounting Policies (continued)

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 earned by employees.

j) Events After the Balance Sheet Date

Events after the Balance Sheet date are those both favourable and unfavourable, that occur between the end of the reporting period and the date when the 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, and;
- 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.

k) Government Grants and Contributions

Government grants, 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 credited to the Comprehensive Income and Expenditure Statement once conditions attached to the grant or contribution about how or when they will be used have been satisfied.

Where conditions have not been satisfied these monies are held in the Balance Sheet as creditors because until conditions are met the Council may be required to return the grant. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Grants used to fund capital expenditure are posted to the Capital Adjustment Account. Grants not yet applied are posted to the Capital Grants Unapplied Reserve until they are used and then the amounts are transferred to the Capital Adjustment Account.

l) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where the Council has a legal or constructive obligation arising from a past event that will probably require settlement by a transfer of economic benefit or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged directly to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent Liabilities and Assets

A contingent liability or asset arises where an event has taken place that gives the Council a possible obligation or asset. These cannot be reliably measured and will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. These are not recognised in the Balance Sheet, but are disclosed in a note to the accounts.

Note 1 Accounting Policies (continued)

m) Reserves

The Council has an agreed policy of maintaining a General Fund Reserve of at least 5% of net General Fund expenditure (excluding schools) in order to provide a minimum sound level of prudence.

The Council also sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

Where expenditure has been incurred which is to be financed from an earmarked reserve, it is charged to the relevant service within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. An amount is then transferred from the earmarked reserve to the General Fund Balance via an entry in the Movement in Reserves Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

n) Interests in Companies and other Entities

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities. The Council has four subsidiaries:

- Sutton Housing Partnership Limited which is a community interest company wholly owned by the Council;
- Encompass LATC Ltd which is also wholly owned and providing a range of services within housing and social care;
- Cognus Limited which became 100% owned by the Council in June 2021 (previously 75% ownership). Cognus mainly provides educational services. and;
- Opportunity Sutton Ltd, which is wholly owned company that acts as parent to a number of subsidiary companies:
 - Sutton Living Ltd
 - Sutton Living Design & Build Ltd
 - Sutton Decentralised Energy Network Ltd

The accounts of the 4 subsidiaries listed above are consolidated into the Council's Group Accounts.

o) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties, and some of its financial instruments as fair value at each reporting date.

Fair value 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Council used valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- ▶ Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- ▶ Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- ▶ Level 3 - unobservable inputs for the asset or liability

Note 1 Accounting Policies (continued)

p) Investment Properties

Investment properties are held solely to earn rentals or for capital appreciation, or both, and measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore, gains and losses are reversed via the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rental income received in relation to investment properties is credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement and results in a gain for the General Fund balance.

q) Heritage Assets

Heritage assets are not reported as a distinct class of asset within Property, Plant and Equipment as assets are either operational assets and included within land and buildings on the Balance Sheet or the values of other tangible assets.

Further details of Heritage Assets are disclosed in Note 13 to the core financial statements.

r) Property, Plant and Equipment

Property, Plant and Equipment are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- surplus assets - current value measurement base is fair value, determined by the measurement of the highest and best use value of the asset, and;
- Other land and buildings - current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Note 1 Accounting Policies (continued)

Assets included in the Balance Sheet at current value are revalued regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every 5 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 Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- 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), and;
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed 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 as follows:

- 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 line(s) in the comprehensive income and expenditure statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain

community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- council dwellings – depreciation is charged on a componentisation basis;
- other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – depreciated on a straight-line basis over the life of the asset as advised by a suitably qualified officer, and;
- infrastructure – gross book value is depreciated at 6% per annum.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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 transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is

Note 1 Accounting Policies (continued)

posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as 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 is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement 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 Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Infrastructure assets are held with no prospect of selling or using for any purpose other than that for which it was created. Where a component of an infrastructure asset is replaced, the council has determined, in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022, that the

carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure is nil.

Amounts received for a disposal in excess of £10k are categorised as capital receipts and credited to the Capital Receipts Reserve. Receipts relating to the disposal of council dwellings, net of statutory deductions and allowances are retained. The 1-4-1 element of Right to Buy receipts is spent on the provision of social housing. The Local Authority share and allowable debt elements can be used as general receipts as part of general resources. Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

s) Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the Borough are considered to be under the control of the Council. Consequently, the income, expenditure, current assets, current liabilities, reserves and cash flows of each school are accounted for in the Council's single entity accounts. The Council has the following types of maintained schools under its control:

- Community,
- Voluntary Aided,
- Foundation.

School Non-Current Assets are recognised on the Balance Sheet where the Council directly owns the assets and where the Council holds the balance of control of the assets. Community schools are owned by the Council and are, therefore, recognised on the Balance Sheet.

Non-current assets for Voluntary Aided and Foundation schools are not directly owned by the Council and are not considered to be controlled by the Council as no formal rights to use the assets through a licence arrangement are passed to the School or Governing Bodies. As a result, these schools are not recognised on the Balance Sheet.

Non current assets for academy schools are derecognised from the Balance Sheet in the year of conversion.

t) Revenue Expenditure Funded from Capital Under Statute

Expenditure defined under legislation may be capitalised even though it does not result in the creation of a non-current asset for the Council, and is charged to services within the Comprehensive Income and Expenditure Statement. Where these costs are met from existing capital resources or by borrowing, this expenditure is transferred out of the General Fund Balance via the Movement in Reserves Statement to the Capital Adjustment Account so that there is no impact on the level of Council Tax.

Note 1 Accounting Policies (continued)

u) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. The Council does not hold any finance leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Operating Leases

The Council as Lessee

Rental income paid under operating leases is charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Council as Lessor

The Council grants leases on its investment properties. Please see the Investment Property policy for details of treatment.

v) Financial Instruments

Financial instruments are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Liabilities

Financial liabilities recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets

Financial assets are classified based on an approach that reflects the business model for holding the financial assets and their cash flow characteristics. They are classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement;

- Fair Value Through Other Comprehensive Income (FVOCI) - These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of;
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise

w) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. On the majority of Council functions VAT is recoverable in full. VAT receivable is excluded from income

x) Grant Funding Joint Arrangements

The Council receives Better Care Fund (BCF) grant funding which it distributes with the South West London Clinical Commissioning Group (CCG) under a joint arrangement. See Note 28 for further details.

Note 2 Accounting Standards issued but not yet adopted

The council is required to disclose information setting out the impact of an accounting standard that has been issued but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the code).

As at the Balances sheet date, the following new accounting standard and amendments had not yet been adopted by the code:

IFRS16 - Leases removes the existing classifications of operating and finance leases under IAS 17 (Leases for lessees). It will require local authorities that are lessees to recognise most leases on their balance sheets as a right-of-use asset, with corresponding lease liabilities. CIPFA-LASSAC have deferred implementation of this standard until 1 April 2024.

Work is ongoing at present, there is not sufficient information to make a reliable estimate of how this will impact the financial statements.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements that are likely to have a material impact on these Accounts are set out below:

Recognition of Schools - the judgement that the Council does not have substantive rights to Voluntary Aided and Foundation school land and buildings results in these fixed assets not being included in the Balance sheet amounts, as per the accounting policy set out in Note 1 (s). This judgement is based on the control of the school Land and Building by the entities that own them. There are 10 Voluntary Aided and 8 Foundations schools excluded, and it is not possible to provide the valuation of these schools. However, the 4 community schools recognised in the Council's accounts have a cumulative value of £31.741m at 31 March 2022, and so the value of these 18 excluded schools is likely to be material.

Classification of Property - Investment Properties have been assessed using the identifiable criteria under International Accounting standards, and are being held for rental income or for capital appreciation purposes. A judgement has been made to value the St Nicholas Centre as a Property, Plant & Equipment asset rather than Investment Property asset under IAS16, as the reason for the acquisition of this site does not match the above criteria of Investment Property. It was instead acquired for regeneration purposes, and puts the Council in full control of a key strategic Town Centre asset. It is not possible to disclose the financial impact of this judgement, as a value for the site as an Investment Property has not been produced. The asset is valued at £28.588m at 31.3.2022.

Agent / Principal Analysis - a judgement has been made as to whether the Council had control over various Covid-19 funding streams provided by Central Government (Principal) or whether it was acting as an intermediary only (Agent). These judgements were based on the grant determinations set by Central Government, and the conditions attached to the grant. Where the Council was directed to pay individuals and businesses specific sums where pre-specified criteria were met, the expenditure and income has been classified as "Agent". Where the Council had discretion and choice around eligibility and amounts, the activity has been recognised in these accounts as "Principal". Agent Income and Expenditure excluded from the 2021/22 accounts totals £32.926m. Further information about this is provided In Note 9 (Grant Income).

Note 4 Assumptions made about the future and other major sources of estimation uncertainty

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>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 Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The Council's accounting policy is to depreciate assets on their brought forward values at the 1 April and any effects of in-year revaluations are not taken into account until the year following the revaluation.</p> <p>Revaluations of property, plant and equipment are estimations of asset values using comparable recent market transactions, depreciated replacement costs, indices, and data from third parties such as Land Registry and Valuation Office Agency.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>If significant revaluation increases or impairments were experienced there is a risk that the charge for depreciation to reflect the economic consumption of the asset may be over or under stated.</p> <p>The effect of any over or under estimation on the revaluation of property, plant and equipment cannot be quantified until an asset is disposed of.</p> <p>A reduction of 1% in the value of PPE at 31.3.2022 (£835.732m) would reduce the balance sheet value by £8.357m.</p>

Note 4 Assumptions made about the future and other major sources of estimation uncertainty (continued)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value of Investment Property	<p>The Investment Properties are measured at fair value, using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates.</p>	<p>Significant changes in any of the observable inputs would result in a significantly lower or higher fair value measurement for the investment properties. A 1% reduction in fair value of investment property at 31.3.2022 (£148.497m) would equate to £1.485m, although this would not result in a charge to the general fund under local authority accounting practices.</p>
Pension Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>There is further uncertainty arising from a legal challenge to the Government's transitional arrangements following the public sector pension reforms in 2015. The McCloud case was upheld by the Court of Appeal in December 2018 which found the transitional arrangements to be discriminatory on the grounds of age and gender. The Government was refused an appeal to the Supreme Court in June 2019. A full government response, incorporating the issues raised in earlier consultations, will be published in 2021 and changes to regulations are intended to come into force on 1 April 2023.</p>	<p>The sensitivity of the net Pension Fund liability (£295.308m at 31.3.2022) to a change in assumptions can be measured. For example a 0.1% increase in the discount rate assumption would result in an approximate reduction of £15.2m in the Council's pension liability; a one year increase in member life expectancy would increase the liability by approximately £37.247m and a 0.1% increase in the rate of salary increase would increase the liability by approximately £1.274m.</p> <p>The potential impact of the McCloud case has been assessed by the Government Actuary Department (GAD) on a national LGPS-wide basis using a range of assumptions about potential remedies.</p>

Note 5 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government grants, rents, Council Tax and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2021/22	As reported for resource management	Adjustment to arrive at net amount chargeable to GF and HRA	Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Health and Wellbeing	7,868	(1,884)	5,984	3,989	9,973
Environment, Housing and Neighbourhoods	33,812	(5,077)	28,735	10,805	39,540
Development Growth and Regeneration	822	64	886	177	1,063
Peoples Services	110,593	(625)	109,968	19,522	129,490
Resources	22,839	4,643	27,482	10,841	38,323
Chief Executive(Electoral Services)	457	-	457	69	526
Housing Revenue Account	-	(12,499)	(12,499)	(15,018)	(27,517)
Non Service Revenue Accounts	(177,111)	185,894	8,783	(5,045)	3,738
Net cost of services	(720)	170,516	169,796	25,340	195,136
Other Operating Expenditure	-	876	876	19,202	20,078
Financing and Investment income	-	7,341	7,341	(16,905)	(9,564)
Taxation and Special Grants	-	(180,425)	(180,425)	(50,260)	(230,685)
					-
(Surplus) or Deficit	(720)	(1,692)	(2,412)	(22,623)	(25,035)
Opening General Fund and HRA Balance			(61,778)		
Add (Surplus) or Deficit on General Fund and HRA Balance in Year			(2,412)		
Closing General Fund and HRA Balance at 31 March			(64,190)		

Note 5 Expenditure and Funding Analysis (continued)

2020/21 Comparative figures (restated)	As reported for resource management	Adjustment to arrive at net amount chargeable to GF and HRA	Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Health and Wellbeing	12,764	(3,009)	9,755	1,905	11,660
Environment, Housing and Regeneration	37,501	1,388	38,889	1,705	40,594
Development Growth and Regeneration	722	-	722	105	827
Peoples Services	107,167	(1,886)	105,281	12,634	117,915
Resources	24,033	2,241	26,274	6,769	33,043
Chief Executive(Electoral Services)	499	-	499	47	546
Housing Revenue Account	(12,253)	-	(12,253)	670	(11,583)
Non Service Revenue Accounts	15,161	(6,373)	8,788	(2,849)	5,939
Net cost of services	185,594	(7,639)	177,955	20,986	198,941
Other Operating Expenditure	(4,560)	115	(4,445)	1,851	(2,594)
Financing and Investment income	8,309	(2,383)	5,926	6,363	12,289
Taxation and Special Grants	(192,212)	(5,025)	(197,237)	4,905	(192,332)
Statement of Movement on General Fund Balances	3,417	(1,036)	2,381	(2,381)	-
(Surplus) or Deficit	548	(15,968)	(15,420)	31,724	16,304
Opening General Fund and HRA Balance			(46,358)		
Add (Surplus) or Deficit on General Fund and HRA Balance in Year			(15,420)		
Closing General Fund and HRA Balance at 31 March			(61,778)		

Note 5a Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts.

Transfer of corporate funding from Net Cost of Services to correct CIES segment	Net transfers from reserves and balances	Total to arrive at amount charged to GF and HRA	2021/22	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis
£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	(1,884)	(1,884)	Health and Wellbeing	2,167	1,867	(45)	3,989
-	(5,077)	(5,077)	Environment, Housing and Neighbourhoods	9,974	894	(63)	10,805
-	64	64	Development Growth and Regeneration	-	159	18	177
-	(625)	(625)	Peoples Services	4,711	11,559	3,252	19,522
-	4,643	4,643	Resources	7,098	3,805	(62)	10,841
-	-	-	Chief Executive(Electoral Services)	-	69	-	69
-	(12,499)	(12,499)	Housing Revenue Account	(15,121)	103	-	(15,018)
177,111	8,783	185,894	Non Service Revenue Accounts	(4)	(5,041)	-	(5,045)
177,111	(6,595)	170,516	Net cost of services	8,825	13,415	3,100	25,340
-	875	875	Other Operating Expenditure	19,202	-	-	19,202
-	7,342	7,342	Financing and Investment income	(24,641)	7,736	-	(16,905)
(177,111)	(3,314)	(180,425)	Taxation and Special Grants	(41,275)	-	(8,985)	(50,260)
Statement of Movement on General Fund Balances							
-	(1,692)	(1,692)	Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(37,889)	21,151	(5,885)	(22,623)

Note 5a Note to the Expenditure and Funding Analysis (continued)

Adjustments between Funding and Accounting Basis

Rental Income and Expenditure and Levy reported at Directorate Level	Net transfers from reserves and balances	Total to arrive at amount charged to GF and HRA	2020/21 Comparative figures (restated)	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis
£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	(3,009)	(3,009)	Health and Wellbeing	(810)	2,632	83	1,905
-	1,388	1,388	Environment, Housing and Regeneration	2,171	1,288	(1,753)	1,706
-	-	-	Development Growth and Regeneration	-	105	-	105
-	(1,886)	(1,886)	Peoples Services	4,103	8,338	193	12,634
(115)	2,356	2,241	Resources	2,662	4,979	(873)	6,768
-	-	-	Chief Executive(Electoral Services)	-	47	-	47
-	-	-	Housing Revenue Account	583	87	-	670
-	(6,373)	(6,373)	Non Service Revenue Accounts	(3)	(2,691)	(155)	(2,849)
(115)	(7,524)	(7,639)	Net cost of services	8,706	14,785	(2,505)	20,986
115	-	115	Other Operating Expenditure	-	-	1,851	1,851
-	(2,383)	(2,383)	Financing and Investment income	(1,275)	7,511	127	6,363
-	(5,025)	(5,025)	Taxation and Special Grants	(9,950)	-	14,855	4,905
-	(1,036)	(1,036)	Statement of Movement on General Fund Balances	-	-	(2,381)	(2,381)
-	(15,968)	(15,968)	Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(2,519)	22,296	11,947	31,724

Note 5b Expenditure and Income Analysed by Nature

The Council' expenditure and income is analysed as follows:

2020/21		2021/22
(Restated)		
£000		£000
	Expenditure	
152,773	Employee expenses (2)	159,728
305,242	Other operating expenses (5)	325,898
18,921	Depreciation, amortisation and impairment	27,209
723	Payments to Housing Capital Receipts Pool	723
18,644	Interest payments (2)	19,631
129	Loss on FV revaluation of Financial Instruments (5)	1,904
704	Precept and Levies	875
3,114	Loss on disposal of non-current assets (4)	25,598
500,250	Total expenditure	561,566
	Income	
(60,797)	Fees and charges and other service income (1) (3)	(83,055)
(5,212)	Interest and investment income (3)	(6,662)
(1,275)	Gain on disposal of non-current assets and revaluation (1) (4)	(41,203)
(7,135)	Capital Receipts (4)	(7,215)
(129,088)	Income from Council Tax and Business Rates	(124,695)
(280,439)	Government grants and contributions	(323,771)
(483,946)	Total income	(586,601)
16,304	(Surplus) or Deficit on Provision of Services	(25,035)

Note 5b Expenditure and Income Analysed by Nature

Notes on reclassifications in Note 5b

During 2021/22 the Council made a number of changes to services reporting to each directorate, and in order to provide meaningful comparative figures 2020/21 figures have also been reclassified. Further details can be found in Note 35 Prior Period Adjustments.

2020/21 employee expenses have also been restated by £7,595k, split across all directorates, to correct IAS19 pension prepayments. Further details can be found in Note 35 Prior Period Adjustments.

In addition, the following classification adjustments have been made in the table above in order to improve clarity of presentation to aid the understanding of the reader.:

(1) The Council has chosen to classify the net (gains)/losses from fair value adjustments on investment properties amounting to £24,685k (2021/22) within gain on disposal of non current assets and revaluation line in Note 5b instead of within the Fees and charges and other service income line. A similar classification has been performed in 2020/21 amounting to £1,275k. The Council judges that this is a more accurate classification as it relates to the value of non-current assets.

(2) The Council has reclassified the net interest on defined benefit pension scheme liability (Note 7) amounting to £7,736k (2021/22) from the employee expenses line to interest payments in Note 5b. A similar reclassification has been performed in 2020/21 to reclassify the net interest on defined benefit pension scheme liability amounting to £7,511k from the employee expenses line to the interest payments line in Note 5b. This Council judged that although Pension Scheme costs could be seen as employees expenses it more accurately sits under interest payments.

(3) The Council has chosen to classify the net gain on rental income for investment properties (Note 14) amounting to £2,549k (2021/22) within interest and investment income line in Note 5b instead of Fees and charges and other service income. A similar classification has been performed in 2020/21 amounting to £4,608k. The Council judged that this was a more accurate classification.

(4) The Council has split out the net gain on disposals of non-current assets amounting to £4,021k (2020/21) and shown them separately as capital receipts (credit £7,135k) within the income section of Note 5b and loss on disposal of non-current assets (debit £3,114k) within the expenses section of note 5b in order to match the presentation for 2021/22. This is a more transparent way to present the information rather than netting off gains and losses and so enhances the readers understanding of the Accounts.

(5) For 2021/22 the Council has added an additional line called "Loss on FV revaluation of Financial Instruments" to separately identify the £1,904k relating to financial assets measured at fair value through profit or loss in as it was judged to be a clearer way of presenting the information to the reader. In 2020/21 this category of expense had been included under Other Operating Expenses (£129k in 2020/21) and so this was moved to the new line to provide meaningful prior year comparative data.

Note 6 Other operating expenditure

2020/21		2021/22
£'000		£'000
704	Levies paid to Other Local and Public Authorities	875
723	Payment to the Government Housing Capital Receipts Pool	723
3,114	Loss on disposal of non-current assets	25,695
(7,135)	Capital Receipts	(7,215)
(2,594)	TOTAL	20,078

Note 7 Financing and investment income and expenditure

2020/21		2021/22
£'000		£'000
11,136	Interest payable and similar charges	11,959
7,511	Net interest on the net defined benefit pension scheme liability	7,736
(604)	Interest receivable and similar income	(599)
129	Financial Instruments - change in Fair Value	1,904
(6,992)	Income in relation to investment properties	(6,188)
2,384	Expenditure in relation to investment properties	309
(1,275)	Changes in the Fair Value of investment properties	(24,685)
12,289	TOTAL	(9,564)

Note 8 Taxation and non-specific grant income

This note consolidates all non-specific grants and contributions receivable that cannot be identified to particular service expenditure and therefore cannot be credited to the gross income amount relevant to the service area. All capital grants and contributions are credited to non-specific grant income even if service specific. The note also identifies the Council's proportion of Council Tax and Business Rates used to fund in year service activities

2020/21 Restated		2021/22
£'000		£'000
(103,014)	Council Tax Income	(110,350)
(26,073)	Business Rates Retention Scheme	(33,994)
-	Business Rates Retention Scheme Pool	463
(32,915)	Non ringfenced government grants	(34,659)
(460)	Renewable energy Schemes retained by the authority	(264)
(21,726)	COVID-19 Grants	(10,606)
(8,144)	Capital grants and contributions	(41,275)
(192,332)	Total Credited to Taxation and Non-Specific Grant Income	(230,685)

Note 9 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22

2020/21 Restated	Grants Credited to Taxation and Non-Specific Grant Income	2021/22
£'000	Non ringfenced government grants:	£'000
(6,717)	Revenue Support Grant	(6,754)
(3,088)	Section 31 Business Rate Grant	(3,139)
(739)	Housing Benefit and Council Tax Admin Grant	(777)
(1,780)	New Homes Bonus	(1,662)
(12,773)	Bettercare Fund	(13,662)
(3,871)	Social Care Support grant	(4,055)
(3,210)	Improved Better Care Fund Grant	(3,947)
(737)	Winter Pressures grant	-
(21,726)	COVID-19 funding	(10,606)
-	Other	(663)
(54,641)	Total	(45,265)

Note 9 Grant Income (continued)

2020/21 Restated	Capital Grants and Contributions:	2021/22
£'000		£'000
(1,909)	Education Grants	(17,899)
(1,642)	Mayors Grant (GLA)	(294)
(4)	Housing Associations	-
(1,768)	Section 106 Contributions	(3,063)
-	Leaseholder Contributions	-
(94)	Heritage Lottery Fund	(5)
(2,096)	GLA - Strategic Investment Pot	(5,141)
(150)	MHCLG Future High Street Fund	(4,031)
(214)	GLA/BEIS Leap Funding	(2,654)
-	GLA Housing New Build	(2,876)
-	DLUHC Decarbonisation Fund Retrofit	(1,800)
-	GLA Dilapidation Fund	(420)
	Insurance Contribution	(895)
(267)	Other Capital Grants and Contributions	(389)
(8,144)	Total	(39,467)

Note 9 Grant Income (continued)

2020/21 Restated	Revenue Grants Credited to Services	2021/22
£'000		£'000
(104,044)	Dedicated Schools Grant	(107,525)
(2,691)	Education & Skills Funding Agency funding	(4,996)
(857)	Teachers Pay Grant	(82)
(2,591)	Teachers Pension Grant	(219)
(10,058)	Public Health Grant	(10,219)
(10,679)	Housing Benefit Rebate Subsidy	(10,005)
(4,846)	Housing Benefit Rebate Subsidy - outside HRA	(5,260)
(33,839)	Housing Benefit Allowances	(31,346)
(634)	Discretionary Housing Payments	(486)
(2,792)	Pupil Premium (schools)	(2,718)
(1,752)	Asylum Seekers	(2,481)
(618)	Troubled Families Grant	(521)
(1,413)	Universal Infants Free School Meals	(1,138)
(1,563)	Flexible Homelessness grant	-
-	Homelessness Prevention Grant	(2,025)
(13,750)	COVID-19 funding	(12,560)
(23,720)	Other *	(45,650)
(215,846)	Total Revenue Grants included in Cost of Services	(237,231)

*Code 2.3.1.2 scopes in grants and contributions from non-government organisations to be accounted for in the same way as “government grants”. Therefore, the Council has chosen to amend the presentation of Note 9 Grant Income to include contributions from health authorities and other non governmental organisations amounting to £40,720k (2021/22) and £20,098k (2020/21) within the “Other” line.

Note 9 Grant Income (continued)

2020/21 Restated	REFCUS Grants included in Cost of Services	2021/22
£'000		£'000
(1,808)	Disabled Facilities	(1,808)
(1,808)	Total REFCUS Grants included in Cost of Services	(1,808)

Agency Transactions

The Council received a range of grants from the Central Government in 2021/22 to continue providing support to residents and businesses during the COVID-19 pandemic. When presenting information on grant income and expenditure, the Council had to determine whether in administering the grant it was acting as an agent or principal.

The following conditions apply where the Council was acting as an agent:

- It was acting as an intermediary between the recipient and the Government department.
- It did not have “control of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council acted as a principal it was at its own discretion when allocating the amount of grant payable.

The tables below sets out the summary of agency related grant receipts, amounts to return to Central Government, and corresponding expenditure. It should be noted that in many circumstances, the allocation of grant was an estimate, and could not be deployed by the Council under the conditions the funding was subject to. Unspent funds are held as creditors that will be returned to Central Government during 2022/23.

Note 9 Grant Income (continued)

Covid-19 Grants - 2021/22	Grant Allocation	The Council acting as Agent	The Council acting as Principal	Amount of Agent Grant held as Grants - Receipts In Advance	Expenditure as at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Expanded Retail, Hospitality & Leisure Reliefs	13,916	9,741	4,175	10996	2,920
Closed Business Lockdown Payments	4,920	4,920	-	4678	242
Local Restrictions Support Grant - National Restrictions	7,779	7,779	-	7389	390
Infection Control, Rapid Testing and Vaccine combined funding	3,750	3,750	-	-	3,750
Self Isolation Payments - grants to eligible individuals	119	119	-	-	119
Omicron Variant - Hospitality and Leisure Grant Business Reliefs	591	591	-	-	591
Restart Grant	6,978	6,978	-	1,727	5,251
	38,053	33,878	4,175	24,790	13,263

Grants - 2020/21 comparator	Grant Allocation	The Council acting as Agent	The Council acting as Principal	Agent Grant held as Grants - Receipts In Advance	Expenditure as at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Small Business Grant/ Retail, Leisure and Hospitality Grant Funding	26,870	25,810	-	1,060	25,810
Local Authority Discretionary Fund Grant	1,290	-	1,290	-	1,290
Infection Control Funding (ASC) 1&2	4,444	4,444	-	-	4,444
Rapid Testing funding	527	527	-	-	527
Workforce Capacity Funding	367	367	-	-	367
Business Grants - Closed Local Restriction & Lockdown Payments *	21,534	21,534	-	12,701	8,833
Christmas Support Payments for Pubs *	38	38	-	7	31
	55,070	52,720	1,290	13,768	41,302

Note 10 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. Set out below are descriptions of the reserves that the adjustments are made against.

General Fund Balance

The General Fund balance is a statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice.

The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Housing Revenue Account Balance

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains a balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2021/22	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
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:						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 31)	(38,573)	(224)	-	-	-	38,797
Pensions costs (transferred to (or from) the Pensions Reserve)	17,568	77	-	-	-	(17,645)
Sub Total for Pensions Reserve	(21,005)	(147)	-	-	-	21,152
Financial instruments (transferred to the Financial Instruments Adjustments Account)	94	-	-	-	-	(94)
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	8,985	-	-	-	-	(8,985)
Holiday pay (transferred to the Accumulated Absences Reserve)	(3,100)	-	-	-	-	3,100
Charges for depreciation and impairment of non-current assets	(12,396)	(7,076)	-	-	-	19,472
Revaluation loss/(gain) on Property Plant and Equipment	(4,313)	15,121	-	-	-	(10,808)
Movements in the market value of Investment Properties	24,685	-	-	-	-	(24,685)
Amortisation of intangible assets	(2,028)	-	-	-	-	2,028
Revenue expenditure funded from capital under statute	(5,278)	-	-	-	-	5,278
Financial Instruments Revaluation Reserve	(1,904)	-	-	-	-	1,904
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	(16,260)	7,898	-	-	-	8,362
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES						
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	(22,969)	(2,629)	-	-	-	25,598

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2021/22 (continued)	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	125	7,090	-	-	(7,215)	-
Transfer of deferred sale proceeds as part of the gains/ losses on disposal to the CIES	-	-	-	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account	1,836	-	-	-	-	(1,836)
Capital expenditure financed from revenue balances (charged to HRA)	-	-	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	-	-	-	-	-
Flexible use of Capital receipts	-	-	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(723)	-	-	-	723	-
Payment towards administrative costs of non-current assets disposal (funded by a transfer from the Capital Receipts Reserve)	(97)	-	-	-	97	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	7,076	-	(7,076)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	32,269	5,298	(37,567)	-	-	-
Capital Grants and contributions applied	1,608	2,100	-	-	-	(3,708)
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	12,049	18,936	(37,567)	(7,076)	(6,395)	20,054
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	2,096	(2,096)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	9,860	-	(9,860)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	13,047	-	-	(13,047)
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	-	-	13,047	9,860	2,096	(25,003)
Total Adjustments	(4,211)	26,834	(24,520)	2,784	(4,299)	3,412

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2020/21 comparative figures (Restated)	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
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:						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 31)	(37,882)	(183)	-	-	-	38,065
Pensions costs (transferred to (or from) the Pensions Reserve)	15,710	59	-	-	-	(15,769)
Sub Total for Pensions Reserve	(22,172)	(124)	-	-	-	22,296
Financial instruments (transferred to the Financial Instruments Adjustments Account)	94	-	-	-	-	(94)
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(13,048)	-	-	-	-	13,048
Holiday pay (transferred to the Accumulated Absences Reserve)	(331)	-	-	-	-	331
Charges for depreciation and impairment of non-current assets	(12,037)	(6,884)	-	-	-	18,921
Revaluation loss/(gain) on Property Plant and Equipment	(855)	(583)	-	-	-	1,438
Movements in the market value of Investment Properties	1,275	-	-	-	-	(1,275)
Amortisation of intangible assets	(1,264)	-	-	-	-	1,264
Revenue expenditure funded from capital under statute	(6,007)	-	-	-	-	6,007
Financial Instruments Revaluation Reserve	(129)	-	-	-	-	129
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	(54,474)	(7,591)	-	-	-	62,065
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES						
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	(603)	(2,422)	-	-	-	3,025

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2020/21 comparative figures (continued) (Restated)	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	404	6,731	-	-	(7,135)	-
Transfer of deferred sale proceeds as part of the gains/ losses on disposal to the CIES	-	(2)	-	-	-	2
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account	3,598	-	-	-	-	(3,598)
Capital expenditure financed from revenue balances (charged to HRA)	-	6,615	-	(6,615)	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	-	-	-	-	-
Flexible use of Capital receipts	(3)	-	-	-	3	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(723)	-	-	-	723	-
Payment towards administrative costs of non-current assets disposal (funded by a transfer from the Capital Receipts Reserve)	-	(88)	-	-	88	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	6,884	-	(6,884)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	7,584	-	(7,584)	-	-	-
Capital Grants and contributions applied	2,368	-	-	-	-	(2,368)
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	12,625	17,718	(7,584)	(13,499)	(6,321)	(2,939)
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	7,001	(7,001)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	6,975	-	(6,975)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	8,631	-	-	(8,631)
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	-	-	8,631	6,975	7,001	(22,607)
Total Adjustments	(41,850)	10,127	1,047	(6,524)	680	36,520

Note 11 Transfers to / from Earmarked and Usable Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2021/22. It also includes usable capital resources.

	Balance at 31 March 2020	Transfers Out	Transfers In	Balance at 31 March 2021	Transfers Out	Transfers In	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
General Fund balances	(7,408)	-	(828)	(8,236)	-	(724)	(8,960)
Sub total	(7,408)	-	(828)	(8,236)	-	(724)	(8,960)
Schools Reserves:-							
DSG Balances	(911)	-	(409)	(1,320)	-	(47)	(1,367)
Balances held by schools under a scheme of delegation	(2,709)	509	(1,405)	(3,605)	1,076	(1,037)	(3,566)
Earmarked Reserves:-							
- Insurance Fund	(5,707)	84	(338)	(5,961)	810	-	(5,151)
- Risk Reserve	(3,750)	-	(80)	(3,830)	2	-	(3,828)
- Redundancy Costs	(1,381)	153	-	(1,228)	453	-	(775)
- Revenue Grants Unapplied	(4,307)	727	(3,340)	(6,920)	3,839	(2,197)	(5,278)
- Transitional Grant Reserve	(1,002)	566	(73)	(509)	360	-	(149)
- Commercial Property Investment Reserve	(2,049)	-	(628)	(2,677)	178	(1,153)	(3,652)
- Capital & Treasury Reserve	(973)	119	-	(854)	125	-	(729)
- Town Centre Reserve	(928)	-	(10)	(938)	85	-	(853)
- Non Grant Carry Forwards	(867)	352	(266)	(781)	660	(900)	(1,021)
- Public Health Reserve	(664)	-	(524)	(1,188)	-	(701)	(1,889)
- Sustainable Investment Fund	(555)	-	-	(555)	-	-	(555)
- Opportunity Sutton Reserve	(254)	-	-	(254)	-	-	(254)

Note 11 Transfers to / from Earmarked and Usable Reserves (continued)

	Balance at 31 March 2020	Transfers Out	Transfers In	Balance at 31 March 2021	Transfers Out	Transfers In	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves continued:-							
- Welfare Support	(436)	98	-	(338)	137	(383)	(584)
- Catering Reserve (School Meals Delegated Funds)	(187)	-	(60)	(247)	-	(11)	(258)
- Renewals and Repairs Fund	(115)	-	-	(115)	-	-	(115)
- Brexit Reserve	(206)	110	-	(96)	-	96	-
- Other	(8)	-	(93)	(101)	-	-	(101)
- Ambition for Sutton-Earmarked Reserve (AFS)	-	64	(1,000)	(936)	936	-	-
- Covid-19 Reserve	(4,842)	4,842	-	-	-	-	-
- Covid 19 Grant funding (COMF & other)	-	-	(2,768)	(2,768)	2,248	-	(520)
- Council Tax Hardship Grant Funding	-	-	(287)	(287)	287	-	-
- Additional Restriction Grant Discretionary (LRSG)	-	-	(89)	(89)	89	(109)	(109)
- Extended Retail Relief Sect 31 funding	-	-	(8,502)	(8,502)	8,502	(2,920)	(2,920)
- Fair Funding Reserve	-	-	(1,321)	(1,321)	-	-	(1,321)
- Business Rates Risk Reserve	-	-	(1,321)	(1,321)	-	(2,160)	(3,481)
- Concessionary Fares Reserve	-	-	-	-	-	(923)	(923)
- Economic Recovery Reserve	-	-	-	-	-	(833)	(833)
- Inflation Risk Reserve	-	-	-	-	-	(2,000)	(2,000)
- St Nicholas Centre RPP Reserve	-	-	-	-	-	(362)	(362)
- Minimum Revenue Provision Equalisation Reserve	-	-	-	-	-	(1,864)	(1,864)
- Local Tax Guarantee	-	-	(1,078)	(1,078)	1,078	-	-
Sub total	(31,851)	7,624	(23,592)	(47,819)	20,865	(17,504)	(44,458)

Note 11 Transfers to / from Earmarked and Usable Reserves (continued)

	Balance at 31 March 2020	Transfers Out	Transfers In	Balance at 31 March 2021	Transfers Out	Transfers In	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA:							
Housing Revenue Account	(6,527)	1,379	-	(5,148)	-	(5,014)	(10,162)
Hillcroombe and Harrow Reserve	-	-	-	-	-	(34)	(34)
Heating Reserve	(530)	-	-	(530)	-	-	(530)
Freeholders Contributions	(43)	-	(3)	(46)	-	-	(46)
Sub total	(7,100)	1,379	(3)	(5,724)	-	(5,048)	(10,772)
Capital Grants and Contributions Unapplied	(16,019)	8,631	(7,584)	(14,972)	13,047	(37,567)	(39,492)
Capital Receipts Reserve	(11,245)	7,001	(6,321)	(10,565)	2,819	(7,118)	(14,864)
Major Repairs Reserve	(8,484)	6,975	(13,499)	(15,008)	2,784	-	(12,224)
Total	(82,107)	31,610	(51,827)	(102,324)	39,515	(67,961)	(130,770)

Additional information on key reserves of the Council

Earmarked Reserves

- The **Insurance Fund** provides for uninsured losses (including excess payments for claims incurred but not reported) and operational risk management initiatives to support the Council's insurance programme.

- The **Risk Reserve** has been created to mitigate the financial risk of demographic growth and cost pressures to services with demand volatility in areas such as adult and children's social care, as well as meeting other specific unavoidable cost risk issues. This reserve also holds funds for Invest to Save purposes and the Smarter Council programme.
- The **Redundancy Costs Reserve** is established for future redundancy costs anticipated from the continuing drive to secure cost reductions in light of Government grant reductions.

- The **Revenue Grants Unapplied Reserve** holds non ring-fenced grants received in year for revenue purposes but for which the expenditure will occur in future years.
- The **Transitional Grant Reserve** holds this grant paid in 2016 and 2017 and is set aside for spending on key areas such as tackling domestic violence and adult and children's social care transformation.

Note 11 Transfers to / from Earmarked and Usable Reserves (continued)

Earmarked Reserves contd.

- The **Commercial Property Investment Reserve** has been established to mitigate risks associated with the Council's commercial property holdings, potential valuation changes, rental loss and debt repayment.
- The **Capital and Treasury Reserve** has been established to fund and support future capital schemes as part of the planned capital programme.
- The **Town Centre Reserve** has been established to support the development and renewal of London Borough of Sutton's town centres.
- The **Non Grant Carry Forward Reserve** was created to carry forward third party contributions and revenue funding for specific projects
- The **Public Health Reserve** has been established to hold the balance of the Public Health grant which was underspent by £0.701m. This grant is strictly ring fenced for specific public health activities and where there is an underspending it must be carried forward to be applied in the following years
- The **Ambitious for Sutton** has been transferred into the Risk Reserve during 2021/22.

Extended Retail Relief (section 31 funding) :

The government provided 100% business rates relief to retail, hospitality and leisure businesses, as well as nurseries during

2020/21, which continued into 2021/22. Grant was paid to fund the Council's 30% share of this business rate loss. Due to the statutory arrangements of the Collection Fund, losses won't hit the general fund until the following year, making it necessary to carry this funding forward via earmarked reserves.

- The **Covid 19 Grant Funding** reserve holds Contain Outbreak Management Fund (COMF) and other scheme funding to meet costs that are anticipated to continue into following financial years.
- The **Fair Funding Reserves** has been set aside to mitigate potential risks arising from the forthcoming review of local government funding.
- The **Business rate Risk Reserve** has been created to address the potential risks facing business rates income: a key source of funding for the Council.
- The **Concessionary Fares Reserves** has been created by an underspend in this area of spending, and will be used to offset any future increases in concessionary fares.
- The **Economic Recovery Reserve** has been created to support the borough through the post Covid economic recovery.

- The **Inflation Risk Reserve** has been set up to help mitigate the risk to the Council from significant price increases.
- The **Minimum Revenue Provision (MRP) Equalisation Reserve** holds the savings that arose during 2021/22 from a review of the Council's arrangements to provide for capital debt repayment. This reserve will be used to offset increases in future MRP charges.
- **Local Tax Income Guarantee:** was funding provided by the Government to compensate for losses in Council Tax and Business Rates income during 2020/21. This was transferred to the General Fund during 2021/22, to offset the Collection Fund deficits that were charged to the Council during the year.

Housing Revenue Account

- The **HRA Reserve** reflects a statutory obligation to account separately for housing provision.
- The **Heating Reserve** holds the net balance of tenants' charges and recoveries for heating and hot water. It is used to help smooth future volatility.

Note 12 Unusable Reserves

31 March 2021 Restated		31 March 2022
£'000		
(150,364)	(a) Revaluation Reserve	(157,453)
(320,189)	(b) Capital Adjustment Account	(350,795)
386,233	(c) Pensions Reserve	299,086
560	(d) Financial Instruments Adjustment Account	466
(529)	(e) Deferred Capital Receipts	(529)
12,807	(f) Collection Fund Adjustment Account	3,822
3,071	(g) Accumulated Absences Account	6,171
(121)	(h) Financial Instruments Revaluation Reserve	1,783
(68,532)	TOTAL	(197,449)

Further details of movements in these reserves are shown in the following tables:

Note 12 Unusable Reserves (continued)

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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.

2020/21		2021/22
£'000		£'000
(148,322)	Balance at 1 April	(150,364)
(6,131)	Upward revaluation of assets	(24,749)
1,453	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	4,062
(4,678)	Surplus or deficit on revaluation of non current assets not posted to the surplus/(deficit) on the provision of services	(20,687)
2,392	Difference between fair value depreciation and historical cost depreciation	2,408
244	Accumulated losses on assets sold or scrapped	11,190
2,636	Amount written off to the Capital Adjustment Account	13,598
(150,364)	Balance at 31 March	(157,453)

Note 12 Unusable Reserves (continued)

b) 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 Statement (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 Authority as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2020/21		2021/22
£'000		£'000
(318,360)	Balance at 1 April	(320,189)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
18,921	Charge for depreciation and impairment of non-current assets	19,472
1,438	Revaluation gains/(losses) on Property, Plant and Equipment	(10,808)
1,264	Amortisation of intangible assets	2,028
-	Adjustment in respect of over charged amortisation in prior years	(3,344)
6,007	Revenue expenditure funded from capital under statute	5,278
3,025	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	25,598
30,655		38,224
(2,392)	Difference between fair value depreciation and historical cost depreciation	(2,408)
(244)	Accumulated losses on assets sold or scrapped	(11,190)
28,019	Net written out amount of the cost of non-current assets consumed in the year	24,626

Note 12 Unusable Reserves (continued)

Capital Adjustment Account (continued)

2020/21		2021/22
£'000		£'000
	Capital financing applied in the year:	
(7,001)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,096)
(5,229)	Use of the Major Repairs Reserve to finance new capital expenditure	(9,860)
(8,631)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,708)
(2,368)	Application of grants to capital financing from the Capital Grants Unapplied Account	(13,047)
(3,598)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	(1,836)
(1,746)	Funded from Revenue Reserves	-
(28,573)		(30,547)
(1,275)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(24,685)
(320,189)	Balance at 31 March	(350,795)

Note 12 Unusable Reserves (continued)

c) Pension 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 Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement 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 Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21 (Restated)		2021/22
£'000		£'000
312,714	Balance at 1 April	386,233
51,223	Remeasurement of the net defined benefit liability	(108,299)
38,065	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	38,797
(15,769)	Employers pension contributions and direct payments to pensioners payable in year	(17,645)
386,233	Balance at 31 March	299,086

Note 12 Unusable Reserves (continued)

d) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2020/21		2021/22
£'000		£'000
654	Balance at 1 April	560
(94)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(94)
560	Balance at 31 March	466

Note 12 Unusable Reserves (continued)

e) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2020/21		2021/22
£'000		£'000
(531)	Balance at 1 April	(529)
2	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(32)
-	Transfer of deferred sales proceeds to the Capital Receipts Reserve upon payment	32
(529)	Balance at 31 March	(529)

Note 12 Unusable Reserves (continued)

f) Collection Fund Adjustment Account

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

2020/21		2021/22
£'000		£'000
(241)	Balance at 1 April	12,807
13,048	Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements	(8,985)
12,807	Balance at 31 March	3,822

Note 12 Unusable Reserves (continued)

g) 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, i.e. annual leave entitlement carried forward at 31 March 2020. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from this Account.

2020/21		2021/22
£'000		£'000
2,740	Balance at 1 April	3,071
(2,740)	Settlement or cancellation of accrual at the end of the preceding year	(3,071)
3,071	Amounts accrued at the end of the current year	6,171
331	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from remuneration chargeable in year in accordance with statutory requirements	3,100
3,071	Balance at 31 March	6,171

Note 12 Unusable Reserves (continued)

h) Financial Instrument Revaluation Reserve

The Financial Instrument Revaluation Reserve contains the gains made by the Council arising from increases in the value of investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are :

- revalued downwards or impaired and the gains are lost, and;
- disposed of and the gains are realised.

2020/21		2021/22
£'000		£'000
(250)	Balance at 1 April	(121)
129	Upward revaluation of investments	-
-	Downward revaluation of investments	1,904
(121)	Balance at 31 March	1,783

Note 13 Property, Plant and Equipment (including Heritage Assets)

Movement on balances

2021/22	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1st April 2021	435,627	311,202	24,693	2,614	2,370	8,001	784,507
Additions	32,705	31,578	751	281	-	6,704	72,019
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	13,154	-	-	4,332	-	17,486
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,875	(3,857)	-	-	(925)	-	3,093
Derecognition - disposals	(2,629)	(25,109)	(81)	-	(125)	-	(27,944)
Derecognition - other	-	-	(16,320)	-	-	-	(16,320)
Reclassification to Infrastructure	-	-	-	-	-	(1,831)	(1,831)
Reclassification from Investment Properties	-	917	-	-	-	-	917
Reclassification and transfers	-	(2,575)	-	3,409	2,653	(3,487)	-
At 31st March 2022	473,578	325,310	9,043	6,304	8,305	9,387	831,927

Note 13 Property, Plant and Equipment (continued)

Movement on balances

2021/22	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment							
At 1st April 2021	-	(20,513)	(21,097)	-	-	-	(41,610)
Depreciation Charge:	(7,010)	(5,999)	(1,557)	-	(9)	-	(14,575)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	7,010	253	-	-	-	-	7,263
Depreciation charge written out to the Revaluation Reserve	-	2,909	-	-	293	-	3,202
Derecognition - disposal	-	2,282	63	-	1	-	2,346
Derecognition - other	-	-	16,320	-	-	-	16,320
Reclassification and transfers	-	285	-	-	(285)	-	-
At 31st March 2022	-	(20,783)	(6,271)	-	-	-	(27,054)
Net Book Value:							
At 31 March 2021	435,627	290,689	3,596	2,614	2,370	8,001	742,897
At 31 March 2022	473,578	304,527	2,772	6,304	8,305	9,387	804,873

Note 13 Property, Plant and Equipment (continued)

Movement on balances

Comparative movements in 2020/21	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1st April 2020	423,687	308,819	24,366	2,599	2,330	6,504	768,305
Additions	21,767	1,891	327	15	-	1,642	25,642
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	2,215	-	-	39	-	2,254
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,405)	(1,108)	-	-	1	-	(8,512)
Derecognition - disposals	(2,422)	(615)	-	-	-	-	(3,037)
Derecognition - other	-	-	-	-	-	(145)	(145)
Assets reclassified (to)/from held for sale	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-
At 31st March 2021	435,627	311,202	24,693	2,614	2,370	8,001	784,507

Note 13 Property, Plant and Equipment (continued)

Movement on balances

Comparative movements in 2020/21	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment							
At 1st April 2020	-	(17,225)	(19,577)	-	-	-	(36,802)
Depreciation Charge:	(6,818)	(5,988)	(1,520)	-	(9)	-	(14,335)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	6,818	266	-	-	8	-	7,092
Depreciation charge written out to the Revaluation Reserve	-	2,422	-	-	1	-	2,423
Derecognition - disposal	-	12	-	-	-	-	12
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31st March 2021	-	(20,513)	(21,097)	-	-	-	(41,610)
Net Book Value:							
At 31 March 2020	423,687	291,594	4,789	2,599	2,330	6,504	731,503
At 31 March 2021	435,627	290,689	3,596	2,614	2,370	8,001	742,897

Note 13 Property, Plant and Equipment (continued)

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Infrastructure Assets	2020/21	2021/22
	£'000	£'000
Net book value at 1 April	30,031	30,619
Additions	5,174	3,306
Derecognition	-	-
Depreciation	(4,586)	(4,897)
Impairment	-	-
Other movements in cost	-	1,831
Net book value at 31 March	30,619	30,859

Total Property, Plant and Equipment reported on Balance Sheet	2020/21	2021/22
	£'000	£'000
Infrastructure assets **	30,619	30,859
Other Property, Plant and Equipment assets	742,897	804,873
Total Property, Plant and Equipment assets	773,516	835,732

****Infrastructure Assets are valued on the basis of Net Book Value.**

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure is nil.

Note 13 Property, Plant and Equipment (continued)

Depreciation

- Council dwellings; other land and buildings; vehicles, plant, furniture and equipment; and infrastructure rates are detailed in Accounting Policies.
- Community Assets - by their nature they are held in perpetuity. Depreciation charges are therefore immaterial and not included in the financial statements. Any expenditure, which is not considered to enhance the asset, is depreciated in full in the year it is incurred.
- Surplus Assets – calculated as per its previous operational classification.

Additions

In 2021/22 the Council invested £17.5m of capital expenditure on improvements to council dwellings, and purchased 59 dwellings at a cost of £15.1m. As at 31 March 2022, the Council has a number of major capital projects which are detailed in the Narrative Report to the Statement of Accounts. Spend on Other Land and Buildings in 2021/22 totalling £31.578m included the development of the Innovation Centre at the London Cancer Hub which became operational in 2021/22, improvements works to school buildings, community and leisure facilities, surface car parks, and a variety of regeneration projects in Sutton Town Centre including the purchase of the St Nicholas Centre.

Capital Commitments

At 31 March 2022, the Authority has committed through its capital programme and entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years which are budgeted to cost £111.68m in total (£188.52m at 31 March 2021). The major commitments are detailed in the following table:

	Planned expenditure to 31 March 2026
	£'000
Council Dwellings - Major Works	9,581
Council Dwellings - Energy Programme	895
Council Dwellings - Housing New Build	88,878
Estate Regeneration	1,550
Highways Works	4,600
Other Development Growth & Regeneration Projects	6,173
Total	111,677

Note 13 Property, Plant and Equipment (continued)

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment (PP&E) required to be measured at current value is revalued. All valuations are carried out internally. The latest valuation was carried out as at 31 March 2022.

A minimum of one fifth of the Council's PP&E classified properties are valued each year as well as any asset with a value greater than 1% of the IFRS asset classification it sits in. In addition, buildings subject to major refurbishment which complete in a year and a number of specified PP&E will be valued each year. Public offices are also revalued each year.

Valuations of the Council's land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS) under the direction of the Council's Assistant Director, Resources Directorate (Asset Planning, Management and Capital Delivery). The valuer for the authority is the Asset Management section and the Asset Valuation report is signed, on behalf of the Asset management section, by Chris Litchfield BSc (Est Man), RICS, Valuation and Estates Manager.

The significant assumptions applied in estimating the current values are:

- No deleterious or hazardous material has been used in the construction of the properties or has since been incorporated
- There are no onerous conditions or restrictions which might affect the valuations, and the use of the property is lawful
- The inspection of those parts of a property that have not been inspected would neither reveal material defects nor cause the Valuer to alter the valuation materiality.
- Operational assets valued using Depreciated Replacement Cost (DRC) for specialist properties or Existing Use Value (EUV) for other properties
- Non operational properties are valued using fair value (FV)
- Council Dwellings are valued using the Existing Use Value for Social Housing (EUV-SH)

The RICS withdrew the global COVID-19 valuation practice alert on 3rd march 2022. This report does not report any valuation uncertainty due to Covid-19, however the valuation does reflect the after effects of COVID-19, such as lower demand for high street retail, and subsequent low rental growth in the retail sector.

The valuations of the Council dwellings were carried out in accordance with the methodologies and estimation set out in the Stock valuation for resourcing Accounting Guidance for valuers 2016 published in November 2016 by the MHCLG under the direction of the Council's Assistant Director, Resources Directorate (Asset Planning, Management and Capital Delivery). The valuer for the authority is the Asset Management section and the Asset Valuation report is signed, on behalf of the Asset management section, by Chris Litchfield BSc (Est Man), RICS, Valuation and Estates Manager.

Council dwellings are adjusted to account for their status as social housing. For 2021/22 the social housing factor for London remains at 25% which results in a value adjusted for the social housing factor of £473.578m.

Infrastructure and community assets have been included at historical cost.

The authority carried out a value movement review of assets not revalued in the year and confirms that change is immaterial.

Note 13 Property, Plant and Equipment (continued)

The following table shows the breakdown of Property, Plant and Equipment net book value by date of valuation.

	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	2,772	30,859	6,304	-	9,387	49,322
Valued at current value as at:								
31 March 2022	473,578	267,007	-	-	-	8,305	-	748,890
31 March 2021	-	7,020	-	-	-	-	-	7,020
31 March 2020	-	29,912	-	-	-	-	-	29,912
31 March 2019	-	513	-	-	-	-	-	513
31 March 2018	-	-	-	-	-	-	-	-
31 March 2017	-	75	-	-	-	-	-	75
Total Cost or Valuation	473,578	304,527	2,772	30,859	6,304	8,305	9,387	835,732

Valuation Techniques used to Determine Level Three Fair Value

Investment Properties (not part of Total Property Plant and Equipment - see Note 14) and Surplus assets have been valued using either the Market or Income approach to Fair Value. The valuations were carried out under the direction of the Council's Assistant Director, Resources Directorate (Asset Planning, Management and Capital Delivery). The valuer for the authority is the Asset Management section and the Asset Valuation report is signed, on behalf of the Asset management section, by Chris Litchfield BSc (Est Man), RICS, Valuation and Estates Manager.

Valuation have taken into account the following factors:

- Existing lease terms and rentals relating to each property including income produced
- Research into market evidence including market rentals and yields adjusted to reflect the nature of each tenancy or void

Note 13 Property, Plant and Equipment (continued)

Measurement of fair value of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 March 2022. Note the majority of property, plant and equipment is carried at current value in accordance with IAS 16, as adapted for the public sector context.

31 March 2021					31 March 2022				
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	
-	-	2,370	2,370	Surplus Assets	-	-	8,305	8,305	
-	-	124,729	124,729	Investment Properties (see Note 14)	-	-	148,497	148,497	
-	-	485	485	Assets Held for Sale (see Note 15)	-	-	936	936	
-	-	127,584	127,584	Total	-	-	157,738	157,738	

Quantitative Information about fair value measurement of non-current assets using significant unobservable inputs - level 3

Valuation Techniques used to measure fair value	Unobservable inputs	Valuation Process
Market approach	Market comparables for similar properties <ul style="list-style-type: none"> • Rental values • Investment yields • Location of comparable properties and transactions • Timing of comparable transactions applying to similar properties • Certain detail about physical characteristics and detailed transactional information of comparable properties for which adjustments may need to be made 	Analysed comparable evidence data from local property transactions carried out by the council or otherwise within the valuer's scope of knowledge to place a land / building value on the subject property / site, then made adjustments for site location, site restrictions, layout and quality

Note 13 Property, Plant and Equipment (continued)

Quantitative Information about fair value measurement of non-current assets using significant unobservable inputs - level 3

Type of Property	Fair Value as at 31 March 2022 £'000	Valuation Techniques used to measure fair value	Unobservable inputs	Quantitative Information Used (Range)	Sensitivity
Retail - Investment Properties	15,075	Investment method	Estimated rent Estimated yield Void/rent free period length	£7-£32psf per annum overall, £40-£76psf in terms of Zone A 4.75% to 7% 12-18 months	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial -Investment Properties	35,858	Investment method	Estimated rent Estimated yield Void/rent free period length	£1.75 to £14.00psf per annum 3.5% to 8% 12 months	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Office Accommodation:-					
Investment Properties	57,417	Investment method	Estimated rent Estimated yield Void/rent free period length	£15.75-£22psf per annum 3.25% to 8.25% 12 to 30 months	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Surplus Assets	4125	Residual method	Estimated residential sale prices	£5,800 to £6,000 per sq m	
Assets Held for Sale	936		Estimated build or conversion costs	£1,900 to £2,600 per sq m	
			Estimated developer's profit	15% to 20% of development value	
			Estimated financing costs	6% to 7% on costs	
			Estimated professional fees on build	10%-12% on build costs	
			Estimated contingency allowance on costs	5%-7.5% on build costs	
			Estimated external works costs relative to build	10%-12% on build costs	

Note 13 Property, Plant and Equipment (continued)

Type of Property	Fair Value as at 31 March 2022 £'000	Valuation Techniques used to measure fair value	Unobservable inputs	Quantitative Information Used (Range)	Sensitivity
Recreation sport - Investment Properties	22,692	Investment method	Estimated rent	£13psf per annum	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
			Estimated yield	5.5% to 6%	
			Void/rent free period length	12 months	
Residential development - Investment Properties	17,450	Residual or comparison method	Estimated residential sale prices	£6,000 per sq m	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
			Estimated build or conversion costs	£1,755 per sq m	
			Estimated developer's profit	15% of development value	
			Estimated financing costs	7% on costs	
			Estimated professional fees on build	12% on build costs	
			Estimated contingency allowance on costs	5% on build costs	
			Estimated external works costs relative to build	12% on build costs	
Entertainment - Surplus Assets	2,830	Residual method	Estimated residential sale prices	£7,000 per sq m	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
			Estimated build or conversion costs	£1,119-2,284 per sq m	
			Estimated developer's profit	15% of development value	
			Estimated financing costs	7% on build costs	
			Estimated professional fees on build	12% on build costs	
			Estimated contingency allowance on costs	5% on build costs	
			Estimated external works costs relative to build	10% on build costs	

Note 13 Property, Plant and Equipment (continued)

Type of Property	Fair Value as at 31 March 2022 £'000	Valuation Techniques used to measure fair value	Unobservable inputs	Quantitative Information Used (Range)	Sensitivity
Car Parks - Surplus Assets	1,350	Residual method	Estimated residential sale prices	£5,700 per sq m	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
			Estimated build or conversion costs	£1,892 per sq m	
			Estimated developer's profit	15% of development value	
			Estimated financing costs	6% on costs	
			Estimated professional fees on build	10% on build costs	
			Estimated contingency allowance on costs	5% on build costs	
			Estimated external works costs relative to build	12% on build costs	
Other land - Investment Properties	5	Investment method	Estimated rent	£0.20 per sq ft	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
			Estimated yield	12%	
			Void/rent free period length	24 months	
Total Fair Value	157,738				

The valuations for Council properties valued at fair value have been based on the market approach reflecting market conditions at the relevant date, including rental values and investment yields for similar properties. Other relevant information relating to similar properties has also been used, such as location of comparable properties and how that relates to the subject, timing of comparable transactions applying to similar properties, and certain details about physical characteristics and detailed transactional information of comparable properties for which adjustments may need to be made. Market conditions are such that the level of unobservable inputs can be significant, leading to the properties being categorised at level 3 in the fair value hierarchy. The valuers have used their professional judgement, developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information reasonably available.

Note 13 Property, Plant and Equipment (continued)

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

	Investment Properties		Surplus Assets		Assets Held for Sale		Total Level 3	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	123,454	124,729	2,330	2,370	485	485	126,269	127,584
Transfers into Level 3	-	-	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-	-	-
Additions	-	-	-	-	18	-	18	-
Derecognition / Disposal	-	-	-	(123)	-	-	-	(123)
Total gains or losses for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	1,275	24,685	49	(925)	(18)	451	1,306	24,211
Total gains or losses for the period included in Other Comprehensive Income and Expenditure resulting from changes in the fair value	-	-	-	4,624	-	-	-	4,624
Depreciation charge	-	-	(9)	(9)	-	-	(9)	(9)
Other charges - category transfers	-	(917)	-	2,368	-	-	-	1,451
Closing Balance	124,729	148,497	2,370	8,305	485	936	127,584	157,738

£24.685m of gains arising from changes in the fair value of investment properties have been recognised in the Surplus or Deficit on the Provision of Services - Financing and investment income and expenditure line. £0.925m of losses arising from changes in the fair value of surplus properties have been recognised in the Surplus or Deficit on the Provision of Services Resources line. £4.624m gains arising from changes in the fair value of surplus assets have been recognised in Other Comprehensive Income and Expenditure within the Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets line.

Note 13 Property, Plant and Equipment (continued)

Highest and Best Use of Investment Properties

In estimating the Fair Value of the Council's investment properties, the highest and best use of 59 of the 60 properties is their current use. One property valued at £5k has a more valuable alternative use subject to access and title constraints.

Highest and Best Use of Surplus Assets

In estimating the Fair Value of the Council's surplus properties, the highest and best use of all of the four properties is an alternative to the current/latest use.

Surplus Assets

Surplus assets held by the Authority at 31 March 2022 total £8.305m (£2.370m in 2020/21).

31 March 2021		31 March 2022
£'000		£'000
2,330	Opening Balance	2,370
(9)	Depreciation	(9)
-	Disposals	(123)
-	Reclassifications	2,368
49	Revaluations	3,699
2,370	Closing Balance	8,305

Note 13 Property, Plant and Equipment (continued)

Heritage Assets

General

Heritage Assets are not being reported as a distinct class of asset within Property, Plant and Equipment.

Nature and Significance of Assets Owned

The Council's portfolio of Heritage Assets is unchanged in 2021/22 as no acquisitions or disposals took place. The nature and significance of these assets are detailed below.

Land and Buildings

a) Museums

Honeywood £2.035m and Whitehall £3.273m

The Authority has three museums in listed buildings. Honeywood is listed Grade II and Whitehall Grade II*.

Honeywood is currently operational, predominantly delivering services relating to knowledge and culture. Honeywood, the Council's main museum is a historically significant building with origins in the 17th Century. The core of the building includes several flint and chalk checkerboard walls, once a significant local building style of which very few examples remain.

Whitehall is a unique building dating from c.1500. It was owned by the same family for 250 years and retains many of its original features. It is a rare survivor of a Tudor building on the domestic scale.

Little Holland House - Value £0.630m

Little Holland House is an Edwardian house built by Frank Dickinson in the Arts and Crafts style. Access is restricted due to the fragile nature of the internal décor. The building is grade II listed.

b) Monuments

Upper Mill

Upper Mill in Grove Park is on the site of a mill listed in the Domesday book. The current structure includes wheel pits dating from 1782, designed by John Smeaton and an early 19th century wheel. The wheel and pits are Grade II listed. The remainder of the structure is a recreation of a late Victorian building designed to house an electric generator which was adapted to hydro-electricity at an early date. The mill is not currently open to the public and has been damaged by vandalism. No valuation exists for this asset however the value is unlikely to be material.

The Dovecote, Carew Manor

The Dovecote dates from the early 18th century and is a scheduled monument. The Dovecote is not regularly opened to the public. No valuation exists for this asset.

Art Collection

The art collection includes some 1,110 paintings, mostly of the 19th and 20th centuries which are either local scenes or by artists who lived in the borough. Many of the local scenes are an important record of the topography of the Borough. There are works by topographic artists such as John Hassell (father and son), Gideon Yates, Thomas Allom and William Tatton Winter.

The collection also includes paintings by a number of artists with a more than local reputation including Frank Moss Bennett (1874-1953), Elva Blacker (1908-84), Thomas Dibdin (1810-1893), John Drage (1856-1914), William Gilpin (1724-1804), Horace Mann Livens (1862-1936), Dorothy Moore (1897-1973), Joseph Nash (1803-78), James Pollard (1792-1867), Joseph Powell (c1780-c1834),

William Tatton Winter (1855-1928), Gideon Yates (early 19th century) and Fred Yates (d.2008).

The collection has not been formally valued. The whole collection is not considered to be significant for separate insurance purposes and is covered in the standard contents cover. The collection is promoted to the public via the internet and the Council's libraries.

Museum Collection

The collection consists of objects connected to the borough's history. The majority are of a domestic nature including costume and household items. Of significance are finds from the excavations of a mediaeval pottery kiln in Cheam ('Cheam-ware'), one of the earliest kilns excavated in England and finds from excavations at Carew Manor, including unusual late Elizabethan garden metalwork and ceramics. The collection has not been formally valued, however a limited number of items have a purchase price and the value of the whole collection is not considered to be material.

Glass Plate Negatives

The collection of Edwardian glass plate negatives currently held in the Borough archive consists of 11,000 original plates still in their studio wrappers. The plates are all the work of Knights-Whittome, a local photographer active from c1900-1918. Knights-Whittome was a society photographer who also photographed the royal family, aristocracy and toured Europe recording palaces and major buildings. The collection includes images (many of which have been lost) of local people, national and European figures, and buildings. No formal valuation has been carried out for the collection but it is not considered material and the collection is insured in the standard contents cover.

Note 13b Intangible Assets

Intangible assets are those which do not have physical substance, but bring economic benefit to the Council. Intangible assets include both purchased licences and internally generated software.

* In previous years the Council amortised these costs in the year in which they were incurred, however this has been identified as an error in 2021/22 and so the costs of intangible assets are now being amortised on a straight line basis over the expected life of the asset, which is 5 years. The £3,344k represents the overcharged amortisation in respect of prior years that has been reversed out of the Capital Adjustment Account into the intangible assets on the balance sheet. As this amount is not material, the Council has chosen to show the £3,344k adjustment in year on the face of the Movement in Reserves Statement and as follows in the note below.

The movement on Intangible Assets balances during the year is as follows:

31 March 2021	31 March 2022
£'000	£'000
In year adjustments in respect of over charged amortisation in prior years split as follows:	
- Gross carrying amounts	7,721
- Accumulated amortisation	(4,377)
- Total in year adjustments in respect of over charged amortisation in prior years*	3,344
Transactions in year:-	
- Additions	2,419
- Amortisation	(2,028)
- Net carrying amount at end of year	3,735
Comprising:-	
- Gross carrying amounts	10,140
- Accumulated amortisation	(6,405)
- Net carrying amount at end of year	3,735

Note 14 Investment Properties

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and proceeds of disposal. Investment property is property (land or a building) held by the owner solely to earn rental income and/or for capital appreciation.

Investment properties are not depreciated but are revalued each year and are measured at fair value. Valuation techniques and inputs into calculating the fair value of investment properties can be found in Note 13. In line with the CIPFA Code these include valuation techniques used to determine level three fair value, quantitative Information about fair value measurement of non-current assets using significant unobservable inputs - level 3, a reconciliation of fair value measurements (using significant unobservable inputs) categorised within level 3 of the fair value hierarchy, and information on highest and best use of Investment Properties.

Valuation of the Council's investment property portfolio is carried out by the Council's valuers following Royal Institution of Chartered Surveyors (RICS) guidance. The RICS withdrew the global Covid-19 valuation practice alert on 3rd March 2022. The valuer is not reporting any valuation uncertainty due to Covid-19 however the valuation does reflect the after effects of Covid, such as lower demand for high street retail and subsequent low rental growth in the retail sector and the continued hybrid working patterns, meaning office occupancy is down.

The following table summarises the movement in the fair value of investment properties over the year:

2020/21		2021/22
£'000		£'000
123,454	Balance at the start of the year	124,729
-	Reclassification to Other Land and Buildings	(917)
-	Additions	-
-	Classified as Investment Properties Held for Sale	(50,600)
1,275	Net gains/(losses) from fair value adjustments (Revaluations and Impairments)	24,685
124,729	Closing Balance (non-current assets)	97,897
-	Investment Properties Held for Sale (current assets)	50,600
124,729	Total Balance at the end of the year	148,497

During 2021/22 the decision was made to make Investment Property valued at £50.600m available for sale. In line with the CIPFA Code of Practice this has not been reclassified as Assets Held for Sale, but for clarity is disclosed separately in the table above.

Note 14 Investment Properties (continued)

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2020/21		2021/22
£'000		£'000
(6,979)	Rental income from investment property	(6,188)
2,371	Direct operating expenses arising from investment property	309
(4,608)	Net gain	(5,879)

Note 15 Assets Held for Sale

As at 31 March 2022 the Council had a number of properties categorised as Assets Held for Sale, and comprising a total value of £0.936m.

2020/21		2021/22
£'000		£'000
485	Opening Balance	485
18	Additions	-
-	Reclassifications	-
(18)	Revaluations	451
485	Closing Balance	936

Note 16 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2020/21		2021/22
£'000		£'000
418,839	Opening Capital Financing Requirement	428,370
	Capital Investment:	
30,833	Property, Plant and Equipment	75,325
-	Investment Properties	-
1,264	Intangible Assets	2,419
6,007	Revenue Expenditure Funded from Capital Under Statute	5,278
	Sources of Finance:	
(7,001)	Capital Receipts	(2,096)
(2,368)	Government grants and other contributions	(13,047)
(8,631)	Capital grants and contributions recognised as income and applied	(3,708)
(5,229)	Major Repairs Reserve	(9,704)
	Sums set aside from revenue	
(1,746)	- Direct revenue contributions	(156)
(3,598)	- MRP / Loans fund principal	(1,836)
428,370	Closing Capital Financing Requirement	480,845
	Explanation of movements in year	
(9,531)	Increase in underlying need to borrow (unsupported by government financial assistance)	(52,475)
(9,531)	Increase in Capital Financing Requirement	(52,475)

Note 17 Financial Instruments

a) Financial Instruments Balances

Accounting regulations require financial instruments shown on the Balance Sheet to be further analysed into various defined categories as shown in the tables below. Note: the total shown as “cash” is £5,467k. See Note 20 for further information.

Categories of financial assets

31 March 2021 (Restated)							31 March 2022					
Non-current		Current			Total	FINANCIAL ASSETS	Non-current			Current		Total
Investments	Debtors	Investments	Debtors	Cash		Investments	Debtors	Investments	Debtors	Cash		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
-	3,209	17,751	-		20,960	Fair value through profit and loss	-	1,332	15,006	-	16,338	
-	1,260	72,521	59,964	6,015	139,760	Amortised Cost	-	10,984	46,540	52,113	5,467 115,104	
5	-	-	-	-	5	Fair value through other comprehensive income - designated equity instruments	10	-	-	-	10	
5	4,469	90,272	59,964	6,015	160,725	Total financial assets	10	12,316	61,546	52,113	5,467 131,452	

*It was identified that Money Market Funds (MMF's) had been included as part of the Short Term Investments measured at amortised cost. £15,006k (2021/22) relating to money market funds should have been disclosed as investments carried at Fair Value Through Profit and Loss. Hence, MMF was reclassified from amortised cost to Fair Value Through Profit and Loss. Similarly £17,751k (2020/21) relating to MMF has been restated from its classification as amortised cost to Fair Value Through Profit and Loss.

Note 17 Financial Instruments (continued)

Categories of financial liabilities

31 March 2021 (Restated)						31 March 2022						
Non-current		Current			Total	FINANCIAL LIABILITIES	Non-current			Current		Total
Borrowings	Creditors	Borrowings	Creditors	Bank Overdraft			Borrowings	Creditors	Borrowings	Creditors	Bank Overdraft	
£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
(412,127)	-	(1,388)	(54,843)	(29,136)	(497,494)	Amortised Cost	(406,947)	-	(9,187)	(55,251)	-	(471,385)
(412,127)	-	(1,388)	(54,843)	(29,136)	(497,494)	Total financial liabilities	(406,947)	-	(9,187)	(55,251)	-	(471,385)

* The 2020/21 figures in the table above have been restated to include the bank overdraft figure (£29,136). The negative cash position is due to the Council issuing payments within its cash book relating to the 2021/22 financial year ahead of the previous year-end. This was because planned financial system downtime in April 2021 meant payments would otherwise have not been received on time by creditors. Please see Note 35 for further details.

Investments in equity instruments designated at fair value through other comprehensive income

Description	Nominal	Fair Value
	£'000	£'000
Opportunity Sutton	5	5
Sutton Living	5	5

Opportunity Sutton has equity in two subsidiary companies - Sutton living and SDEN (Sutton Decentralised Energy Network Ltd). The Council's total investment for 2021/22 is £0.01m.

Reclassification

Reclassification of a financial instrument can only occur if it is allowed through the definitions of the Code, and as a consequence should be relatively rare. In the case of financial liabilities an authority cannot reclassify. No financial instruments have been reclassified.

Note 17 Financial Instruments (continued)

b) Comprehensive Income and Expenditure Statement disclosures

Items of income, expense, gains or losses

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

2020/21			2021/22	
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
£'000	£'000		£'000	£'000
Net gains/losses on:				
(129)	-	Financial assets measured at fair value through profit or loss	(1,904)	-
-	-	Financial assets measured at amortised cost	-	-
-	-	Investments in equity instruments designated at fair value through other comprehensive income	-	-
(129)	-	Total net gains/losses	(1,904)	-
Interest revenue:				
(198)	-	Financial assets measured at amortised cost	(645)	-
(161)	-	Other Financial assets measured at fair value through profit and loss	300	-
(359)	-	Total interest revenue	(345)	-

Note 17 Financial Instruments (continued)

Fair Value

2020/21			2021/22	
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
£'000	£'000		£'000	£'000
Interest expense:				
11,681	-	Financial assets or financial liabilities that are not at fair value through profit or loss	11,169	-
11,681	-	Total interest expense	11,169	-
Fee expense:				
40	-	Financial assets or financial liabilities that are not at fair value through profit or loss	-	-
40	-	Total fee expense	-	-

Basis for recurring fair value measurements:

Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs – unobservable inputs for the asset or liability.

Note 17 Financial Instruments (continued)

Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 March 2021 £'000	As at 31 March 2022 £'000
Fair Value through Profit and Loss				
Other financial instruments classified as fair value through profit and loss	Level 3	Discounted cashflow	3,209	1,332
Total			3,209	1,332
Fair Value through Other Comprehensive Income				
Opportunity Sutton (Sutton Living Limited)	Level 3	Equity share attributable to shareholders	5	5
Opportunity Sutton (SDEN LTD)	Level 3	Equity share attributable to shareholders	5	5
Total			10	10

Equity Investments

The equity investments below are not based on a valuation technique that is based on observable current market transactions or available market data:

- Opportunity Sutton (Sutton Living Limited) - the shares in this company are not traded in an active market and for 2022 the shares are £5k.
- Opportunity Sutton (SDEN) - the shares in this company are not traded in an active market and the shares for 2021/22 is £5k

Note 17 Financial Instruments (continued)

Other financial instruments classified as Fair Value through Profit and Loss

The Council has one loan that is classed as this. The loan is long term and the fair value has been calculated by using discounted cash flow with a discount rate based on UK gilts of the same duration as the remaining life of the loan plus a credit risk premium of 4.2%.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels during the year.

Changes in the Valuation Technique

There has been no change in valuation technique used during the year for financial instruments.

The Fair Values of Financial Assets and Liabilities that are not measured at Fair Value (but are required for disclosure)

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

For loans from the PWLB payable, new loan rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the table sets out the alternative fair value measurement applying the premature repayment (the alternative to the above), highlighting the impact of the alternative valuation;

For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value. No early repayment or impairment is recognised; Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

The fair value of trade and other receivables is taken to be invoiced or billed.

The calculated fair value of each class of financial asset and liability which are carried in the balance sheet are shown in the tables below.

The prior year fair values as at 31 March 2021 are also provided for comparison.

Note 17 Financial Instruments (continued)

Fair Value of Liabilities Carried at Amortised Cost

31 March 2021			31 March 2022	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
287,896	339,440	PWLB debt	287,795	310,282
25,618	37,885	Market Debt	25,615	34,445
100,001	88,953	European Primary Placement Facility (Bond)	100,024	81,315
-	-	Local Authorities	2,700	2,700
-	-	Short term Borrowing	-	-
54,843	54,843	Short term creditors	55,251	55,251
468,358	521,121	Total financial liabilities	471,385	483,993

The fair value is higher than the carrying amount because the Authority's portfolio of loans includes fixed rate loans, where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £310.3m measures the economic effect of the terms agreed with the PWLB, compared with estimates of the terms that would be offered for

market transactions undertaken at the Balance Sheet date.

The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB, rather than from the markets.

A supplementary measure of the additional interest that the authority will pay as a result of

its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £287.8m would be valued at £310.3m. However, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that would have been paid. The exit price for the PWLB loans including the penalty charge would be £369.545m

Note 17 Financial Instruments (continued)

31 March 2021			31 March 2022	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
90,272	90,272	Short term investments	61,546	61,546
5	5	Equity investments	10	10
59,964	59,964	Short term debtors	52,113	52,113
4,470	4,470	Long term debtors	12,316	12,316
-	-	Cash and cash equivalents	5,467	5,467
154,711	154,711	Total financial assets	131,452	131,452

Where the fair values of financial assets are the same as carrying values, this is because the investments held are short term and their interest rates are equal to the rates available for

similar loans at the balance sheet date. The fair value of long term debtors held at amortised cost is assumed to be the same as the carrying amount since there is no traded market for such

receivables and liabilities and it is therefore not possible to provide equivalent market rates.

Note 17 Financial Instruments (continued)

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

31 March 2022	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<i>Recurring fair value measurements using:</i>	£'000	£'000	£'000	£'000
Financial liabilities				
Financial liabilities held at amortised cost:				
PWLB	-	310,282	-	310,282
Non-PWLB		34,445		34,445
Local Authorities	-	2,700	-	2,700
European Primary Placement Facility (Bond)	-	81,315	-	81,315
Short term borrowing	-	-	-	-
Short term creditors	-	55,251	-	55,251
Total	-	483,993	-	483,993
Financial assets				
Financial assets held at amortised cost:				
	-	115,104	-	115,104
Total	-	115,104	-	115,104

Note 17 Financial Instruments (continued)

31 March 2021 comparative	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<i>Recurring fair value measurements using:</i>	£'000	£'000	£'000	£'000
Financial liabilities				
Financial liabilities held at amortised cost:				
PWLB	-	339,440	-	339,440
Non-PWLB	-	37,885	-	37,885
European Primary Placement Facility (Bond)	-	88,953	-	88,953
Short term borrowing	-	-	-	-
Short term creditors	-	54,843	-	54,843
Total	-	521,121	-	521,121
Financial assets				
Financial assets held at amortised cost:				
	-	139,760	-	139,760
Total	-	139,760	-	139,760

The fair value for financial liabilities and financial assets that are not measured at fair value included in Level 2 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate detailed above.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions detailed above, primarily for financial liabilities the

fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations.

Note 17 Financial Instruments (continued)

c) Nature and Extent of Risks Arising from Financial Instruments

The Council's management of treasury risks actively works to minimise exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code on Treasury Management in the Public Services and investment guidance issued through the Act.

The Council has written principles for overall risk management as well as written policies and procedures (Treasury Management Practices - TMPs) covering specific areas such as interest rate risk, credit risk and the investment of surplus cash which are reviewed periodically.

The latest Annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Council in March 2022 and is available on the Council's website. Actual performance is reported on a quarterly basis to the Audit Committee.

Credit Risk

Credit risk arises from the lending of surplus cash funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council is currently using highly rated institutions and high security money market funds. The Council has a policy of limiting deposits with individual institutions to a maximum of £20 million.

Amounts Arising from Expected Credit Losses

The Council's maximum exposure to credit risk on its money market investments has been deemed to be immaterial. This has been determined by reference to the historic default rates provided by credit rating agencies that show a risk of default of 0.05% or less for the rated financial institutions on the Council's approved counterparty list. Note that in the event of any default the Council would be entitled to a share of the assets in the financial

institution so that any potential loss would be less than the default rate quoted.

The Council has made a credit loss allowance on its trade receivables in accordance with proper practices. The Council has also reviewed its long-term debtors to assess the likelihood of any loss. It has not been necessary to make any such allowances in 2021/22.

Liquidity Risk

The Council has access to borrowing from the money markets to cover day to day cash flow needs and to the Public Works Loans Board (PWLB) and money markets for access to longer term funds. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The maturity structure of financial liabilities is as follows (at nominal rate)

Note 17 Financial Instruments (continued)

31 March 2021		31 March 2022
£'000		£'000
286,826	Public Works Loans Board	286,826
25,300	Market debt	25,300
100,001	European Primary Placement Facility (Bond)	100,001
-	Temporary loans	2,700
412,127	Total	414,827
-	Less than 1 year	7,200
4,500	Between 1 and 2 years	-
-	Between 2 and 5 years	-
9,200	Between 5 and 10 years	14,200
398,427	More than 10 years	393,427
412,127	Total	414,827

The figures in the table above exclude accrued interest on these loans. Any risks associated with refinancing these loans will be managed as part of the Treasury Management Strategy.

Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council depending on how variable and fixed interest rates move across differing financial instrument periods.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk, for example variable rate loans are limited to a maximum of 20% of overall borrowing.

The Council continually tracks interest rates and uses its treasury management advisers, Link, to identify opportunities for restructuring debt. In doing so, any premiums or discounts applicable are taken into consideration when assessing whether this may be beneficial to the Council. There is 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

Note 17 Financial Instruments (continued)

According to this assessment strategy, at 31 March 2022 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2021	31 March 2022
	£'000	£'000
Increase in interest payable on variable rate borrowings	153	153
Increase in interest receivable on variable rate investments	(3,266)	(5,912)
		-
Impact Surplus or Deficit on the Provision of Services	(3,113)	(5,759)
Share of overall impact debited to the HRA	(1,497)	(2,630)
Decrease in fair value of fixed rate investment assets	(30)	387
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(83,881)	(85,942)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. An increase or decrease in interest costs would have an equivalent impact on the Council's CIES.

The latest financial forecasts for Sutton Decentralised Energy Network Ltd (SDEN) reflect amendments to the loan agreements between SDEN Ltd and LBS to reduce the interest on the long term loans to 2% from the current 6% on the long-term loan and 7.8% on the working capital loans. The effect of this change and another proposal to delay the loan maturity date by several years enables SDEN Ltd to deliver a business plan that attains positive cash balances for the next 49 years after meeting its running costs as well as loan interest and recommended principal repayment commitments

Note 18 Debtors

These are short-term debts consisting of amounts due from Government, other local authorities and amounts due for goods and services provided as at 31 March.

At 31 March 2021			At 31 March 2022			
Gross debtors	Provision for bad debts	Total Net debtors		Gross debtors	Provision for bad debts	Total Net debtors
£'000	£'000	£'000		£'000	£'000	£'000
Public sector bodies:						
8,561	-	8,561	Central government bodies	27,478	-	27,478
9,637	-	9,637	Other local authorities	8,860	-	8,860
6,377	-	6,377	NHS bodies	2,076	-	2,076
24,575	-	24,575	Sub total public sector bodies	38,414	-	38,414
Sundry debtors:						
2,391	(1,217)	1,174	HRA tenants	2,788	(1,680)	1,108
50,895	(10,726)	40,169	Other entities and individuals	47,183	(11,428)	35,755
8,263	(6,135)	2,128	Local Tax payers	8,473	(5,880)	2,593
61,549	(18,078)	43,471	Sub total sundry debtors	58,444	(18,988)	39,456
86,124	(18,078)	68,046	Total debtors	96,858	(18,988)	77,870

Note 19 Creditors and Grants Received in Advance

These consist of amounts owed to Government and other public bodies and all unpaid sums for goods and services provided as at 31 March.

a) Creditors

At 31 March 2021 (Restated)		At 31 March 2022
£'000		£'000
5,585	Central government bodies	(308)
(2,737)	Other local authorities	(11,297)
(3,616)	NHS bodies	(721)
(24,927)	Other entities and individuals	(43,297)
(1,734)	Local Tax payers	(1,093)
(27,429)	Total	(56,716)

b) Grants Received in Advance

At 31 March 2021 (Restated)		At 31 March 2022
£'000		£'000
(3,071)	Capital Grants Receipt in Advance	(4,315)
(36,542)	Revenue Grants Received in Advance	(37,956)
(39,613)	Total	(42,271)

Note 20 Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

At 31 March 2021		At 31 March 2022
(Restated)		
£'000		£'000
42	Cash held by the authority	39
5,972	Bank current accounts	5,428
6,014	Sub total cash and cash equivalents	5,467
(29,136)	Bank overdraft*	-
(23,122)	Total	5,467

*The negative cash position is due to the Council issuing payments within its cash book relating to the 2021/22 financial year ahead of the previous year-end. This was because planned financial system downtime in April 2021 meant payments would otherwise have not been received on time by creditors. For clarity, the bank balance did not go overdrawn: this note reflects the cashbook position only - the difference being cash in transit. This cash position includes positive cash balances belonging to Schools, of £5.972m. See Note 35 for further details.

Note 21 Provisions

Provisions have been established for the following purposes:

	Balance b/fwd 1 April 2021	Additional provisions made in 2021/22	Amounts used in 2021/22	Unused amounts reversed in 2021/22	Balance c/fwd 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Provisions					
a) NNDR Appeals	(2,195)	(239)	167	-	(2,267)
b) Insurance Claims	(2,417)	(596)	-	-	(3,013)
c) Potential Employee Litigation	(210)	-	-	-	(210)
d) Disputed Social Care Supported Living Costs	(1,848)	-	-	850	(998)
e) Municipal Mutual Insurance Liability	(861)	-	-	-	(861)
f) Water and Sewage Claims	(100)	-	73	-	(27)
g) General Adult Social Care	(95)	-	-	-	(95)
Total	(7,726)	(835)	240	850	(7,471)

* note 21 excludes short term provisions of £630K which are included in short term liabilities

- | | | |
|--|--|--|
| <p>a. The provision for NNDR appeals is to cover potential appeal losses and backdated appeal costs (i.e. court costs) in respect of the Collection Fund at 31 March 2022.</p> | <p>b. A provision for the total outstanding internal reserve (excluding department contributions) for all incurred and reported claims.</p> <p>c. A provision of £0.210m is included in the accounts to cover general employment related matters which could involve the</p> | <p>Council incurring costs. This provision has remained the same since 2016/17.</p> <p>d. This provision covers potential costs of clients in supported living placements where identification of the ordinary residence is in dispute</p> |
|--|--|--|

Note 21 Provisions (continued)

- e. Municipal Mutual Insurance Limited (MMI) insured many public sector authorities before it ceased underwriting operations in September 1992. Most of MMI's public sector members elected to participate in the Scheme of Arrangement and effectively became scheme creditors.

The MMI Scheme of Arrangement was triggered in late 2012 when the Directors determined that a solvent run-off without triggering the Scheme was unlikely. The Scheme Administrator instituted a 15% Levy that was physically collected from Scheme Members in early 2014; this Levy was designed to extinguish MMI's balance sheet deficit as at 30 September 2013. In April 2016, MMI instituted a second 10% Levy bringing the total from inception to 25%, and Scheme Members then became self-insured for 25% of every future claim payment.

The Council's insurance actuary, Hymans

Robertson LLP, recommends a provision based on the ultimate levy being 35%.

A provision based on this recommendation is £0.861m, broken down into £0.289m for the extra levy on claims already paid and £0.572m for the Council's share of outstanding claims and Incurred but not reported (IBNR) claims.

- f. A High Court ruling, published in March 2016, established that a London Borough had, for several years, not passed on discounts to its tenants for water and sewerage charges. This ruling was upheld by the courts in 2020 following a challenge by the Royal borough of Kingston Upon Thames.

The discounts were granted under an agreement with the water company and acted as an administration fee for collection of charges on behalf of the water authority. The result of this ruling is that local authorities and housing associations,

including Sutton, may face claims from tenants for overpaid water charges. All current tenants were reimbursed in 2020-21. Where possible former tenants were reimbursed throughout 2021-22 out of the provision made of £0.100m, and the £0.027m provision remains for any potential liability for claims from former tenants of the Council.

- g. A general provision for Adult Social Care was established in 2016/17 for potential pay out to agencies to cover sleep in care which is now covered by minimum wage legislation regardless of whether a carer was actually asleep or awake. Whilst this part has been resolved, there are also potential care costs that an agency is claiming which hasn't been resolved. The provision at year end 2021/22 stands at £0.095m.

Note 22 Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2020/21 Restated		2021/22
£'000		£'000
583	Interest received	599
(22,601)	Interest paid	(21,580)
(22,018)	Total	(20,981)
	Adjust net surplus or deficit on the provision of services for non-cash movements	
18,921	Depreciation	19,472
1,438	Impairment and downward revaluations	(10,808)
1,264	Amortisation	2,028
13,992	(Increase) / decrease in creditors	27,767
(22,787)	Increase / (decrease) in debtors	(17,664)
1	Increase / (decrease) in inventories	(6)
22,296	Movement in Pension Liability	24,967
(1,287)	Other non cash items charged to the net surplus or deficit on the provision of services	(25,569)
3,025	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	25,598
36,863	Sub total of non-cash movements	45,785
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(9,952)	Capital Grants credited to surplus or deficit on the provision of services	(37,566)
(7,153)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(7,118)
1,870	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	28,726
(15,235)	Sub total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities	(15,958)
21,628	Total cash flows from operating activities	29,827

Note 23 Cash Flows from Investing Activities

2020/21		2021/22
£'000		£'000
(33,238)	Purchase of property, plant and equipment, investment property and intangible assets	(75,810)
(56,113)	Purchase of short term and long term investments	(5)
7,411	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,118
	Other payments from investing activities	(14)
12,553	Other receipts from investing activities	38,819
(69,387)	Total cash (inflow)/outflow from investing activities	(29,892)

Note 24 Cash Flows from Financing Activities

2020/21		2021/22
£'000		£'000
100,000	Cash receipts of short and long term borrowing	2,619
4	Other receipts from financing activities	-
(58,773)	Repayment of short term and long term borrowing	-
(777)	Other payments for financing activities	1,000
40,454	Total cash (inflow)/outflow from financing activities	3,619

Note 25 Officers Remuneration and Exit Packages

This table gives the number of employees whose remuneration, excluding pension contributions but including redundancy payments, was £50,000 or more in bands of £5,000. These figures include those senior officers who are individually disclosed overleaf.

The 2020/21 disclosure has been restated to show the effect of employees who hold more than one role. The totals in this note now show pay bandings of employees for all their roles, whereas previously only their highest role was disclosed.

2020/21 - Restated		Remuneration Band	2021/22	
Schools Employees	Non-Schools Employees	£	Schools Employees	Non-Schools Employees
14	77	50,000 - 54,999	7	80
8	26	55,000 - 59,999	5	43
2	29	60,000 - 64,999	2	27
1	9	65,000 - 69,999	1	7
1	8	70,000 - 74,999	2	14
2	6	75,000 - 79,999	1	5
1	11	80,000 - 84,999	1	6
1	5	85,000 - 89,999	-	16
-	4	90,000 - 94,999	-	4
1	2	95,000 - 99,999	1	1
-	2	100,000 - 104,999	-	-
-	4	105,000 - 109,999	-	6
-	1	110,000 - 114,999	-	1
-	1	115,000 - 119,999	1	1
-	-	120,000 - 124,999	-	2
-	1	125,000 - 129,999	-	-
-	2	140,000 - 144,999	-	2
-	-	145,000 - 149,999	-	1
-	1	180,000 - 184,999	-	-
-	-	185,000 - 189,999	-	1
31	189	Total	21	217

Note 25 Officers Remuneration and Exit Packages (continued)

A senior employee is a person whose salary is more than £150k per year, or whose salary is at least £50k per year and who is the designated head of paid service (the Chief Executive), a statutory chief officer or a non-statutory chief officer (direct reports to the Chief Executive). Remuneration information for these employees is set out in the following two tables:

2021/22	Note	Salary, fees and allowances	Employers pension contributions	Total
		£	£	£
Chief Executive - Helen Bailey		185,244	35,382	220,626
Strategic Director - Resources		145,686	27,867	173,553
Strategic Director - People		143,404	27,384	170,788
Strategic Director of Development, Growth and Regeneration		141,380	27,004	168,383
Strategic Director of Public Health and Wellbeing		122,018	23,305	145,323
Interim Strategic Director of Environment, Housing and Neighbourhoods	1	21,600	-	21,600
Acting Strategic Director - Environment, Housing and Regeneration	1	62,171	11,875	74,046
Strategic Director of Environment, Housing and Neighbourhoods	1	78,854	15,061	93,915
Interim Monitoring Officer	2	30,975	-	30,975
Monitoring Officer	2	51,957	9,924	61,881

None of the officers above received bonuses or benefits in kind.

Notes:

1: The Strategic Director of Environment, Housing and Neighbourhoods role was filled permanently in October 2021. Prior to this, the role had been covered by an internal Acting up arrangements, as well as external interim cover.

2: The Monitoring Officer role was filled permanently in June 2021. Prior to this, the role had been covered on an external interim basis.

Note 25 Officers Remuneration and Exit Packages (continued)

2020/21	Note	Restated		Restated
		Salary, fees and allowances	Employers pension contributions	Total
		£	£	£
Chief Executive - Helen Bailey		182,506	34,859	217,365
Acting Strategic Director - Environment, Housing and Regeneration		126,226	24,109	150,335
Interim Strategic Director of Environment, Housing and Neighbourhoods	3	20,250	-	20,250
Strategic Director - Resources		143,180	27,462	170,642
Strategic Director - People		141,252	26,979	168,231
Strategic Director of Public Health and Wellbeing		116,770	22,188	138,958
Interim Monitoring Officer		106,365	-	106,365

Notes:

3: The 2020/21 Note has been restated to include the cost of the Interim Strategic Director of Environment, Housing and Neighbourhoods, which was not included in the 2020/21 final accounts.

None of the officers above received bonuses or benefits in kind.

Note 25 Officers Remuneration and Exit Packages (continued)

Exit Packages

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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£							£	£
0 - 20,000	1	4	3	10	4	14	43,770	115,616
20,001 - 40,000	-	4	2	2	2	6	50,740	157,500
40,001 - 60,000	-	4	1	-	1	4	44,264	189,215
60,001 - 80,000	-	-	-	-	-	-	-	-
80,001 - 100,000	-	-	-	-	-	-	-	-
100,001 - 150,000	-	-	-	-	-	-	-	-
150,001 - 200,000	1	-	-	-	1	-	182,007	-
200,001 - 250,000	-	1	-	-	-	1	-	248,683
Total	2	13	6	12	8	25	320,781	711,014

Note 26 Members Allowances

The Authority paid the following amounts to members of the Council during the year in accordance with the agreed members allowance scheme:

2020/21		2021/22
£'000		£'000
946	Allowances	952
2	Expenses	6
948		958

Note 27 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2021/22 are as follows:

	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2021/22 before Academy recoupment	-	-	242,084
Less Academy figure recouped for 2021/22	-	-	(133,275)
Total DSG after Academy recoupment for 2021/22	-	-	108,809
Plus: brought forward from 2020/21	-	-	1,321
Less: carry forward to 2022/23 agreed in advance	-	-	(1,321)
Agreed initial budgeted distribution in 2021/22	35,167	73,642	108,809
In-year adjustments	-	(1,066)	(1,066)
Final budget distribution for 2021/22	35,167	72,576	107,743
Less actual central expenditure	(35,650)	-	(35,650)
Less actual ISB deployed to schools	-	(72,046)	(72,046)
Carry forward to 2022/23	(483)	530	47
Plus : carry -forward to 2022/23 agreed in advance			1,321
Total Surplus as at 31 March 2022			1,368

In 2021/22 the Council received net DSG funding of £107.743m, after academy recoupment and but before a net in-year adjustment for Early Years funding of (£0.218m). There is an in-year surplus of £0.047m and a cumulative surplus balance as at 31st March 2022 of £1.368m. The surplus DSG balance will be carried forward and used to support future year's School's Budget.

Note 28 Better Care Fund (Pooled Budgets with South West London Clinical Commissioning Group)

The Council (host authority) has entered into a Pooled Budget arrangement, under Section 75 of the National Health Service Act 2006, with South West London Clinical Commissioning Group (CCG) for the provision of Adult Social Care services within the London Borough of Sutton area.

The main purpose of the Better Care Fund is to increase the integration of health and social care through joint commissioning and aligning of resources across the whole health and social care system in order to improve health and wellbeing outcomes for local residents.

The London Borough of Sutton as a host partner is responsible for the pooled budget and the Assistant Director, People Services (Adult Social Care) is the Pooled fund Manager. The monitoring of the use of the pool is undertaken by the BCF Finance Sub-Committee on a quarterly basis, with a highlight report being presented to the BCF stakeholders on a monthly basis as well as twice a year a summary of expenditure is reported to the Health and Wellbeing Board.

At 31 March 2022 the 2021/22 outturn position was a £3.185m underspend and will be carried forward as funding for 2022/23.

31 March 2021		31 March 2022
£'000		£'000
	Funding:	
(838)	Underspend brought forward from previous year	(2,639)
(9,062)	London Borough of Sutton	(7,304)
(13,329)	Sutton Clinical Commissioning Group	(14,637)
(23,229)	Total Funding	(24,580)
	Expenditure:	
8,874	London Borough of Sutton	7,274
11,716	Sutton Clinical Commissioning Group	14,121
20,590	Total Expenditure	21,395
(2,639)	Total underspend to be carried forward	(3,185)

Note 29 Related Parties

The Council is required to disclose material transactions with related parties - bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central Government

Government has significant influence over the general operations of the Council and is responsible for providing the statutory framework within which the Council operates. It provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax, Housing Benefits). Grants received from Government departments are set out in Note 9.

South London Waste Partnership

The Authority is a partner in the South London Waste Partnership, a joint committee established in September 2007 to secure waste establishment treatment and disposal services for the London Boroughs of Croydon, Merton and Sutton and the Royal Borough of Kingston. Kingston is the lead borough for procurement, payments totalling £1.012m in 2021/22 are included in the Comprehensive Income and Expenditure Account as paid to Kingston. Croydon also shares some of the procurement activities.

Members

Members of the Council have direct control over the Council's financial and operating policies.

Following disclosures received from Members and a review of the register of interests, there are third party organisations that Members have declared interests in. Details of those declarations which are material to these accounts are shown in the table below:

Organisation	Nature of Transactions	2020/21	2021/22
		£'000	£'000
Arts Network Sutton	Arts Grant	9	9
Community Action	Grant and Various payments	557	529
Encompass - Empty Homes scheme	Rent for Self contained flats	15	12
Epsom & Ewell Borough Council	Nonsuch Committee Joint Management	103	103
Rosehill Community Association	Rent & Building Insurance	(19)	(20)

Restated 2020-21 for new transactions in 2021/22

Subsidiaries of London Borough of Sutton:

Opportunity Sutton

The London Borough of Sutton's Opportunity Sutton programme was launched in 2012 to provide a focus for economic development in the borough. The Opportunity Sutton programme is based within the Environment, Housing, and Regeneration service but its success lies in a whole Council approach for the vision. Opportunity Sutton has two sub companies, Sutton Living Ltd and Sutton Decentralised Energy Network Ltd which are detailed below.

Sutton Living Ltd.

This is a local housing company established by Sutton Council to increase the housing supply and choice of housing for local residents. At 31 March 2022, the Council provided Sutton Living Ltd with a loan of £9.521m towards the development of the Wallington Public Hall. Further information is available on the company's website <https://suttonliving.co.uk/>

Sutton Decentralised Energy Network Ltd.

This is a company wholly owned by the London Borough of Sutton. Set up in 2016, SDEN will deliver heating and hot water to residents and businesses across South London. The Council provided £2.768m to SDEN for the construction of the heat infrastructure. Further information is available on the company's website <http://sden.org.uk/>

Note 29 Related Parties (continued)

Sutton Housing Partnership

Sutton Housing Partnership (SHP) is a wholly owned subsidiary of the London Borough of Sutton. It was created to manage and improve the Council's housing stock and estates. It has the responsibility for managing approximately 7,400 homes for the Council. It is managed by a board of 12 members made up of 4 council nominees, 3 tenants, 1 leaseholder and 4 independent community representatives with professional skills and experience to help oversee the running of the services.

Management fees totalling £16.949m (2021: £16.879m) were paid to SHP. Services provided and charged to SHP amounted to £0.874m (2021: £1.115m). Balance owing to SHP as at the year-end was £1.108m, (2021: £1.583m)

An audited copy of SHP's 2021/22 accounts is available to be downloaded from their website, www.suttonhousingpartnership.org.uk

Encompass LATC Ltd

Encompass is a wholly owned subsidiary of the London Borough of Sutton. It is responsible for delivering a comprehensive range of services including Advice and Information, Homelessness Prevention, Choice Based Lettings, Landlord Services, Support Brokerage, Shared Lives, Business Development and Support, and Digital Innovation. The London Borough of Sutton paid Encompass £5.068m, (2020/21 £5.826m). Further information is available on the company's website <https://www.encompass-latc.co.uk/>

Cognus Ltd

Cognus provides Speech Language and Communication and Occupational Therapy Support. The team works with schools to identify and support children and young people with speech language and communication and occupational therapy needs. London Borough of Sutton owns 100% of Cognus Ltd. Payments to Cognus for commissioning agreements amounted to £5.451m (£2.634m funded from General fund (GF) and £2.817m from DSG). Other payments of £3.473m for provision of speech and language therapies. Further information is available on the company's website. <https://cognus.org.uk/>

Shared Service Arrangements with Other Local Authorities

As part of the Council's response to the changing financial environment in which local authorities operate, a number of shared service arrangements with other local authorities are in operation.

- **Human Resources** – from 1 May 2016 the Council's Human Resources service entered into a shared service arrangement with the Royal Borough of Kingston. The service is hosted by Kingston and includes recruitment, employment contracts, advice on terms and conditions, payroll, employee relations, advice, provision of learning and development as well as occupational health and health and safety.
- **Pensions Administration Service** – On 1 April 2016 the Council entered into a shared service with the Royal Borough of Kingston for

its Pension Administration service. The London Borough of Sutton is the host authority.

- **ICT** – the Council entered into a joint service for ICT with the Royal Borough of Kingston on 1 May 2013. The joint service is providing greater ICT infrastructure resilience as well as shared expertise to drive out further savings and provide a better quality service.
- **Internal Audit Shared Service** – Internal Audit and Investigations work is provided via a shared service with the London Boroughs of Richmond, Wandsworth and Merton and the Royal Borough of Kingston. The employing authority for the service is Richmond. This service is providing shared expertise and a wider resilience for the member boroughs.
- **Legal** – The London Borough of Sutton is part of the South London Legal Partnership with the London Boroughs of Richmond and Merton, and the Royal Borough of Kingston.
- **Environmental Services** – In 2016 the Royal Borough of Kingston and the London Borough of Sutton set up a Shared Environment Service (SES), which includes environmental health, trading standards, sustainable transport and highways and transport.
- **Finance and Customer Contact Centre** – The London Borough of Sutton entered into two joint services with the Royal Borough of Kingston on 1 April 2017 for these two services.

Note 30 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Councils external auditors. Public Sector Audit Appointments has appointed Grant Thornton UK LLP as the external auditor for 2021/22.

2020/21 (Restated)		2021/22
£'000		£'000
141	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	161
38	Fees payable to Grant Thornton for certification of Housing Benefit for the year	38
11	Fees Payable for teachers pension claim and pooling of housing capital receipts	14
190	Total for Sutton Council	212
59	Fee payable by Sutton Housing Partnership (SHP) for external audit services	-
249	Total audit fee for group	212

The 2020/21 audit fee to Grant Thornton in relation to the certification of Housing Benefits has been restated upwards by £10K to reflect the final fees payable

Note 31 Defined Benefit Pension Scheme

a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits under two schemes:

- Teachers employed by the authority are members of the Teachers' Pension Scheme, a defined benefit scheme administered nationally by the Teachers' Pension Agency. It provides teachers with defined benefits upon their retirement, and although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the authority's contribution rates. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees.

The Authority's employer contributions percentage remains 23.68% of pensionable pay. In 2021/22 the employers contribution amounted to £6.605m and the employees contribution was £2.665m (employers £6.847m and employees £2.747m in 2020/21). The Authority is also responsible for a proportion of the annual pension and lump sum for teachers taking early retirement. The cost to the Council's DSG in 2021/22 totalled £0.475m (£0.501m in 2020/21).

- The London Borough of Sutton participates in the Local Government Pension Scheme,

a defined benefit scheme based on final pensionable salary, and from 1 April 2014, career average revalued earnings (CARE). The scheme is a funded scheme meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The valuation of the fund and assessment of employer contribution rates is carried out by an independent actuary. The most recent formal valuation was carried out as at 31 March 2019. This has been updated on an informal basis by the Council's actuary, Hymans Robertson LLP, to take account of the requirements of IAS19 in assessing the liabilities of the Fund as at 31 March 2021 as set out below. Pension Fund regulations require formal actuarial valuations to be prepared every three years and the next valuation will be based on the financial position of the fund as at 31 March 2022 and will be reported in the following year.

b) Transactions Relating to Retirement Benefits

Although the benefits earned by employees will not actually be payable until employees retire, the Authority has a commitment to account for such payments at the time the employees earn their future entitlement. The financial statements therefore recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the

benefits are eventually paid as pensions. However, the charge made against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.

As a result the following transactions have been made in the Comprehensive Income and Expenditure Statement Movement in Reserves Statement during the year:

c) Prepayment of Pension Fund deficit

During 2020/21 the Council took the decision to make a £11.45m pre-payment towards the LGPS pension deficit, which reduced the Council's liability to the pension deficit shown in the "long term liabilities" section of the balance sheet. By making an early payment to the pension fund, revenue savings will be achieved by the council during the subsequent three year period, reducing the deficit contribution amount required from the council over this period.

The pension deficit amount will be charged to the General Fund Reserve balance over the three year period set out in the actuary's certificate.

But aggregating the Pension prepayment alongside the Pension Liability will cause the Liability amount to not align to the Pension Reserve sum, which it otherwise would do. This imbalance is £3.778m at 31.3.2022, reducing to nil on 31.3.2023

Note 31 Defined Benefit Pension Scheme (continued)

2020/21 Restated	Comprehensive Income and Expenditure Statement	2021/22
£'000		£'000
	Service cost comprising:	
29,391	- Current service cost	32,285
301	- Past service cost	270
-	- (gain)/loss from settlements	(2,142)
29,692		30,413
7,511	Net interest expense	7,736
862	Administration expenses	648
38,065	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	38,797
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(120,773)	- Return on plan assets (excluding the amount included in the net interest expense)	(31,593)
(9,194)	- Actuarial (gains) and losses arising on changes in demographic assumptions	(14,571)
(11,282)	- Experience (gains) / losses on defined benefit obligation	(15,654)
192,472	- Actuarial gains and losses arising on changes in financial assumptions	(46,481)
51,223	Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(108,299)
89,288	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	(69,502)
	Movement in Reserves Statement	
(38,065)	Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	(38,797)
15,769	Actual amount charged against the General Fund balance for pensions in year - Employers' contributions payable to scheme	17,645

Note 31 Defined Benefit Pension Scheme (continued)

c) Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligations in respect of its defined benefit plan is as follows:

2020/21 Restated		2021/22
£'000		£'000
1,000,946	Present value of defined benefit obligation	931,178
(622,308)	Fair value of plan assets	(635,870)
378,638	Net Liability arising from defined benefit obligation	295,308

d) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, with estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2022. The main assumptions used by the actuary in calculations have been:

2020/21		2021/22
%		%
2.8	Rate of Inflation	3.2
3.8	Rate of Increase in Salaries	4.2
2.8	Rate of Increase in Pensions	3.2
2.0	Rate of Return on Assets	7.1
2.0	Rate for Discounting Scheme Liabilities	2.7
50.0	Take-Up of Option to Convert Annual Pension into Retirement Lump Sum	45.0
Years		Years
21.6	Longevity at 65 for Current Pensioners - Men	22.1
24.3	Longevity at 65 for Current Pensioners - Women	24.8
22.9	Longevity at 65 for Future Pensioners - Men	23.0
25.7	Longevity at 65 for Future Pensioners - Women	26.0

Note 31 Defined Benefit Pension Scheme (continued)

2020/21		2021/22
% of Fund		% of Fund
64	Equities	52
23	Bonds	17
7	Property	0
2	Cash	3
3	Infrastructure	4
1	Other	24
100	Total Fund	100

Note 31 Defined Benefit Pension Scheme (continued)

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

2020/21		2021/22
£'000		£'000
807,451	Balance at 1 April	1,000,946
29,391	Current Service Cost	32,933
15,472	Interest Cost	20,041
3,794	Contributions by Members	3,889
(9,194)	Actuarial (gains)/losses arising from changes in demographic assumptions/other experience	(14,571)
192,472	Actuarial (gains)/losses arising from changes in financial assumptions	(46,481)
301	Past Service Cost	270
(27,459)	Benefits Paid	(29,061)
-	Liabilities extinguished on settlements	(3,857)
(11,282)	Experience loss/(gain) on defined benefit obligation	(32,931)
1,000,946	Balance at 31 March	931,178

Note 31 Defined Benefit Pension Scheme (continued)

f) Reconciliation of Movements in the Fair Value of the Scheme (Plan) Assets

2020/21 Restated		2021/22
£'000		£'000
494,737	Balance at 1 April	622,308
7,961	Interest income	12,305
	Remeasurement gain/loss:	
120,773	- The return on plan assets, excluding the amount included in the net interest expense	31,593
23,364	Contributions from employer	13,828
3,794	Contributions from employees into the scheme	3,889
(27,459)	Benefits Paid	(29,061)
(862)	Other	(18,992)
622,308	Balance at 31 March	635,870

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

Note 31 Defined Benefit Pension Scheme (continued)

g) Local Government Scheme assets comprised:

Asset values shown in the tables below are based on estimated values and asset allocations as at 31 March 2022. These values have been used by the Council's actuaries for the purpose of IAS19 reporting, actual asset values at 31 March 2022 are shown in the Pension Fund Accounts.

2020/21 (Restated)		2021/22
£'000		£'000
11,831	Cash and Cash Equivalents	18,460
401,182	Equities	327,038
143,020	Bonds	108,184
42,027	Property	-
19,292	Infrastructure	26,605
4,956	Absolute Return Portfolio	-
-	Other	155,583
622,308		635,870

Note 31 Defined Benefit Pension Scheme (continued)

Further details of the assets are shown below for 2021/22, where each asset class has been split according to those that have a quoted market price in an active market and those that do not and whether those assets represent UK or overseas holdings.

2021/22	Quoted	Unquoted	Total	Percentage of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	-	18,460	18,460	3
Equities				
- UK	327,038	-	327,038	52
- Overseas	-	-	-	-
Bonds				
Fixed Interest Government Securities				
- UK	108,184	-	108,184	17
- Overseas	-	-	-	-
Index Linked Government Securities				
- UK	-	-	-	-
- Overseas	-	-	-	-
Corporate Bonds				
- UK	-	-	-	-
- Overseas	-	-	-	-
Property	-	-	-	-
Infrastructure	-	26,605.0	26,605	4
Other	-	155,583	155,583	24
Total	435,222	200,648	635,870	100

Note 31 Defined Benefit Pension Scheme (continued)

h) Scheme History

Restated	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	889,159	884,645	807,451	1,000,946	931,178
Fair Value of Assets	(493,549)	(527,697)	(494,737)	(622,308)	(635,870)
Deficit	395,610	356,948	312,714	378,638	295,308

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net liability of £295.308m (based on IAS19 assumptions) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet.

In practice, the deficit (based on long term funding assumptions, which will differ from IAS19 assumptions) will be made good over a recovery period to 2040, as assessed by the Council's actuary.

i) History of Experience Gains and Losses

The related experience gains and losses for 31 March 2022 and earlier years are as follows:

	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022
	%	%	%	%	%
On assets as % of Fair Value	-	-	2	(2)	(1)
On liabilities as % of Present Value	-	-	1	(1)	(1)

Note 31 Defined Benefit Pension Scheme (continued)

j) Sensitivity Analysis of significant actuarial assumptions

IAS19 requires a sensitivity analysis for each significant actuarial assumption, and how the defined benefit obligation would be affected by a change. These are set out below as at 31 March 2022:

Present value of total obligation at 31 March 2022	+ 0.1%	0.0%	- 0.1%
	£'000	£'000	£'000
Adjustment to discount rate	916,542	931,178	945,814
Adjustment to long term salary increase	932,229	931,178	930,127
Adjustment to pension increases and deferred valuation	944,654	931,178	917,702
Adjustment to life expectancy assumptions	970,705	931,178	891,651

Note 32 Leases

Authority as Lessor - Operating Leases

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

31 March 2021		31 March 2022	
£'000		£'000	
8,716	No later than one year	10,378	
27,425	Later than one year but no later than five years	28,982	
126,168	Later than five years	89,671	
162,309	Total Operating Lease Income	129,031	

Note 32 Leases (continued)

The income above is arising from leases of various commercial property, which is credited to the Council's CIES over the life of the lease. The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Note 33 Contingent Liabilities

The Council has a contingent liability in respect of:

- a guarantee provided to the City of London Pension Fund for the pension liabilities of the London CIV.

There are no known material contingent assets as at 31 March 2022. There are no outstanding contractual commitments and no material non-adjusting events occurred subsequent to the period end.

Note 34 Events after the Balance Sheet date

The statement of accounts is adjusted to reflect events after the Balance Sheet date, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue that provide evidence of conditions that existed at the end of the reporting period, unless deemed insignificant to the true and fair view of the council's assets and liabilities. Those events taking place after the date of authorisation for issue will not be reflected in the statement of accounts.

At the date of authorisation the Council is not aware of any events that would require adjustment to these statements.

Note 35 Prior Period Adjustments

A review of the Council's accounts identified a number of issues requiring restatement of the 2020/21 figures which are shown in the tables below.

Effect on CIES	As Originally Stated 2020/21	Directorate changes (Note 4)	IAS19 Pension Prepayment Correction (Note 1)	As Restated 2020/21
	£'000	£'000	£'000	£'000
NET EXPENDITURE				
Health and Wellbeing	12,342	(2,406)	1,724	11,660
Environment, Housing and Neighbourhoods	40,509	(721)	807	40,595
Development Growth and Regeneration		721	105	826
Peoples Services	116,519	(4,067)	5,463	117,915
Resources	30,296	(499)	3,246	33,043
Chief Executive (Electoral Services)		499	47	546
Housing Revenue Account				0
- Main HRA Revenue Account	(12,223)		57	(12,166)
- Revaluation loss/(gain) - Dwellings	583			583
Non Service Revenue Accounts	3,320	6,473	(3,854)	5,939
Cost of services	191,346	-	7,595	198,941
(Surplus) or deficit on provision of services	8,709		7,595	16,304
Total comprehensive income and expenditure (surplus)/deficit	55,254		7,595	62,849

Note 35 Prior Period Adjustment (continued)

Effect on CIES	As Originally Stated 2020/21	Directorate changes (Note 4)	IAS19 Pension Prepayment Correction (Note 1)	Non material reclassifications (Note 5)	As Restated 2020/21
	£'000	£'000	£'000	£'000	£'000
GROSS EXPENDITURE					
Health and Wellbeing	30,969	(2,406)	1,724		30,287
Environment, Housing and Neighbourhoods	59,738	(5,022)	807	9	55,532
Development Growth and Regeneration	-	5,022	105		5,127
Peoples Services	258,895	(4,067)	5,463		260,291
Resources	92,892	(499)	3,246	(9)	95,630
Chief Executive (Electoral Services)	-	499	47		546
Housing Revenue Account					-
- Main HRA Revenue Account	26,463		57		26,520
- Revaluation loss/(gain) - Dwellings	583				583
Non Service Revenue Accounts	5,681	6,473	(3,854)		8,300
Cost of services	475,221	-	7,595		482,816
Other operating expenditure	1,427			3,114	4,541
(Surplus) or deficit on provision of services	489,541	-	7,595	3,114	500,250

Note 35 Prior Period Adjustment (continued)

Effect on CIES	As Originally Stated 2020/21	Directorate changes (Note 4)	IAS19 Pension Prepayment Correction (Note 1)	Non material reclassifications (Note 5)	As Restated 2020/21
	£'000	£'000	£'000	£'000	£'000
GROSS INCOME					
Health and Wellbeing	(18,627)				(18,627)
Environment, Housing and Neighbourhoods	(19,229)	4,301		(9)	(14,937)
Development Growth and Regeneration	-	(4,301)			(4,301)
Peoples Services	(142,376)				(142,376)
Resources	(62,596)			9	(62,587)
Chief Executive (Electoral Services)	-				-
Housing Revenue Account					-
- Main HRA Revenue Account	(38,686)				(38,686)
- Revaluation loss/(gain) - Dwellings	-				-
Non Service Revenue Accounts	(2,361)				(2,361)
Cost of services	(283,875)	-	-		(283,875)
Other operating expenditure	(4,021)			(3,114)	(7,135)
(Surplus) or deficit on provision of services	(480,832)	-	-	(3,114)	(483,946)

Note 35 Prior Period Adjustment (continued)

Effect on MIRS - General Fund total	Total General Fund Balance & Earmarked Reserves	IAS19 Pension Prepayment Correction (Note 1)	As Restated 2020/21	Page Reference
	£'000	£'000	£'000	
Total Comprehensive Expenditure and Income	17,517	7,538	25,055	
Adjustments between accounting basis and funding basis under regulations (Note 10)	(28,925)	(7,538)	(36,463)	

Effect on MIRS - HRA total	Total Housing Revenue Account Balance & Earmarked Reserves	IAS19 Pension Prepayment Correction (Note 1)	As Restated 2020/21	Page Reference
	£'000	£'000	£'000	
Total Comprehensive Expenditure and Income	(8,808)	57	(8,751)	
Adjustments between accounting basis and funding basis under regulations (Note 10)	10,184	(57)	10,127	

Effect on MIRS - Total Usable Reserves	Total Usable Reserves	IAS19 Pension Prepayment Correction (Note 1)	As Restated 2020/21	Page Reference
	£'000	£'000	£'000	
Total Comprehensive Expenditure and Income	8,709	7,595	16,304	
Adjustments between accounting basis and funding basis under regulations (Note 10)	(28,925)	(7,595)	(36,520)	

Note 35 Prior Period Adjustment (continued)

Effect on MIRS - Non-usable Reserves	Non-usable Reserves	IAS19 Pension Prepayment Correction (Note 2)	As Restated 2020/21	Page Reference
	£'000	£'000	£'000	
Adjustments between accounting basis and funding basis under regulations (Note 10)	28,925	7,595	36,520	
(Increase) / Decrease in Year	75,470	7,595	83,065	
Balance at 31 March 2021	(76,126)	7,595	(68,531)	

Effect on MIRS - Total Authority Reserves	Total Authority Reserves	IAS19 Pension Prepayment Correction (Note 1)	As Restated 2020/21	Page Reference
	£'000	£'000	£'000	
Total Comprehensive Expenditure and Income	55,254	7,595	62,849	
(Increase) / Decrease in Year	55,254	7,595	62,849	
Balance at 31 March 2021	(178,449)	7,595	(170,854)	

Note 35 Prior Period Adjustment (continued)

Effect on Balance Sheet	As Originally Stated 2020/21	IAS19 Pension Prepayment Correction (Note 1)	Cash and cash equivalents prior period adjustment (Note 2)	Grants received in advance (Note 3)	As Restated 2020/21	Page Reference
	£'000	£'000	£'000	£'000	£'000	
Current assets:						
Cash and cash equivalents	(23,122)		29,136		6,014	
Current liabilities:						
Bank overdraft	-		(29,136)		(29,136)	
Creditors	(63,971)			36,542	(27,429)	
Grants received in advance	(3,071)			(36,542)	(39,613)	
Liability Related to Defined Benefit Pension Scheme	(371,043)	(7,595)			(378,638)	
Net Assets	178,449	(7,595)			170,854	
Total Unusable Reserves	(76,127)	7,595			(68,532)	
Total Reserves	(178,449)	7,595	-	-	(170,854)	

Effect on Cashflow	As Originally Stated 2020/21	IAS19 Pension Prepayment Correction (Note 1)	As Restated 2020/21	Page Reference
	£'000	£'000	£'000	
Net surplus or (deficit) on the provision of services	(8,709)	(7,595)	(16,304)	
Adjustment to the net surplus or deficit on the provision of services for non-cash movements	29,268	7,595	36,863	

Note 35 Prior Period Adjustment (continued)

Notes to the prior period adjustments

Note 1 - LGPS Pension Deficit

Pensions is a significant risk area and there is a large degree of estimation uncertainty around the accounting estimates involved, therefore the Council considers it qualitatively material and so has chosen to adjust. During 2020/21 the Council took the decision to make a £11.45m pre-payment towards the LGPS pension deficit, which reduced the Council's liability to the pension deficit shown in the "long term liabilities" section of the balance sheet. During 21/22, the accounting treatment of the pension prepayment was reviewed with the conclusion that it needed to be revised. The impact of this change has caused the 2020/21 accounts to be restated. The restatement has had an impact on the Comprehensive Income & Expenditure Statement (including Group CIES), Note 5 Expenditure Funding Analysis, Note 10 Adjustments between accounting basis and funding basis under regulations, Note 12 Unusable Reserves and Note 31 Defined Benefit Pension Scheme.

Note 2 - Cash and cash equivalents

The current liabilities as at 31 March 2021 did not show the brought forward "overdraft" of £29,136k (more specifically, it reflects "cash-in-transit" rather than an overdraft). This overdrawn bank balance in prior year is a one-off situation whereby on March 31, 2021, Sutton Council switched off its ledger system for three weeks (as part of a ledger upgrade). Suppliers still needed to receive their payments due within the specified 30 day payment term. Hence, the Council issued all the payments that would become due during the first three weeks of April but retained the initial credit within the payables balance as "cash-in-transit". However, as the payment was made by March 31, 2021, and credited to the bank ledger by the financial year-end, it did not initially qualify as an outstanding payable/accrual for 2020-21. As per the CIPFA code paragraph 7.3.5.1:

A financial asset and a financial liability shall be offset and the net amount presented in the Balance Sheet when, and only when, an authority:

- a) currently has a legally enforceable right to set off the recognised amounts (when applying this criterion authorities shall also refer to IAS 32 as amended in 2011), and
- b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously (when applying this criterion authorities shall also refer to IAS 32 as amended in 2011)

The Council has judged that this financial position does not meet the above offsetting criteria and has therefore decided to restate the prior year accounts and include a separate line in the current liabilities for the negative cash balances.

Note 35 Prior Period Adjustment (continued)

Note 3 - Grants received in advance

The 2020/21 Creditors note has been restated to correctly disclose "Government Grants - Receipts in Advance" separately from the "Central Government Bodies" creditor balance in line with the CIPFA Code. The nature of the error that resulted in a prior period adjustment (PPA) relates to the incorrect presentation and disclosure of Revenue Grants Received in Advance under Creditors in the prior year's financial statements. This misclassification was not in accordance with the CIPFA code guidance, which requires the separate presentation of Creditors and Grants Received in Advance on the balance sheet. As a result, the prior year's financial statements contained a material misstatement.

Note 4 - Directorate Reclassifications

During 2021/22 the Council made a number of changes to services reporting to each directorate, and in order to provide meaningful comparative figures 2020/21 figures have also been reclassified. The changes made are as follows:

A reporting segment called "Development, Growth and Regeneration" was created to reflect the fact that the new Strategic Director appointment reported directly to the Chief Executive. These functions (gross expenditure £5,022k, gross income £4,301k, net expenditure £721k in 2020/21) transferred out of what was previously the Environment, Housing and Regeneration department, which became the Environment, Housing and Neighbourhoods Department

A further reporting segment was created, called Chief Executives (Electoral Services), to reflect this function now reported directly to the Chief Executive, transferring out of the Resources department (gross/net expenditure £499k in 2020/21).

Two adjustments affecting the Health and Wellbeing Directorate were also made. Payments for the London Concessionary Fares Scheme moved out of Health and Wellbeing and reported under Non Service Revenue Accounts (2020/21 gross expenditure £6,473k out of Health and Wellbeing to Peoples), reflecting the fact this operates more like a levy. In addition, Sutton College moved from Peoples Directorate to report to Health and Wellbeing (2020/21 gross expenditure £4,067k out of Peoples into Health and Wellbeing). This gives a total net reduction to 2020/21 Health and Wellbeing Gross Expenditure of £2,406k (£4,067k minus £6,473k).

Note 5 - Non material reclassifications

In 2020/21 an amount of £3,114k relating to amounts of non-current assets written off on disposal plus the administrative costs of disposals on the Other Operating Expenditure line in the CIES was incorrectly included within Gross Income instead of within Gross Expenditure. This has no effect on Net Expenditure figures but has been restated to correct in order to improve presentation and clarity of the figures.

6. Housing Revenue Account (HRA)

Income and Expenditure Statement - this shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

Statement of Movement on the Housing Revenue Account Balance - this shows the increase or decrease in the year, on the basis of which rents are raised



Housing Revenue Account (HRA) Income and Expenditure Statement

2020/21	HRA Income and Expenditure Statement	Notes	2021/22
£'000			£'000
	Expenditure		
16,220	Sutton Housing Partnership management fee		16,299
2,411	Other operating costs		2,930
226	Rents, rates, taxes and other charges		286
6,884	Depreciation of fixed assets	9	7,076
583	Impairment costs - revaluations and disposals		
204	Increase in bad debt provision		318
26,528	Total Expenditure		26,909
	Income		
(34,386)	Gross rent from Council dwellings		(35,532)
(763)	Gross non dwellings rent		(492)
(2,983)	Charges for services and facilities		(3,281)
-	Revaluation Gains		(15,121)
(65)	Contributions towards expenditure		-
(38,197)	Total Income		(54,426)
(11,669)	Net Cost of HRA Services		(27,517)
29	Add HRA services share of Corporate and Democratic Core		
(11,640)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(27,517)

Housing Revenue Account (HRA) Income and Expenditure Statement (continued)

2020/21	HRA Income and Expenditure Statement	2021/22
£'000		£'000
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
7,017	Interest payable and similar charges	7,625
(3)	Interest and investment income	(56)
-	Capital Grants and Contributions received	(7,398)
(4,219)	(Profit)/Loss on disposal of non current assets	(4,461)
37	Pensions interest cost and expected return on pension assets	43
(8,808)	Surplus for the Year on HRA Services	(31,764)

Statement of Movement on the Housing Revenue Account Balance

2020/21	Statement of Movement on the Housing Revenue Account Balance	2021/22
£'000		£'000
(6,527)	Balance on the Statutory HRA at the end of the previous year	(5,148)
(8,808)	Surplus on the HRA Income and Expenditure Account for the year	(31,764)
	Adjustments between accounting basis and funding basis under statute:	
	Amounts included in the HRA Income and Expenditure Account but required to be excluded when determining the HRA Surplus or Deficit for the year	
(183)	- Net Charges made for Retirement Benefits in Accordance with FRS17	(224)
4,219	- Profit on disposal of non current assets	4,461
(583)	- Impairment Costs and Disposals	
-	- Capital Grants and Contributions received in year	7,398
-	- Revaluation Gains in year	15,121
	Amounts not included in the HRA Income and Expenditure Account but required to be included when determining the HRA Surplus or Deficit for the year	
116	- Employers Contributions Payable to the Pension Fund	78
(5,239)	Net increase before transfers to or from reserve	(4,930)
6,615	Transfer to the Major Repairs Reserve	
-	Transfers to / (from) Council Risk Reserve	(118)
-	Transfers to/ (from) Hillcroombe & Harrow Reserve	34
3	Transfer to Hostel Services Reserve	-
(5,148)	Balance on the Statutory HRA Reserve Carried Forward	(10,162)
(530)	Heating Reserve - Accumulated Surplus	(530)
-	Hillcrombe & Harrow Reserve	(34)
(46)	Hostel Services Reserve - Accumulated Surplus	(46)
(5,724)	Total HRA Balances and Reserves	(10,772)

Notes to the Housing Revenue Account

HRA 1. Sutton Housing Partnership Limited (SHP)

Housing services for Sutton Council's tenants and leaseholders are managed by an arms length management organisation (ALMO) named Sutton Housing Partnership Ltd. Sutton Housing Partnership is managed by a Board of Directors, which includes four tenants and leaseholders, four independent community representatives and four Council nominees. Ownership of the housing stock remains with the Council.

SHP prepares its own Statement of Accounts that is distinct from the Housing Revenue Account Statement presented above.

The statement above includes London Borough of Sutton income and expenditure.

The costs incurred by SHP in operating the arms length management organisation, including repairs and maintenance, are shown in the HRA Income and Expenditure account under the heading "Sutton Housing Partnership Management Fee".

HRA 2. Balance Carried Forward

A HRA Reserve balance of at least 5% of income is considered necessary to provide a sound level of prudence. The current balance at 31 March 2022 of £10,161,745 (£5,147,889 at 31 March 2021) equates to 19.5% of income.

In addition the HRA carries a Heating Reserve of £576,198 which holds the net balance of tenants' charges and recoveries for heating and hot water and will be used to help smooth future price volatility. Surplus service charges on the Council's Hillcrome Road / Harrow Road properties are held in reserve against future expenditure, currently £34,483 at 31.3.2022 (£0 at 31.3.2021).

HRA 3. Housing Stock

At 31 March 2022 the Council owned and managed 6,040 tenanted dwellings. In addition, it manages a further 1,347 properties where the Council has sold the leasehold and only maintains these properties with respect to the non-landlord related obligation. The Council also owned a proportion of 9 equity share/shared ownership dwellings, being the equivalent of 5 fully-owned dwellings.

Total 2020/21		Bedsits	Flats	Houses	Total 2021/22
5,996	Dwellings at 1 April	184	3,092	2,738	6,014
-	Demolitions / Transfers	-	-	-	-
(31)	Right-to Buy Sales	-	(15)	(19)	(34)
(2)	Other Disposals	-	-	-	-
51	Acquisitions	-	54	6	60
-	Net changes through change of use or refurbishment	-	-	-	-
6,014	Dwellings at 31 March	184	3,131	2,725	6,040

HRA 4. Stock Valuation

The latest Council Dwellings valuation is at the 31 March 2022. The following valuations are included in the Council's balance sheet:

Balance Sheet Valuation of HRA Assets:

At 31 March 2021		At 31 March 2022
£'000		£'000
	Operational Assets:	
435,627	Council Dwellings	473,578
5,261	Other Land and Buildings	7,041
5	Investment Properties	5
440,893	Total	480,624

This valuation reflects the use of HRA dwellings as tenanted stock. The vacant possession value on the balance sheet at 31 March 2022 is £1,880m. The balance sheet valuation (£474m) after applying the 25% social housing factor for London, i.e. a reduction of 75%) is considerably lower because dwellings are tenanted and the rents charged reflect that the properties are used to provide social housing, and discounts are available to tenants who purchase their dwelling under the statutory Right-to-Buy scheme.

HRA 5. Major Repairs Reserve

The reserve is credited with an amount equivalent to the depreciation for Council Dwellings charged to the HRA each year. The reserve is only available for financing major repairs carried out to the housing stock. Any sums unspent are carried forward for use in future years.

2020/21		2021/22
£'000		£'000
(4,321)	Balance at 1 April	(5,976)
(6,818)	Major Repairs Allowance (MRA) received	(7,010)
(66)	Depreciation on non-dwellings	(66)
5,163	MRA used on capital projects	9,704
66	Transfer to Statement of Movement on HRA balance	66
(5,976)	Balance carried forward at 31 March	(3,282)

HRA 6. Capital Financing

2020/21		2021/22
£'000		£'000
23,463	HRA Capital Expenditure	38,510
	Financed by:	
(11,474)	Borrowing	(21,689)
(5,229)	Major Repairs Reserve	(9,704)
(1,746)	Revenue Contributions	(156)
(4,325)	Right to Buy receipts	(142)
(250)	Leaseholders Contributions	(260)
-	S106 Contribution	(105)
(439)	Grants	(6,454)
(23,463)	Total Financing	(38,510)

HRA 7. Capital Receipts

2020/21		2021/22
£'000		£'000
(5,327)	Right to Buy Sales	(6,796)
(770)	Other Disposals	(197)
(6,097)	Total	(6,993)

HRA 8. Revenue Contribution to Capital Outlay (RCCO)

2020/21		2021/22
£'000		£'000
(4,163)	Balance at 1 April	(9,032)
(6,615)	RCCO Existing Stock	-
1,729	RCCO used on capital projects - Existing Stock	-
17	RCCO used on capital projects - New Build	156
(9,032)	Balance carried forward at 31 March	(8,876)

HRA 9. Depreciation

The Council's depreciation policy is to write down asset values over their estimated life, on a straight line basis. For Council dwellings, depreciation is based on componentisation of housing stock. On this basis depreciation for 2021-22 equates to £7.1m and has been posted to the HRA Income and Expenditure Statement.

2020/21	Depreciation	2021/22
£'000		£'000
	Operational Assets:	
(6,818)	Council Dwellings	(7,010)
(66)	Other Land and Buildings	(66)
(6,884)	Total	(7,076)

HRA 10. Impairment

There has been no impairment charge during 2021/22 compared to £0.583m 2020/21.

HRA 11. Contributions to and from the Pension Reserve

The HRA is required to be charged with a share of the contribution made by the Local Authority towards the cost of retirement benefits. Although the benefits earned by employees will not actually be payable until employees retire, the Authority has a commitment to account for such payments at the time the employees earn their future entitlement. The financial statements therefore recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against the HRA is based on cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement on the HRA balance.

HRA 12. Rent and Service Charge Arrears

Rent and service charge arrears at 31 March 2022 totalled £0.832m as compared to £0.238m at 31 March 2021. As a proportion of gross rent and service income, this represents 2.1% (0.6% in 2020/21). These arrears include charges due from tenants for rent, heating and hot water, garages and other tenancy related charges.

Total provision for uncollectible rent and service debt totalled £1.762m at 31 March 2022 compared to £1.257m at 31 March 2021

At 31 March 2021	Tenant Rent and Service Charge Arrears	At 31 March 2022
£'000		£'000
1,747	Current Tenant Arrears	2,122
621	Former Tenant Arrears	666
2,368	Total	2,788
(2,130)	Accounts in credit	(1,956)
238	Net Arrears	832
Provision included in the accounts for potential bad debts at 31 March:		
(1,257)	Tenants rent and heating charges	(1,762)
(1,257)	Total Bad Debt Provision	(1,762)

HRA 13. Provisions

A High Court ruling, published in March 2016, established that a London Borough had, for several years, not passed on discounts to its tenants for water and sewerage charges. This ruling was upheld by the courts in 2020 following a challenge by the Royal Borough of Kingston.

The discounts were granted under an agreement with the water company and acted as an administration fee for collection of charges on behalf of the water authority. The result of this ruling is that local authorities and housing associations, including Sutton, are required to reimburse tenants for the overpaid water charges. All current tenants were reimbursed in January 2021, but there remains a potential liability for claims from former tenants of the council. Whilst the value and number of individual claims is expected to be relatively small, we have made a provision of £0.027m against these to be prudent.

7. Collection Fund

This is the Council's statement in its capacity as an agent that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund account. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.



Collection Fund Income and Expenditure Account 2021/22

2020/21			Note	2021/22		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
Income						
	(128,489)	(128,489)			(137,447)	(137,447)
(31,267)		(31,267)	4	(48,333)		(48,333)
(888)	-	(888)		(1,145)		(1,145)
-	-	-				-
460	-	460		264		264
-	(1,359)	(1,359)				-
(31,695)	(129,848)	(161,543)		(49,214)	(137,447)	(186,661)
Expenditure						
Precepts, Demands and Shares:			3			
17,883	105,010	122,893		17,467	108,109	125,576
22,055	24,409	46,464		21,543	26,335	47,878
19,671	-	19,671		19,214		19,214
187	-	187		187		187
882	-	882		1,139		1,139
6	-	6		6		6
Charges to Collection Fund:						
323	3	326				-
2,687	2,886	5,573		(788)	200	(588)

Collection Fund Income and Expenditure Account 2021/22 (continued)

2020/21			Note	2021/22		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
Charges to Collection Fund (continued)						
4,554	-	4,554	Increase/(decrease) in allowance for appeals	239		239
47	-	47	Transition Payment to Central Government	(47)		(47)
Contributions Prior Year (Deficit)/Surplus:						
(106)	178	72	London Borough of Sutton	(8,842)	(825)	(9,667)
(59)	42	(17)	Greater London Authority	(11,137)	(192)	(11,329)
(202)	-	(202)	Central Government	(9,927)		(9,927)
67,928	132,528	200,456	Total Expenditure	29,054	133,627	162,681
36,233	2,680	38,913	Total Income Less Expenditure	(20,160)	(3,820)	(23,980)
Movements on the Collection Fund:						
(354)	16	(338)	(Surplus) / Deficit brought forward at 1 April	35,879	2,695	38,574
36,233	2,680	38,913	(Surplus) / Deficit for year	(20,162)	(3,820)	(23,982)
35,879	2,696	38,575	(Surplus) / Deficit carried forward at 31 March	15,717	(1,125)	14,592
Distribution of Fund Balance						
10,620	2,187	12,807	London Borough of Sutton	4,701	(879)	3,822
13,339	509	13,848	Greater London Authority	5,807	(245)	5,562
11,920	-	11,920	Central Government	5,209		5,209
35,879	2,696	38,575	Total Allocation of Fund Balance	15,717	(1,124)	14,593

Notes to the Collection Fund

CF 1. General

The Council, as a billing authority, is statutorily required to maintain a separate Collection Fund account as agent into which all transactions relating to collection of business rates and council tax income from taxpayers and distribution to local government bodies and central government are made. The Collection Fund account is accounted for separately from the General Fund. Collection Fund surpluses or deficits declared by the billing authority on the council tax income and distributions are apportioned to the relevant precepting body in the following financial year in proportion to each body's Band D Council Tax amount. Business rate surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised business rate regulations.

CF 2. Council Tax

The basic amount of Council Tax due for a property is derived by multiplying the Council Tax for a Band D property (£1,856.56 in 2021/22, split London Borough of Sutton £1,492.90 and GLA £363.66) by the ratio applicable to the property.

The Council Tax Base is affected by the Council Tax Reduction Scheme which treats council tax support as a discount to Council Tax. This together with technical changes to other discounts resulted in the Council Tax Base being set by the Strategic Director - Resources, under delegated authority, at 73,518 Band D equivalents, compared to 73,504.5 in 2020/21.

Council tax income is derived from charges on residential properties classified into eight valuation bandings established and inclusive of changes arising during the year for successful appeals against valuation banding. The Council's tax base, i.e. the number of chargeable dwellings in each band (adjusted to reflect relevant discounts and exemptions) converted to an equivalent number of Band D dwellings, was calculated for 2021/22 as follows

CF 2. Council Tax (continued)

Valuation Office estimated market value as at April 1991	Band	Estimated Number of Taxable Properties After Effect of Discounts	Ratio	Band D Equivalent Dwellings
		January 2021		Units
Less Than £40,000	A	588	6/9	392
£40,000 - £52,000	B	4,746	7/9	3,691
£52,000 - £68,000	C	21,100	8/9	18,755
£68,000 - £88,000	D	21,081	9/9	21,082
£88,000 - £120,000	E	11,452	11/9	13,997
£120,000 - £160,000	F	6,463	13/9	9,335
£160,000 - £320,000	G	3,454	15/9	5,756
£320,000 or more	H	255	18/9	510
		69,139		73,518
Deduct:-				
Adjustment for anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief, reduced second homes discount and exempt properties.				0.0
				73,518
Adjustment for estimated collection rate				1,102.8 1.50%
Council Tax Base				72,415.2 98.50%
Band D council tax charge				£1,856.56
Total Precept raised				£134,443,164

CF 3. Precepts and Demands

The Greater London Authority (GLA) levies a precept on the Council's Collection Fund based on the Council's tax base for the year. In addition, the Council's own requirement is charged to the Collection Fund and credited to the General Fund. The GLA precept includes elements for the Metropolitan Police Authority, the London Fire and Emergency Planning Authority, Transport for London, the London Legacy Development Company (Queen Elizabeth Olympic Park), the Old Oak Common, Park Royal Development Corporation and the core GLA functions.

CF 4. Business Rates

The Council collects business rates for its area based on local rateable values (as determined by the Valuation Office Agency) and multipliers set by central government annually. There are two multipliers:

2020/21		2021/22
pence per £		pence per £
51.2	Standard non-domestic multiplier	51.2
49.9	Small business non-domestic multiplier	49.9

The total rateable value for business premises in Sutton as at 31 March 2022 was £147.981m (£147.632m at 31 March 2021).

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform basis set nationally by Central Government. Under the business rates retention scheme, local authorities retain a proportion of the total collectable rates due with the rest distributed to preceptors. The distribution rates have remained unchanged.

2020/21		2021/22
%		%
30	London Borough of Sutton	30
37	Greater London Authority	37
33	Central Government	33

CF 4. Business Rates (continued)

The net business rates shares payable for 2021/22 were estimated before the start of the financial year as follows:

2020/21		2021/22
£'000		£'000
17,883	London Borough of Sutton	17,467
22,055	Greater London Authority	21,543
19,671	Central Government	19,214
59,609		58,224

These sums have been paid in 2021/22 and charged to the Collection Fund in the year.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency and are therefore required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. The total end of year provision for appeals balance is £7.557m of which the London Borough of Sutton's share is £2.267m.

8. Group Accounts

Group accounts have been prepared to give an overall picture of the activities and financial position of the Council including those activities carried out by Sutton Housing Partnership Limited, Encompass LATC Limited, Cognus Limited and Opportunity Sutton Limited on behalf of the Council. Opportunity Sutton Limited is itself a group of companies, consisting of: Sutton Living Limited, Sutton Living Design & Build Limited and Sutton Decentralised Energy Network Limited.

Entities where used is referring to the grouping of the Council's subsidiaries being grouped under one heading.



Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2022

Gross Expenditure (restated)	Gross Income (Restated)	Net Expenditure (Restated)		Gross Expenditure	Gross Income	Net Expenditure
2020/21	2020/21	2020/21		2021/22	2021/22	2021/22
£000	£000	£000		£000	£000	£000
30,287	(18,627)	11,660	Health and Wellbeing	30,152	(20,179)	9,973
56,380	(15,386)	40,994	Environment, Housing and Neighbourhoods	68,506	(29,764)	38,742
5,127	(4,301)	827	Development Growth and Regeneration	7,537	(6,474)	1,063
261,684	(143,986)	117,697	Peoples Services	275,780	(146,453)	129,327
95,630	(62,587)	33,043	Resources	107,464	(69,135)	38,329
546	-	546	Chief Executive(Electoral Services)	804	(278)	526
			Housing Revenue Account			
9,641	(37,571)	(27,930)	- Main HRA Revenue Account	9,959	(38,430)	(28,471)
583	-	583	- Revaluation loss/(gain) - Dwellings	-	(15,122)	(15,122)
17,125	(867)	16,258	- Sutton Housing Partnership	18,806	(996)	17,810
8,300	(2,361)	5,939	Non Service Revenue Accounts	3,881	(143)	3,738
485,303	(285,686)	199,617	Cost of services	522,889	(326,974)	195,915

Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2022 (continued)

Gross Expenditure (restated) 2020/21 £000	Gross Income (Restated) 2020/21 £000	Net Expenditure (Restated) 2020/21 £000		Gross Expenditure 2021/22 £000	Gross Income 2021/22 £000	Net Expenditure 2021/22 £000
4,541	(7,135)	(2,594)	Other operating expenditure	27,293	(7,215)	20,078
13,660	(606)	13,054	Financing and investment income and expenditure	22,171	(31,446)	(9,275)
-	(192,332)	(192,332)	Taxation and non-specific grant income	-	(230,685)	(230,685)
503,504	(485,759)	17,745	(Surplus) or deficit on the provision of services	572,353	(596,320)	(23,967)
		68	Tax expenses of Subsidiaries			344
-	-	17,813	Group (surplus) / deficit	-	-	(23,623)
			Group (Surplus) / Deficit attributable to:			
-	-	15,676	Council's share (London Borough of Sutton)			(23,623)
		2,137	Minority Interest	-	-	
		17,813				(23,623)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
-	-	(4,678)	Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets	-	-	(20,687)
-	-	57,568	Remeasurement of the net defined benefit liability on the pensions reserve	-	-	(116,576)
		52,890	Other comprehensive income and expenditure			(137,263)
		70,703	Total comprehensive income and expenditure (surplus) / deficit			(160,886)
			Comprehensive income and expenditure (surplus) / deficit attributable to:			
		68,070	Council's share (London Borough of Sutton)			(160,886)
		2,633	Minority interest			-
		70,703				(160,886)

Group Movement in Reserves Statement

	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance*	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2021/22													
Balance at 31 March 2021	(8,236)	(47,818)	(56,054)	(5,724)	(14,972)	(15,008)	(10,565)	(102,323)	(68,531)	(170,854)	16,748	1,236	(152,870)
Movement during 2021/22:													
Total Comprehensive Expenditure and Income	(7,235)	-	(7,235)	(47,838)	-	-	-	(55,073)	(128,986)	(184,059)	23,174	-	(160,885)
Adjustment in respect of over charged amortisation in prior years									(3,344)	(3,344)			(3,344)
Adjustments between accounting basis and funding basis under regulations	(4,211)	-	(4,211)	26,834	(24,520)	2,784	(4,299)	(3,412)	3,412	-	-	-	-
Adjustments between group accounts and authority accounts	13,964	-	13,964	16,075	-	-	-	30,039	-	30,039	(30,039)		-
Minority Interest changes	-	-	-	-	-	-	-	-	-	-	1,236	(1,236)	-
Share Investments	-	-	-	-	-	-	-	-	-	-			-
Net (Increase) / Decrease before transfers to Earmarked Reserves	2,518	-	2,518	(4,929)	(24,520)	2,784	(4,299)	(28,446)	(128,918)	(157,364)	(5,629)	(1,236)	(164,229)
Transfers to / (from) Earmarked Reserves and minority interests	(3,243)	3,361	118	(118)	-	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	(725)	3,361	2,636	(5,047)	(24,520)	2,784	(4,299)	(28,446)	(128,918)	(157,364)	(5,629)	(1,236)	(164,229)
Balance at 31 March 2022	(8,961)	(44,457)	(53,418)	(10,771)	(39,492)	(12,224)	(14,864)	(130,769)	(197,449)	(328,218)	11,120	-	(317,098)

Group Movement in Reserves Statement (continued)

2020/21 Comparative (Restated)	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance*	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020 - as originally stated	(7,408)	(31,851)	(39,259)	(7,100)	(16,019)	(8,484)	(11,245)	(82,107)	(151,596)	(233,703)	9,450	681	(223,572)
Effect of restatement as referred to in G12 (Note 4)	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2020 - restated	(7,408)	(31,851)	(39,259)	(7,100)	(16,019)	(8,484)	(11,245)	(82,107)	(151,596)	(233,703)	9,450	681	(223,572)
Movement during 2020/21:													
Total Comprehensive Expenditure and Income	10,915	-	10,915	(24,515)	-	-	-	(13,600)	46,545	32,945	35,124	2,633	70,702
Adjustments between accounting basis and funding basis under regulations	(41,850)	-	(41,850)	10,127	1,047	(6,524)	680	(36,520)	36,520	-	-	-	-
Adjustments between group accounts and authority accounts	14,140	-	14,140	15,764	-	-	-	29,904	-	29,904	(27,826)	(2,078)	-
Net (Increase) / Decrease before transfers to Earmarked Reserves	(16,795)	-	(16,795)	1,376	1,047	(6,524)	680	(20,216)	83,065	62,849	7,298	555	70,702
Transfers to / (from) Earmarked Reserves	15,967	(15,967)	-	-	-	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	(828)	(15,967)	(16,795)	1,376	1,047	(6,524)	680	(20,216)	83,065	62,849	7,298	555	70,702
Balance at 31 March 2021	(8,236)	(47,818)	(56,054)	(5,724)	(14,972)	(15,008)	(10,565)	(102,323)	(68,531)	(170,854)	16,748	1,236	(152,870)

Group Balance Sheet

31 March 2020 (Restated)	31 March 2021 (Restated)		Notes	31 March 2022
£'000	£'000			£'000
		Non-Current Assets		
767,240	780,447	Property, Plant and Equipment	G5.	843,795
-	-	Intangible Assets		3,735
123,454	124,729	Investment Properties		97,897
1,875	5	Long Term Investments		10
4,145	4,470	Long Term Debtors		12,316
896,714	909,651	Total Non-Current Assets		957,753
		Current Assets		
34,138	90,272	Short Term Investments		61,546
485	485	Assets Held for Sale		936
-	-	Investment Properties Held for Sale		50,600
4	1,809	Inventories		1,445
56,646	71,872	Debtors	G6.	82,388
8,667	14,003	Cash and Cash Equivalents	G8.	20,431
99,940	178,441	Total Current Assets		217,346

Group Balance Sheet (continued)

31 March 2020 (Restated)	31 March 2021 (Restated)		31 March 2022
£'000	£'000		£'000
		Less Current Liabilities	
(60,797)	(1,388)	Short Term Borrowing	(9,187)
(61,523)	(40,641)	Creditors	G7. (72,945)
(3,036)	(39,613)	Grants Receipt in Advance	(42,271)
-	(679)	Provisions	-
-	(29,136)	Bank Overdraft	-
(125,356)	(111,457)	Total Current Liabilities	(124,403)
		Less Non-Current Liabilities	
(8,370)	(7,728)	Provisions	(7,686)
(312,130)	(416,886)	Long Term Borrowings	(415,138)
(325,352)	(399,151)	Liability Related to Defined Benefit Pension Scheme	G10. (310,774)
(645,852)	(823,765)	Total Non-Current Liabilities	(733,598)
225,446	152,870	Net Assets	317,098
(151,596)	(68,531)	Total Non-usable Reserves	(197,449)
(74,531)	(85,575)	Total Usable Reserves	G9 (119,649)
681	1,236	Minority Interest	-
(225,446)	(152,870)	Total Reserves	(317,098)

Group Cash Flow Statement

2020/21 restated		2021/22
£000		£000
(17,813)	Net (surplus) or deficit on the provision of services	23,623
43,026	Adjustment to the net surplus or deficit on the provision of services for non-cash movements	49,450
(15,140)	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	(15,958)
10,073	Net cash flows from operating activities	57,115
(74,187)	Net cash flows from investing activities	(30,011)
40,315	Net cash flows from financing activities	8,459
(23,799)	Net (increase)/decrease in cash and cash equivalents	35,563
	Represented by:	
8,666	a Cash and cash equivalents at the beginning of the reporting period	(15,133)
(15,133)	b Cash and cash equivalents at the end of the reporting period	20,430
(23,799)	Net (increase)/decrease in cash and cash equivalents (b-a)	35,563

Notes to the Group Accounts

G1. Introduction

The CIPFA Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more entities it should prepare group accounts. The aim of consolidation is to give an overall picture of the Authority's financial activities and the resources employed in carrying out those activities.

The Council has an interest in a number of entities and the most significant of these are Sutton Housing Partnership CIC (SHP), established in April 2016 to manage and improve the Council's housing stock and estates, Encompass LATC Ltd provide a wide range of services including advice on housing , Social care, and innovation. Cognus Limited, which is 100% owned by the Council, supports schools , families and children/ young people.

Opportunity Sutton was launched to provide a focus for economic development in the borough. It has three subsidiary companies, namely Sutton Living Ltd, Sutton Living Design and Build Ltd and Sutton Decentralised Energy Network Ltd.

Group Accounts have been prepared to reflect the Council's interest in the above subsidiaries of Opportunity Sutton was launched to provide a focus for economic development in the borough. It has three subsidiary companies, namely Sutton Living Ltd, Sutton Living Design and Build Ltd and Sutton Decentralised Energy Network Ltd.

Group Accounts have been prepared to reflect the Council's interest in the above subsidiaries of the Council.

G2. Accounting Policies

The group has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, issued by the Chartered Institute of Public Finance and Accounting (CIPFA). The accounting policies of the subsidiaries are in line with the Council's accounting policies.

G3. Consolidation

The Group Income and Expenditure Accounts and Balance Sheet have been prepared by consolidating the accounts of the subsidiary, on a line-by-line basis, in accordance with IAS 27. Intra group transactions have been eliminated from the Statements.

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The following notes give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

G4. Analysis of Group Expenditure and Income by Nature

2020/21 (Restated)				2021/22		
LBS	Entities	Total		LBS	Entities	Total
£000	£000	£000		£000	£000	£000
			Expenditure			
152,773	15,637	168,410	Employee expenses	159,728	17,890	177,618
274,223	17,733	291,956	Other operating expenses	294,957	23,483	318,440
18,921	136	19,057	Depreciation, amortisation and impairment	27,209	92	27,301
723	-	723	Payments to Housing Capital Receipts Pool	723	-	723
18,644	767	19,411	Interest payments	19,631	263	19,894
129	-	129	Loss on FV revaluation of Financial Instruments	1,904	-	1,904
704	-	704	Precept and Levies	875	-	875
3,114	-	3,114	Loss on disposal of non-current assets	25,598	-	25,598
469,231	34,273	503,504	Total expenditure	530,625	41,728	572,353
			Income			
(59,682)	(2,926)	(62,608)	Fees and charges and other service income	(82,181)	(10,618)	(92,799)
(5,212)	(2)	(5,214)	Interest and investment income	(6,634)	(2)	(6,636)
(1,275)	-	(1,275)	Gain on disposal of non-current assets and revaluation	(41,203)	-	(41,203)
(7,135)		(7,135)	Capital Receipts	(7,215)		(7,215)
(129,088)	-	(129,088)	Income from Council Tax and Business Rates	(124,695)	-	(124,695)
(280,439)	-	(280,439)	Government grants and contributions	(323,771)	-	(323,771)
(482,831)	(2,928)	(485,759)	Total income	(585,699)	(10,620)	(596,319)
(13,600)	31,345	17,745	(Surplus) or Deficit on Provision of Services	(55,074)	31,108	(23,966)

The Council has added in this table for the 2021/22 and so there are no prior year comparative notes. Therefore a Prior Period Adjustment table for this note has not been added in G12.

G5. Group Property, Plant and Equipment

Movement on balances

2021/22	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1st April 2021	435,627	315,401	28,940	2,614	2,370	8,001	792,953
Additions	32,705	32,586	874	281	-	6,704	73,150
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	14,011	-	-	4,332	-	18,343
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,875	(3,857)	-	-	(925)	-	3,093
Derecognition - disposals	(2,629)	(25,480)	(183)	-	(125)	-	(28,417)
Derecognition - other	-	-	(16,320)	-	-	-	(16,320)
Assets reclassified (to)/from held for sale	-	-	-	-	-	-	-
Reclassification to Infrastructure	-	-	-	-	-	(1,831)	(1,831)
Reclassification from Investment Properties	-	917	-	-	-	-	917
Reclassification and transfers	-	(2,575)	(300)	3,409	2,653	(3,487)	(300)
At 31st March 2022	473,578	331,003	13,011	6,304	8,305	9,387	841,588

G5. Group Property, Plant and Equipment (continued)

Movement on balances

2021/22	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment							
At 1st April 2021	-	(21,037)	(22,088)	-	-	-	(43,125)
Depreciation Charge:	(7,010)	(6,057)	(1,610)	-	(9)	-	(14,686)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	7,010	253	-	-	-	-	7,263
Depreciation charge written out to the Revaluation Reserve	-	2,909	-	-	293	-	3,202
Derecognition - disposal	-	2,282	91	-	1	-	2,374
Derecognition - other	-	-	16,320	-	-	-	16,320
Reclassification and transfers	-	285	-	-	(285)	-	-
At 31st March 2022	-	(21,365)	(7,287)	-	-	-	(28,652)
Net Book Value:							
At 31 March 2021	435,627	294,364	6,852	2,614	2,370	8,001	749,828
At 31 March 2022	473,578	309,638	5,724	6,304	8,305	9,387	812,936

G5. Group Property, Plant and Equipment (continued)

Movement on balances

Comparative movements in 2020/21	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1st April 2020	423,687	311,720	28,586	2,599	2,330	6,504	775,426
Additions	21,767	5,052	509	15	-	1,642	28,985
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	2,215	-	-	39	-	2,254
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,405)	(1,108)	-	-	1	-	(8,512)
Derecognition - disposals	(2,422)	(2,478)	(155)	-	-	-	(5,055)
Derecognition - other	-	-	-	-	-	(145)	(145)
Assets reclassified (to)/from held for sale	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-
At 31st March 2021	435,627	315,401	28,940	2,614	2,370	8,001	792,953

G5. Group Property, Plant and Equipment (continued)

Movement on balances

Comparative movements in 2020/21	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment							
At 1st April 2020	-	(17,663)	(20,554)	-	-	-	(38,217)
Depreciation Charge:	(6,818)	(6,074)	(1,687)	-	(9)	-	(14,588)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	6,818	266	-	-	8	-	7,092
Depreciation charge written out to the Revaluation Reserve	-	2,422	-	-	1	-	2,423
Derecognition - disposal	-	12	153	-	-	-	165
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31st March 2021	-	(21,037)	(22,088)	-	-	-	(43,125)
Net Book Value:							
At 31 March 2020	423,687	294,057	8,032	2,599	2,330	6,504	737,209
At 31 March 2021	435,627	294,364	6,852	2,614	2,370	8,001	749,828

G5. Group Property, Plant and Equipment (continued)

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Infrastructure Assets	2020/21	2021/22
	£'000	£'000
Net book value at 1 April	30,031	30,619
Additions	5,174	3,306
Derecognition	-	-
Depreciation	(4,586)	(4,897)
Impairment	-	-
Other movements in cost	-	1,831
Net book value at 31 March	30,619	30,859

Total Property, Plant and Equipment reported on Balance Sheet	2020/21	2021/22
	£'000	£'000
Infrastructure assets **	30,619	30,859
Other Property, Plant and Equipment assets	749,828	812,936
Total Property, Plant and Equipment assets	780,447	843,795

****Infrastructure Assets are valued on the basis of Net Book Value.**

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure is nil.

G6. Group Debtors

At 31 March 2022	Council	SHP	Encompass	Cognus	Opportunity Sutton	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	27,478					27,478
Other Local Authorities	8,860	1,314	-	-	-	10,174
NHS Bodies	2,076	-	-	-	-	2,076
Other Entities & Individuals	35,755	537	951	1,004	712	38,959
Local Tax Payers	2,593	-	-	-	-	2,593
HRA tenants	1,108	-	-	-	-	1,108
Public Corps & Trading Funds	-	-	-	-	-	-
Total	77,870	1,851	951	1,004	712	82,388

At 31 March 2021	Council	SHP	Encompass	Cognus	Opportunity Sutton	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	8,561	-	-	-	-	8,561
Other Local Authorities	9,637	-	-	-	-	9,637
NHS Bodies	6,377	-	-	-	-	6,377
Other Entities & Individuals	40,169	529	1,827	1,313	157	43,995
Local Tax Payers	2,128	-	-	-	-	2,128
HRA tenants	1,174	-	-	-	-	1,174
Total	68,046	529	1,827	1,313	157	71,872

G7. Group Creditors and Grants received in Advance

a) Creditors

At 31 March 2022	Council	SHP	Encompass	Cognus	Opportunity Sutton	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	(308)	(416)	(234)	(405)	-	(1,363)
Other Local Authorities	(11,297)	(122)	-	-	-	(11,419)
NHS Bodies	(721)	-	-	-	-	(721)
Other Entities & Individuals	(43,297)	(774)	(3,708)	(1,705)	(8,706)	(58,190)
Local Tax Payers	(1,093)	(159)	-	-	-	(1,252)
Total	(56,716)	(1,471)	(3,942)	(2,110)	(8,706)	(72,945)

31 March 2021 (Restated)	Council	SHP	Encompass	Cognus	Opportunity Sutton	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	5,585	(365)	(224)	(586)	(0)	4,410
Other Local Authorities	(2,737)	-	-	-	-	(2,737)
NHS Bodies	(3,616)	-	-	-	-	(3,616)
Other Entities & Individuals	(24,927)	96	(5,055)	(859)	(6,097)	(36,842)
Local Tax Payers	(1,734)	(129)	-	-	-	(1,863)
Total	(27,429)	(398)	(5,279)	(1,444)	(6,097)	(40,647)

The Council has added in this table for the 2021/22 and so there are no prior year comparative notes. Therefore a Prior Period Adjustment table for this note has not been added in G12.

G7. Group Creditors and Grants received in Advance

b) Grants Received in Advance

At 31 March 2022	Council	SHP	Encompass	Cognus	Opportunity Sutton	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Grants Receipt in Advance	(4,315)	-	-	-	-	(4,315)
Revenue Grants Received in Advance	(37,956)	-	-	-	-	(37,956)
Total	(42,271)	-	-	-	-	(42,271)

31 March 2021 (Restated)	Council	SHP	Encompass	Cognus	Opportunity Sutton	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Grants Receipt in Advance	(3,071)	-	-	-	-	(3,071)
Revenue Grants Received in Advance	(36,542)	-	-	-	-	(36,542)
Total	(39,613)	-	-	-	-	(39,613)

The Council has added in this table for the 2021/22 and so there are no prior year comparative notes. Therefore a Prior Period Adjustment table for this note has not been added in G12.

G8. Cash and cash equivalents

Cash at bank and in hand	Council	SHP	Encompass	Cognus	Opportunity Sutton	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2022	5,467	2,128	3,955	1,839	7,042	20,431
At 31 March 2021 (Restated)	(23,122)	2,202	4,344	534	908	(15,134)

The Council has added in this table for the 2021/22 and so there are no prior year comparative notes. Therefore a Prior Period Adjustment table for this note has not been added in G12.

G9. Group Usable Reserves

	Balance at 31 March 2020 (Restated)	Transfers Out	Transfers In	Balance at 31 March 2021 (Restated)	Transfers Out	Transfers In	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Grants & Contributions Unapplied	(16,019)	8,631	(7,584)	(14,972)	13,047	(37,567)	(39,492)
Capital Receipts Reserve	(11,245)	7,001	(6,321)	(10,565)	2,819	(7,118)	(14,864)
Major Repairs Reserve	(8,484)	6,975	(13,499)	(15,008)	2,784		(12,224)
Housing Revenue Account	(7,100)	1,379	(3)	(5,724)	-	(5,048)	(10,772)
General Reserves – General Fund & Schools	(7,408)	-	(828)	(8,236)	-	(724)	(8,960)
Share of Subsidiaries' Reserves	7,575	-	9,175	16,750	-	(5,630)	11,120
Earmarked Reserves	(31,851)	7,624	(23,592)	(47,819)	20,866	(17,504)	(44,457)
Total Group Usable Reserves	(74,532)	31,610	(42,652)	(85,574)	39,516	(73,591)	(119,649)

The Council has added in this table for the 2021/22 and so there are no prior year comparative notes. Therefore a Prior Period Adjustment table for this note has not been added in G12.

G10. Group Defined Benefit Pension Schemes

The employees of the London Borough of Sutton, and SHP, Encompass LATC Ltd and Cognus Limited are eligible to join the Local Government Pension Scheme. As an admitted body within the Sutton Pension Fund, subsidiaries pension liabilities and employer contribution rates are separately assessed.

The cost of pension benefits earned during the year were:

2020/21 (Restated)			Comprehensive Income and Expenditure Statement:			2021/22		
LBS	Entities	Total				LBS	Entities	Total
£'000	£'000	£'000				£'000	£'000	£'000
			Service cost comprising:					
29,391	2,957	32,348	-	Current service cost	32,285	4,442	36,727	
301	49	350	-	Past service cost	270	-	270	
-	-	-	-	(gain)/loss from settlements	(2,142)	-	(2,142)	
29,692	3,006	32,698			30,413	4,442	34,855	
7,511	277	7,788		Net interest expense	7,736	440	8,176	
862	79	941		Administration expenses	648	129	777	
38,065	3,362	41,427		Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	38,797	5,011	43,808	
			Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement					
(120,773)	10,806	(109,967)	-	Return on plan assets (excluding the amount included in the net interest expense)	(31,593)	(2,948)	(34,541)	
(9,194)	618	(8,576)	-	Actuarial (gains) and losses arising on changes in demographic assumptions	(14,571)	84	(14,487)	
192,472	(18,523)	173,949	-	Actuarial (gains) and losses arising on changes in financial assumptions	(46,481)	(5,503)	(51,984)	
-	-	-	-	Other actuarial (gains)/losses on assets	-	-	-	
(11,282)	754	(10,528)	-	Experience gain on defined benefit obligation	(15,654)	87	(15,567)	
89,288	(2,983)	86,305		Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(69,502)	(3,269)	(72,771)	
			Movement in Reserves Statement:					
15,769	-	15,769		Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	17,645	-	17,645	

G10. Group Defined Benefit Pension Schemes (continued)

Pensions assets and liabilities recognised in the Balance Sheet are as follows:

2020/21 (Restated)				2021/22		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
1,000,946	77,760	1,078,706	Present value of defined benefit obligation	931,178	77,848	1,009,026
(622,308)	(57,247)	(679,555)	Fair value of plan assets	(635,870)	(62,382)	(698,252)
378,638	20,513	399,151	Net Liability arising from defined benefit obligation	295,308	15,466	310,774

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

2020/21				2021/22		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
807,451	57,721	865,172	Balance at 1 April	1,000,946	77,760	1,078,706
29,391	2,908	32,299	Current Service Cost	32,933	4,571	37,504
15,472	1,341	16,813	Interest Cost	20,041	1,596	21,637
3,794	618	4,412	Contributions by Members	3,889	635	4,524
(9,194)	(618)	(9,812)	Actuarial (gains)/losses arising from changes in demographic assumptions	(14,571)	84	(14,487)
192,472	18,523	210,995	Actuarial (gains)/losses arising from changes in financial assumptions	(46,481)	(5,500)	(51,981)
(11,282)	(754)	(12,036)	Experience gain on defined benefit obligation	(32,931)	87	(32,844)
301	49	350	Past Service Cost	270	-	270
(27,459)	(2,028)	(29,487)	Benefits Paid	(29,061)	(1,385)	(30,446)
-	-	-	Liabilities extinguished on settlements	(3,857)	-	(3,857)
1,000,946	77,760	1,078,706	Balance at 31 March	931,178	77,848	1,009,026

G10. Group Defined Benefit Pension Schemes (continued)

Reconciliation of Movements in the Fair Value of the Scheme (Plan) Assets

2020/21 (Restated)				2021/22		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
494,737	45,083	539,820	Balance at 1 April	622,308	57,247	679,555
7,961	1,064	9,025	Interest income	12,305	1,157	13,462
			Remeasurement gain/loss:			
120,773	10,806	131,579	- Return on plan assets, excluding the amount included in the net interest expense	31,593	2,948	34,541
23,364	1,783	25,147	Contributions from employer	13,828	1,780	15,608
3,794	618	4,412	Contributions from employees into the scheme	3,889	635	4,524
(27,459)	(2,028)	(29,487)	Benefits Paid	(29,061)	(1,385)	(30,446)
(862)	(79)	(941)	Other	(18,992)	-	(18,992)
622,308	57,247	679,555	Balance at 31 March	635,870	62,382	698,252

G11. Group Eliminations

The following adjustments are made in the Group's Movement in Reserves Statement in order to reconcile the General Fund Balance back to its Council position prior to funding basis adjustments being made.

	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000					
2021/22													
Services purchased from Cognus	8,924		8,924					8,924		8,924	(8,924)		-
Services purchased from Encompass	5,068		5,068					5,068		5,068	(5,068)		-
Loan interest from Opportunity Sutton	(28)		(28)					(28)		(28)	28		-
Sutton Housing Partnership management fee			-	16,075				16,075		16,075	(16,075)		-
Total adjustments between Group Accounts and Council accounts	13,964	-	13,964	16,075	-	-	-	30,039	-	30,039	(30,039)	-	-
2020/21 comparative													
Services purchased from Cognus	8,314		8,314					8,314		8,314	(6,236)	(2,078)	-
Services purchased from Encompass	5,826		5,826					5,826		5,826	(5,826)		-
Sutton Housing Partnership management fee			-	15,764				15,764		15,764	(15,764)		-
Total adjustments between Group Accounts and Council accounts	14,140	-	14,140	15,764	-	-	-	29,904	-	29,904	(27,826)	(2,078)	-

The Council has added in this table for the 2021/22 and so there are no prior year comparative notes. Therefore a Prior Period Adjustment table for this note has not been added in G12.

G12. Group Prior Period Adjustment

A review of the Council's accounts identified the following issue requiring restatement of the 2020/21 figures.

Effect on CIES	As Originally Stated 2020/21	Directorate changes (Note 2)	IAS19 Pension Prepayment Correction (Note 1)	Intra group eliminations - SHP Management Fee (Note 5)	Intra group eliminations (Encompass & Cognus)	Non Material restatements (Note 3)	As Restated 2020/21
	£'000	£'000	£'000	£'000		£'000	£'000
NET EXPENDITURE							
Health and Wellbeing	12,342	(2,406)	1,724	-	-	-	11,660
Environment, Housing and Neighbourhoods	40,509	(721)	807	-	-	399	40,994
Development Growth and Regeneration	-	721	105	-	-	0	826
Peoples Services	116,940	(4,067)	5,463	-	-	(639)	117,697
Resources	30,296	(499)	3,246	-	-	0	33,043
Chief Executive (Electoral Services)	-	499	47	-	-	0	546
Housing Revenue Account							
- Main HRA Revenue Account	(12,223)	-	57	(15,764)	-	-	(27,930)
- Revaluation loss/(gain) - Dwellings	583	-	-	-	-	-	583
Sutton Housing Partnership	494	-	0	15,764	-	-	16,258
Non Service Revenue Accounts	3,320	6,473	(3,854)	-	-	-	5,939
Cost of services	192,261	-	7,595	0		(240)	199,616
Financing and investment income	14,924	-	-	-	-	(1,870)	13,054
(Surplus) or deficit on provision of services	12,259	-	7,595	-	-	(2,110)	17,744
Tax Expenses	31	-	0	-		37	68
Group (surplus) / deficit	12,290	-	7,595	-	-	(2,073)	17,812
Total comprehensive income and expenditure (surplus)/deficit	65,180	-	7,595	-	-	(2,073)	70,702

G12. Group Prior Period Adjustment (continued)

Effect on CIES	As Originally Stated 2020/21	Directorate changes (Note 2)	IAS19 Pension Prepayment Correction (Note 1)	Intra group eliminations - SHP Management Fee (Note 5)	Intra group eliminations (Encompass & Cognus)	Non Material restatements (Note 3)	As Restated 2020/21
	£'000	£'000	£'000	£'000		£'000	£'000
GROSS EXPENDITURE							
Health and Wellbeing	30,969	(2,406)	1,724	-	-	-	30,287
Environment, Housing and Neighbourhoods	59,738	(5,022)	807	-	-	857	56,380
Development Growth and Regeneration	-	5,022	105	-	-	0	5,127
Peoples Services	275,279	(4,067)	5,463	-	(14,140)	(851)	261,684
Resources	92,892	(499)	3,246	-	-	(9)	95,630
Chief Executive (Electoral Services)	-	499	47	-	-	0	546
Housing Revenue Account							
- Main HRA Revenue Account	26,463	-	57	(16,879)	-	-	9,641
- Revaluation loss/(gain) - Dwellings	583	-	-	-	-	-	583
Sutton Housing Partnership	18,240	-	0	(1,115)	-	-	17,125
Non Service Revenue Accounts	5,681	6,473	(3,854)	-	-	-	8,300
Cost of services	509,845	-	7,595	(17,994)	(14,140)	(3)	485,303
Other operating expenditure	1,427	-	-	-	-	3,114	4,541
Financing and investment income	15,530	-	0	-	-	(1,870)	13,660
(Surplus) or deficit on provision of services	526,802	-	7,595	(17,994)	(14,140)	1,241	503,504

G12. Group Prior Period Adjustment (continued)

Effect on CIES	As Originally Stated 2020/21	Directorate changes (Note 2)	IAS19 Pension Prepayment Correction (Note 1)	Intra group eliminations - SHP Management Fee (Note 5)	Intra group eliminations (Encompass & Cognus)	Non Material restatements (Note 3)	As Restated 2020/21
	£'000	£'000	£'000	£'000		£'000	£'000
GROSS INCOME							
Health and Wellbeing	(18,627)			-		-	(18,627)
Environment, Housing and Neighbourhoods	(19,229)	4,301				(458)	(15,386)
Development Growth and Regeneration	-	(4,301)					(4,301)
Peoples Services	(158,339)			-	14,140	213	(143,986)
Resources	(62,596)			-		9	(62,587)
Chief Executive (Electoral Services)	-			-			0
Housing Revenue Account							
- Main HRA Revenue Account	(38,686)	-		1,115		-	(37,571)
- Revaluation loss/(gain) - Dwellings	0	-	-	-		-	0
Sutton Housing Partnership	(17,746)	-	0	16,879		-	(867)
Non Service Revenue Accounts	(2,361)			-		-	(2,361)
Cost of services	(317,584)	-	0	17,994	14,140	(236)	(285,686)
Other operating expenditure	(4,021)					(3,114)	(7,135)
Financing and investment income	(606)	-	0	-		0	(606)
(Surplus) or deficit on provision of services	(514,543)	0	0	17,994	14,140	(3,350)	(485,759)

G12. Group Prior Period Adjustment (continued)

Effect on MIRS	Memorandum		Usable Reserves					Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves	
	General Fund Balance*	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve						Total Usable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Total Comprehensive Expenditure and Income (as originally stated 2020-21)	17,517	-	17,517	(8,808)	-	-	-	8,709	46,545	55,254	3,516	65	58,835
IAS19 Pension Prepayment correction (Note 1)	7,538		7,538	57	-	-	-	7,595		7,595			7,595
Intra group transaction eliminations (Note 5)	(14,140)		(14,140)	(15,764)				(29,904)		(29,904)	33,478	2,568	6,142
Subscribed share capital - Opportunity Sutton (Note 3)			-					-		-	(1,870)		(1,870)
Total Comprehensive Expenditure and Income as restated	10,915	-	10,915	(24,515)	-	-	-	(13,600)	46,545	32,945	35,124	2,633	70,702

G12. Group Prior Period Adjustment (continued)

Effect on MIRS	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance*	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000					
Adjustments between accounting basis and funding basis under regulations (as originally stated 2020-21)	(34,312)	-	(34,312)	10,184	1,047	(6,524)	680	(28,925)	28,925	-	5,848	496	6,344
IAS19 Pension Prepayment correction (Note 1)	(7,538)	-	(7,538)	(57)	-	-	-	(7,595)	7,595	-	-	-	-
Non material restatement to correct MIRS	-	-	-	-	-	-	-	-	-	-	(5,848)	(496)	(6,344)
Adjustments between accounting basis and funding basis under regulations as restated	(41,850)	-	(41,850)	10,127	1,047	(6,524)	680	(36,520)	36,520	-	-	-	-

Effect on MIRS	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance*	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000					
Adjustments between group accounts and authority accounts (as originally stated 2020-21)	-	-	-	-	-	-	-	-	-	-	-	-	-
Intra group transaction eliminations (Note 5)	14,140	-	14,140	15,764	-	-	-	29,904	29,904	(27,826)	(2,078)	-	-
Adjustments between accounting basis and funding basis under regulations as restated	14,140	-	14,140	15,764	-	-	-	29,904	-	29,904	(27,826)	(2,078)	-

G12. Group Prior Period Adjustment (continued)

Effect on Balance Sheet 2020/21	As Originally Stated 2020/21	Pension Fund Reserve Restatement (Note 4)	Cash and cash equivalents prior period adjustment (Note 6)	Grants received in advance (Note 7)	Non material restatements (Note 3)	IAS19 Pension Prepayment Correction (Note 1)	As Restated 2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current assets:							
Debtors	71,823	-			49	-	71,872
Cash and cash equivalents	-		14,003		-	-	14,003
Current liabilities:							
Bank overdraft	(15,133)		(14,003)		-	-	(29,136)
Creditors	(77,337)			36,542	154	-	(40,641)
Grants received in advance	(3,071)			(36,542)		0	(39,613)
Liability Related to Defined Benefit Pension Scheme	(391,556)				-	(7,595)	(399,151)
Net Assets	160,266	-	-	-	203	(7,595)	152,874
Total Unusable Reserves	(55,614)	(20,513)			-	7,595	(68,532)
Total Usable Reserves	(105,894)	20,513			(197)	-	(85,578)
Minority Interest	1,242	-			(6)	-	1,236
Total Reserves	(160,266)	-	-	-	(203)	7,595	(152,874)

Effect on Balance Sheet 2019/20	As Originally Stated 2019/20	Pension Fund Reserve Restatement (Note 4)	As Restated 2019/20
	£'000	£'000	£'000
Total Unusable Reserves	(138,958)	(12,638)	(151,596)
Total Usable Reserves	(87,169)	12,638	(74,531)

G12. Group Prior Period Adjustment (continued)

Effect on Cashflow	As Originally Stated 2020/21	IAS19 Pension Prepayment Correction (Note 1)	Non material restatements (Note 3)	As Restated 2020/21
	£'000	£'000	£'000	£'000
Net surplus or (deficit) on the provision of services	(10,377)	(7,595)	159	(17,813)
Adjustment to the net surplus or deficit on the provision of services for non-cash movements	35,524	7,595	-93	43,026
Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	(15,135)	-	(5)	(15,140)
Net cash flow from other operating activities	10,012	-	61	10,073

Notes to the prior period adjustments

Note 1 - LGPS Pension Deficit

Pensions is a significant risk area and there is a large degree of estimation uncertainty around the accounting estimates involved, therefore the Council considers it qualitatively material and so has chosen to adjust. During 2020/21 the Council took the decision to make a £11.45m pre-payment towards the LGPS pension deficit, which reduced the Council's liability to the pension deficit shown in the "long term liabilities" section of the balance sheet. During 2021/22, the accounting treatment of the pension prepayment was reviewed with the conclusion that it needed to be revised. The impact of this change has caused the 2020/21 accounts to be restated. The restatement has had an impact on the Comprehensive Income & Expenditure Statement (including Group CIES), Note 5 Expenditure Funding Analysis, Note 10 Adjustments between accounting basis and funding basis under regulations, Note 12 Unusable Reserves and Note 31 Defined Benefit Pension Scheme. This adjustment was in relation to the Council only and not subsidiaries but has fed through from the single entity accounts.

G12. Group Prior Period Adjustment (continued)

Notes to the prior period adjustments (continued)

Note 2 - Directorate Reclassifications

During 2021/22 the Council made a number of changes to services reporting to each directorate, and in order to provide meaningful comparative figures 2020/21 figures have also been reclassified. The changes made are as follows:

A reporting segment called "Development, Growth and Regeneration" was created to reflect the fact that the new Strategic Director appointment reported directly to the Chief Executive. These functions (gross expenditure £5,022k, gross income £4,301k, net expenditure £721k in 2020/21) transferred out of what was previously the Environment, Housing and Regeneration department, which became the Environment, Housing and Neighbourhoods Department

A further reporting segment was created, called Chief Executives (Electoral Services), to reflect this function now reported directly to the Chief Executive, transferring out of the Resources department (gross/net expenditure £499k in 2020/21).

Two adjustments affecting the Health and Wellbeing Directorate were also made. Payments for the London Concessionary Fares Scheme moved out of Health and Wellbeing and reported under Non Service Revenue Accounts (2020/21 gross expenditure £6,473k out of Health and Wellbeing to Peoples), reflecting the fact this operates more like a levy. In addition, Sutton College moved from Peoples Directorate to report to Health and Wellbeing (2020/21 gross expenditure £4,067k out of Peoples into Health and Wellbeing). This gives a total net reduction to 2020/21 Health and Wellbeing Gross Expenditure of £2,406k (£4,067k minus £6,473k).

Note 3 - Non Material Restatements

In 2020/21 the OSG consolidation was done on Peoples Services but in 2021/22 this was included under Environment, Housing and Neighbourhoods. Therefore the Council has chosen to restate 2020/21 to provide meaningful comparative figures and has moved £399k from Peoples Services to Environment, Housing and Neighbourhoods.

An adjustment of £1,870k has been made to the Financing and investment income line of the Group Comprehensive Income and Expenditure Statement : This represents the cancellation of subscribed share capital by Opportunity Sutton group in 2020/21 which had been erroneously included as part of the consolidation schedule in 2020/21 and therefore included as part of the group accounts.

In 2020/21 an amount of £3,114k relating to amounts of non-current assets written off on disposal plus the administrative costs of disposals on the Other Operating Expenditure line in the CIES was incorrectly included within Gross Income instead of within Gross Expenditure. This has no effect on Net Expenditure figures but has been restated to correct in order to improve presentation and clarity of the figures.

Apart from the above adjustments there were a number of other small inconsistencies identified within the Group Comprehensive Income and Expenditure Statement, Group Balance Sheet and Group Movement in Reserves Statement and which the Council has chosen to correct in order to improve the accuracy and consistency of comparative prior year figures.

Note 4 - Pension Fund Reserve Restatement

In 2020/21 £6.34 million relating to group pensions was included as an adjustment to group reserves on the adjustments between accounting and funding basis line in the draft Group MIRS. However, this was incorrect because statutory overrides for pensions do not apply to group entities and so should not be classified as part of the unusable reserves. The Council has therefore restated the accounts to remove this incorrect adjustment. A similar restatement was done for 2019/20 and as the amount was material the Council has chosen to present a third balance sheet. There was no adjustment required to the 2020/21 opening balances in the Group MIRS as the Council has appropriately excluded the subsidiary pension reserves from the unusable reserves.

G12. Group Prior Period Adjustment (continued)

Notes to the prior period adjustments (continued)

Note 5 - Intra group transaction eliminations

The Sutton Housing Partnership (SHP) management fee was incorrectly included in 2020/21 net expenditure figures. As this is an intra group transaction it should have been eliminated from the Group Comprehensive Income and Expenditure Statement and so the 2020/21 figures have been restated to correct the error. The 2020/21 gross expenditure figure for the Housing Revenue Account for the Council has been reduced by £15,764k, and Sutton Housing Partnership gross income has been reduced by £15,764k.

Intra group transactions totalling £14,140k in respect of Cognus (£8,314k) and Encompass (£5,826k) had also been incorrectly included in 2020/21 net expenditure figures but should have been eliminated from the Group Comprehensive Income and Expenditure Statement. 2020/21 gross and net figures on the Peoples Services line have been restated to correct this error.

Note 6 - Cash and cash equivalents

The current liabilities as at 31 March 2021 did not show the brought forward "overdraft" of £29,136k (more specifically, it reflects "cash-in-transit" rather than an overdraft). This overdrawn bank balance in prior year is a one-off situation whereby on March 31, 2021, Sutton Council switched off its ledger system for three weeks (as part of a ledger upgrade). Suppliers still needed to receive their payments due within the specified 30 day payment term. Hence, the Council issued all the payments that would become due during the first three weeks of April but retained the initial credit within the payables balance as "cash-in-transit". However, as the payment was made by March 31, 2021, and credited to the bank ledger by the financial year-end, it did not initially qualify as an outstanding payable/accrual for 2020-21. As per the CIPFA code paragraph 7.3.5.1:

A financial asset and a financial liability shall be offset and the net amount presented in the Balance Sheet when, and only when, an authority:

- a) currently has a legally enforceable right to set off the recognised amounts (when applying this criterion authorities shall also refer to IAS 32 as amended in 2011), and
- b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously (when applying this criterion authorities shall also refer to IAS 32 as amended in 2011)

The Council has judged that this financial position does not meet the above offsetting criteria and has therefore decided to restate the prior year accounts and include a separate line in the current liabilities for the negative cash balances. This adjustment was in relation to the Council only and not subsidiaries but has fed through from the single entity accounts.

Note 7 - Grants received in advance

The 2020/21 Creditors note has been restated to correctly disclose "Government Grants - Receipts in Advance" separately from the "Central Government Bodies" creditor balance in line with the CIPFA Code. The nature of the error that resulted in a prior period adjustment (PPA) relates to the incorrect presentation and disclosure of Revenue Grants Received in Advance under Creditors in the prior year's financial statements. This misclassification was not in accordance with the CIPFA code guidance, which requires the separate presentation of Creditors and Grants Received in Advance on the balance sheet. As a result, the prior year's financial statements contained a material misstatement. This adjustment was in relation to the Council only and not subsidiaries but has fed through from the single entity accounts.

9. Pension Fund Accounts 2021/22

These show the income and expenditure of the Sutton Local Government Pension Fund in relation to current employees, deferred scheme members and pensioners, investment transactions and the position of the Fund at year end including future liabilities.



Sutton Pension Fund Account for the year ended 31 March 2022

2020/21			2021/22
£'000		Note	£'000
	Dealings with members, employers and others directly involved in the Fund		
(40,766)	Contributions	7	(33,231)
(3,314)	Transfers in from other pension funds	8	(3,665)
(44,080)			(36,896)
27,569	Benefits	9	30,193
5,674	Payments to and on account of leavers:	10	20,439
33,243			50,632
(10,837)	Net (additions) / withdrawals from dealings with members		13,736
6,510	Management expenses	11	6,571
(4,327)	Net (additions)/withdrawals including fund management expenses		20,307
	Returns on Investments		
(11,813)	Investment income	12	(9,368)
27	Taxes on income	13	24
(156,201)	(Profit) loss on disposal of investments and changes in the market value of investments	14b	(53,419)
(167,987)	Net (Return)/Loss on Investments		(62,763)
(172,314)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(42,456)
(640,066)	Opening Net Assets of the Scheme		(812,380)
(812,380)	Closing Net Assets of the Scheme		(854,836)

Sutton Pension Fund Net Assets Statement for the year ended 31 March 2022

2020/21		Note	2021/22
£'000			£'000
150	Long term assets		150
807,604	Investment Assets	14	857,504
807,754	Total Net Investments		857,654
6,755	Current Assets	20	15,216
(2,129)	Current Liabilities	21	(18,034)
812,380	Net Assets of the Fund available to fund benefits at the end of the reporting period		854,836

The Net Asset Statement has been changed from its presentation in 2020/21, in order to separate long term assets from investment assets. £150k long term assets represents the Fund's share capital holding in the London Collective Investment Vehicle (LCIV). This presentational change has been rolled out to other notes within the Pension Fund accounts as follows;

PF Note 14 - Investments

PF Note 14b - Reconciliation of movements in investments

PF Note 15 - Fair value – basis of valuation

PF Note 15a - Fair value hierarchy

PF Note 15b: Reconciliation of fair value measurements within Level 3

PF Note 16a - Classification of financial instruments

PF Note 17 - Nature and extent of risks arising from financial instruments

Notes to the Pension Fund

PF Note 1 - Description of the Fund

a) General

The London Borough of Sutton Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Sutton.

The Fund is governed by the Public Service Pensions Act 2013 and is administered under the following regulations:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).
- the LGPS (Management and Investment of Funds) Regulations 2016

The Scheme is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the London Borough of Sutton and the admitted and scheduled bodies in the Pension Fund.

These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement.

b) Pension Committee

The Council has delegated oversight of the Fund to the Pension Committee who make recommendations on the investment policy most suitable to meet the liabilities of the Fund. The Committee is made up of six Members of the Council each of whom has voting rights.

The Committee considers the views of the Strategic Director - Resources (S151 Officer) and obtains, as necessary, advice from the Fund's appointed investment advisers, fund managers and actuary. The implementation of these decisions is delegated to the Strategic Director - Resources (S151 Officer).

c) Membership

Although Scheme employers are required to auto enrol employees into the LGPS, membership of the LGPS is voluntary and employees are free to choose whether to remain in the Scheme or to "opt out" and make their own personal arrangements outside the Scheme. Organisations participating in the London Borough of Sutton Pension Fund include:

- Scheduled bodies which are local authorities or other similar bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector. This includes designated admitted bodies.

PF Note 1 - Description of the Fund (continued)

Member bodies at 31 March 2022 were as follows:

Scheduled bodies	Scheduled bodies	Admitted bodies
Carew Academy	Nonsuch High School for Girls	Heritage Care (formerly Community Options)
Carshalton Boys Sports College	Overton Grange School	Compass Catering - Overton Grange
Carshalton High School for Girls	Sutton Grammar School	Mitie TFM (inc. Mitie Security)
Cheam High School	Wallington County Grammar School	Sports and Leisure Management (SLM)
Cheam Park Farm Primary Academy	Wallington High School for Girls	Citizens Advice - Sutton
Glenthorne High School	Wandle Valley Academy	Orchard Hill College
Harris Junior Academy Carshalton	Westbourne Primary School	Orchard Childcare
Wilson's School	Beddington Park Primary School	Caterlink
Green Wrythe Primary School	Cheam Common Junior Academy	Encompass LATC
Avenue Primary School	Tweeddale Primary School	Cognus
Brookfield Primary Academy	Cheam Fields Primary Academy	Ridgecrest Cleaning - St Philomena's
Victor Seymour Infants' School	Link Primary School	DB Services
All Saints Carshalton CofE Primary School	Rushy Meadow Primary Academy	PlayWise Learning CIC
Link Secondary School	Cheam Common Infants' Academy	Saba Park Services
Manor Park Primary Academy	Cirrus Primary Academy Trust	
Wallington Primary Academy	Orchard Hill College Academy Trust (OHCAT)	

PF Note 1 - Description of the Fund (continued)

Scheduled bodies	Scheduled bodies	Administering Authority
Stanley Park Infants School	Harris Academy Sutton	London Borough of Sutton
Barrow Hedges Primary School	The Limes College	
Abbey Primary School	LEO Academy Trust	
Girls' Learning Trust	Oaks Park High School	
Addington Valley Academy	Sutton Housing Partnership	
Bandon Hill Primary School	Greenshaw High School	

PF Note 1 - Description of the Fund (continued)

The following table summarises the membership numbers of the scheme:

2020/21		2021/22
No.		No.
62	Number of Employers with active members	59
	Active Members	
2,813	London Borough of Sutton	2,596
2,671	Scheduled bodies	2,925
414	Admitted bodies	407
5,898		5,928
	Deferred Members	
3,953	London Borough of Sutton	4,000
794	Scheduled bodies	1,013
179	Admitted bodies	219
4,926		5,232
	Pensioners (including Dependents)	
3,832	London Borough of Sutton	3,899
324	Scheduled bodies	388
114	Admitted bodies	137
4,270		4,424
15,094	Total	15,584

PF Note 1 - Description of the Fund (continued)

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th.

Key details of the scheme's variants are shown in the table below. Accrued pension is uprated annually in line with the Consumer Prices Index.

	Service pre 1 April 2008	Service 1 March 2008 to 31 March 2014	Service post 31 March 2014
Pension	Accrual rate per annum of 1/80th of final pensionable pay	Accrual rate per annum of 1/60th of final pensionable pay	Accrual rate per annum of 1/49th of current year's pensionable pay
Lump sum	Automatic lump sum of 3 x pension. Option to exchange annual pension for tax free lump sum at a rate of £1 pension for £12 lump sum up to a maximum of 25% of total pension pot.	No automatic lump sum. Option to exchange annual pension for tax free lump sum at a rate of £1 pension for £12 lump sum up to a maximum of 25% of total pension pot.	

There are other benefits provided by the LGPS including early retirement, disability pensions and death benefits. Further information is available here - <https://www.sutton.gov.uk/>

e) Funding

The Pension Fund is financed by contributions from employees, employers (including the Council, admitted and scheduled bodies) and from the Fund's investments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2022. Under the current scheme members can opt for the 50:50 option where they pay half their contributions for half the benefits.

In 2021/22, employer contribution rates ranged from 14.0% to 33.5% of pensionable pay. Employer contribution rates payable from 1 April 2021 were set by the triennial valuation as at 31 March 2019, the results of which were published on 31 March 2020. The Fund excludes teachers, who have a separate Teachers Pensions Scheme managed by the Teachers Pensions Agency. The Fund also excludes those contributing to the NHS Pensions Scheme.

PF Note 2 - Basis of preparation

The statement of accounts summarises the Fund's transactions for the 2021/22 financial year and its position as at 31 March 2022. The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2021/22' (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not provide for 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 IAS 19 basis, is disclosed at Note 19 of these accounts.

Accruals Concept

Income and expenditure has been included in the accounts on an accruals basis. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The adequacy of the Fund to pay future pensions and other benefits is reported upon separately in these accounts.

Valuation of Investments

Investments are stated at their market values as at 31 March 2022 and are determined as follows:

- All investments priced within the Stock Exchange Electronic Trading Service (SETS), a recognised or designated investment exchange or over-the-counter market, are valued at the bid-market prices at close of business on the exchange or market on which the investment trades, or at the last trading price recorded.
- Securities which are not covered by the above are valued at their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review.
- Investments held in foreign currency have been valued on the relevant basis and translated into Sterling at the rate ruling at the balance sheet date.
- Transactions in foreign currency are translated into Sterling at the exchange rate ruling at the time of transaction.

PF Note 3 - Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution Income

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

Employer's augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. (Augmentation is the cost of additional membership awarded by an employer).

b) 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 Local Government Pension Scheme Regulations.

Individual transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

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.

c) Investment income

• Interest income

Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of the financial instrument and its amount as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

• Dividend income

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

• Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue and accrued at year end if not received at that time.

• Movement in the net market value of investments
Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

d) Benefits payable

Pensions and lump sum benefits 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 Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Interest from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Investment income, Note 12, is shown gross of irrecoverable taxes deducted. The Fund is reimbursed VAT by HM Revenue and Customs, and the accounts are shown exclusive of VAT.

PF Note 3 - Summary of significant accounting policies (continued)

f) Management Expenses

Pension Fund management expenses are accounted for in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)*.

- Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the Pension Administration Team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund

- Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management and accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

- Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change. The cost of obtaining investment advice from external consultants is included here.

Net Assets Statement

g) Financial assets

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

h) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS26 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (Note 19).

i) Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the Pension Fund (see Note 22). AVCs are paid to the AVC providers by employers, specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement from the AVC provider company showing the amount held in their account and the movements in year.

PF Note 4 - Critical judgements in applying accounting policies

In applying the accounting policies as set out in Note 3 above, the Council has had to make critical judgements about complex transactions or those involving uncertainty about future events. There were no such critical judgements made during 2021-22.

PF Note 5 - Assumptions made about the future and other major sources of estimation uncertainty

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Actuarial present value of promised retirement benefits	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>There is further uncertainty arising from a legal challenge to the Government's transitional arrangements following the public sector pension reforms in 2015. The McCloud case was upheld by the Court of Appeal in December 2018 which found the transitional arrangements to be discriminatory on the grounds of age and gender. Following consultation by government, the key features of the proposed remedy include levelling up benefits for the younger members who suffered discrimination using a form of final salary underpin. Final regulations are expected to be effective from 1 April 2023.</p>	<p>The sensitivity of the net Pension Fund liability to a change in assumptions can be measured. For example a 0.1% decrease in the discount rate assumption would result in an approximate increase of £21m in the Fund's pension liability; a one year increase in member life expectancy would increase the liability by approximately £50m and a 0.1% increase in the rate of salary increase would increase the liability by approximately £2m.</p> <p>The potential impact of the McCloud case has been assessed by the Government Actuary Department (GAD) on a national LGPS-wide basis using a range of assumptions about potential remedies.</p> <p>The potential impact of the McCloud case has been assessed by the Government Actuary Department (GAD) on a national LGPS-wide basis using a range of remedies and assumptions. The Council's actuaries have applied the same assumptions as used to prepare the IAS26 report to the remedies in the GAD review which indicate a potential increase in pension liabilities of 0.3%. This figure is based on a worst case scenario and the impact will be reduced if the remedies proposed are not as extensive as in the original GAD report.</p>
Unquoted investments	<p>The assets held by the Pension Fund are managed by fund managers on a pooled basis. Some of these assets are unquoted and values are estimated by fund managers using comparable market data, indices and data from third parties, as well as projected revenue streams associated with the assets. Property, private debt and infrastructure funds do not have published prices, are not regularly traded and have many unobservable inputs feeding into their valuations and so are treated as level 3.</p>	<p>The potential impact of this uncertainty cannot be measured accurately. The total of level 3 funds held by the Pension Fund are valued at £111.1m, and the variation around this value is estimated to be +/- 10%, which equates to +/- £11.1m.</p>

PF Note 6 - Events after the reporting period end

The unaudited Statement of Accounts was authorised for issue by the Strategic Director - Resources (S151 Officer) on 31 July 2022 and the audited Statement of Accounts were authorised for issue on _____. At this date there was one non-adjusting event to report:

The value of the investments of the Fund at 28 February 2023 shows a decrease in market movement from £857.5m to £808.3m. This is a decrease of £49.2m or 5.7%.

At the date of authorisation the Council is not aware of any events that would require adjustment to these statements.

PF Note 7 - Contributions receivable

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain solvency of the Fund. The tables below show a breakdown of the total amount of employers' and employees' contributions.

By Category

2020/21		2021/22
£'000		£'000
(7,006)	Employees' contributions	(7,561)
	Employers' contributions	
(18,284)	Normal Contributions	(23,419)
(15,321)	Deficit Recovery Contributions	(1,709)
(155)	Augmentation contributions	(541)
(33,760)		(25,669)
(40,766)		(33,231)

Deficit recovery contributions of £15,321k in 2020/21 include a prepayment from the Council totalling £7,595k for 2021/22 and 2022/23.

PF Note 7 - Contributions receivable (continued)

By Authority

2020/21		2021/22
£'000		£'000
(27,090)	London Borough of Sutton	(18,192)
(10,617)	Scheduled bodies	(12,640)
(3,059)	Admitted bodies	(2,399)
(40,766)		(33,231)

PF Note 8 - Transfers in from other pension funds

2020/21		2021/22
£'000		£'000
(3,314)	Individual transfers	(3,665)
-	Group transfers	-
(3,314)		(3,665)

During the years ended 31 March 2022 and 31 March 2021, no group transfers were received into the Fund.

PF Note 9 - Benefits payable

The tables below show a breakdown of the total amount of benefits payable by category and by authority:

By Category

2020/21		2021/22
£'000		£'000
23,659	Pensions	26,221
3,051	Commutation and Lump sum retirement benefits	3,845
859	Lump sum death benefits	127
27,569		30,193

By Authority

2020/21		2021/22
£'000		£'000
24,061	London Borough of Sutton	29,199
2,355	Scheduled bodies	888
1,153	Admitted bodies	106
27,569		30,193

PF Note 10 - Payments to and on account of leavers

2020/21		2021/22
£'000		£'000
90	Refunds to members leaving service	158
789	Group transfers	15,450
4,795	Individual transfers	4,831
5,674		20,439

During the year ended 31 March 2022 an accrual was made for £15.5m due to Croydon Council for the bulk transfer of South London Waste Partnership.

PF Note 11 - Management expenses

2020/21		2021/22
£'000		£'000
822	Administration Expenses	1,038
5,488	Investment Management Expenses	5,245
200	Oversight and Governance	288
6,510		6,571

The above table includes audit costs within Oversight and Governance which total £29,810 in 2021/22 (£33,830 in 2020/21).

PF Note 11a - Investment management expenses

Investment Management Expenses are further analysed below in line with CIPFA Guidance on Accounting for Management Costs in the LGPS.

2020/21		2021/22
£'000		£'000
3,632	Management Fees	4,299
417	Performance Fees	3
38	Custody Fees	106
1,401	Transaction Costs	837
5,488		5,245

PF Note 11b - External audit costs

2020/21		2021/22
£'000		£'000
34	External audit costs	35
34		35

PF Note 12 - Investment income

2020/21		2021/22
£'000		£'000
	Pooled Investments:	
(3,366)	- Equities	(2,892)
(1,121)	- Property	(1,410)
(1,486)	- Multi Asset Credit	(2,268)
(1,980)	- Diversified Growth Funds	(1,781)
(3,848)	- Infrastructure	(1,012)
(12)	Interest on Cash Deposits	(5)
(11,813)		(9,368)

PF Note 13 - Taxes on income

2020/21		2021/22
£'000		£'000
27	Withholding tax - pooled	24
27		24

PF Note 14 - Investments

2020/21 (re-stated)	Investment Assets	2021/22
£'000		£'000
	Pooled Investment Vehicles:	
487,462	Equities	466,057
87,910	Fixed Income	93,404
49,365	Property	56,371
56,508	Multi Asset Credit	86,694
96,150	Diversified Growth Funds	99,837
25,301	Infrastructure	37,664
	Private Debt	17,094
	Other Investment Balances:	
4,877	Cash deposits	385
31	Accrued income and recoverable taxes	(2)
807,604	Total Net Investment Assets	857,504

* Diversified Growth Funds have been shown separately in 2021/22 and re-stated in this format for 2020/21. Prior to 2021/22, the investments in diversified growth funds were split across equities, fixed income and property. The identification of Diversified Growth Funds and Multi Asset Credit as individual asset categories has been applied to the following notes;

PF Note 12 - Investment income

PF Note 14 - Investments

PF Note 14a - Analysis of pooled investment vehicles

PF Note 14b - Reconciliation of movements in investments

PF Note 15 - Fair value – basis of valuation

PF Note 15a - Fair value hierarchy

PF Note 16a - Classification of financial instruments

PF Note 17 - Nature and extent of risks arising from financial instruments

PF Note 14a - Analysis of Pooled Investment Vehicles

2021/22	Pooled Investment Vehicles:			Other managed funds:			Total
	ACS	Unit trusts	Unitised insurance policies	OEIC	SICAV	Insurance contract	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equities	225,449	166,187	74,422	-	-	-	466,057
Fixed Income	-	-	93,404	-	-	-	93,404
Property	-	39,973	-	-	16,398	-	56,371
Multi Asset Credit	29,719	-	-	56,974	-	-	86,694
Diversified Growth Funds	99,837	-	-	-	-	-	99,837
Infrastructure	-	-	-	-	37,664	-	37,664
Private Debt	-	17,094	-	-	-	-	17,094
	355,005	223,254	167,826	56,974	54,062	-	857,121

2020/21 (re-stated)	Pooled Investment Vehicles:			Other managed funds:			Total
	ACS	Unit trusts	Unitised insurance policies	OEIC	SICAV	Insurance contract	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equities	142,458	278,053	66,951	-	-	-	487,462
Fixed Income	-	-	37,045	-	-	50,865	87,910
Property	-	34,107	-	-	15,258	-	49,365
Multi Asset Credit	-	-	-	56,508	-	-	56,508
Diversified Growth Funds	96,150	-	-	-	-	-	96,150
Infrastructure	-	-	-	-	25,301	-	25,301
Private Debt	-	-	-	-	-	-	-
	238,608	312,160	103,996	56,508	40,559	50,865	802,696

PF Note 14b - Reconciliation of movements in investments

2021/22	Value 31 March 2021	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:					
- Equities	487,462	127,850	(181,831)	32,576	466,057
- Fixed Income	87,910	61,455	(61,487)	5,526	93,404
- Property	49,365	-	(303)	7,309	56,371
- Multi Asset Credit	56,508	32,268	(432)	(1,650)	86,694
- Diversified Growth Funds	96,150	1,781	(1,076)	2,982	99,837
- Infrastructure	25,301	9,407	(2,692)	5,648	37,664
- Private Debt	-	16,277	(161)	978	17,094
Sub-total Investments	802,696	249,038	(247,982)	53,369	857,121
Other Investment Balances:					
Cash deposits	4,877			52	385
Accrued income and recoverable taxes	31			(2)	(2)
Net Investment Assets	807,604			53,419	857,504

PF Note 14b - Reconciliation of movements in investments (continued)

2020/21 (re-stated)	Value 31 March 2020	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:					
- Equities	337,907	14,789	(1,346)	136,113	487,462
- Fixed Income	85,569	-	(226)	2,567	87,910
- Property	49,784	65	(292)	(192)	49,365
- Multi Asset Credit	48,067	1,435	(382)	7,388	56,508
- Diversified Growth Funds	84,808	1,980	(961)	10,323	96,150
- Infrastructure	25,048	2,729	(2,739)	263	25,301
- Private Debt	-	-	-	-	-
Sub-total Investments	631,183	20,998	(5,946)	156,462	802,696
Other Investment Balances:					
Cash deposits	1,266			(261)	4,877
Accrued income and recoverable taxes	31			0	31
Net Investment Assets	632,480			156,201	807,604

PF Note 14c - Investments analysed by fund manager

The market value of the investment assets under the management of each fund manager as at 31 March 2022 is shown below. Fund's assets are held in unitised form. Excluding equities, the largest unitised holding is Legal & General Over 5 Year Index Linked Gilts Fund, representing 10.9% of net assets.

31 March 2021			31 March 2022	
Market Value	% of total	Fund Manager	Market Value	% of total
£'000	%		£'000	%
Investments managed by London Collective Investment Vehicle				
45,970	5.7%	Pyrford - LCIV Global Total Return Fund	47,948	5.6%
50,179	6.3%	Baillie Gifford - LCIV Diversified Growth Fund	51,889	6.1%
142,461	17.7%	Newton - LCIV Global Equity Fund	103,823	12.1%
-	0.0%	RBC - LCIV Sustainable Equity Fund	121,626	14.2%
-	0.0%	CQS - LCIV Multi Asset Credit Fund	29,720	3.5%
-	0.0%	Pemberton & Churchill - LCIV Private Debt Fund	17,094	1.9%
238,610	29.7%		372,100	43.4%
Investments managed outside of London Collective Investment Vehicle				
119,247	14.9%	Schroder Life QEP Global Active Value Fund	-	0.0%
158,806	19.7%	Harding Loevner Funds Plc Global Equity Fund	166,187	19.5%
66,951	8.3%	Legal & General All World Equity Index Fund	-	0.0%
-	0.0%	Legal & General - Future World Global Equity Index Fund	74,422	8.7%
37,045	4.6%	Legal & General Over 5 Year Index Linked Gilts Fund	93,404	10.9%
56,508	7.0%	M&G Alpha Opportunities Fund	56,974	6.6%
50,865	6.3%	M&G PP Index Linked Fund	-	0.0%
11,734	1.5%	LaSalle Investors UK Real Estate Fund of Funds	13,596	1.5%
22,373	2.8%	BlackRock UK Property Fund	26,376	3.1%
15,258	1.9%	Invesco Real Estate UK Residential Fund SCSp	16,398	1.9%
25,301	3.2%	Partners Group Direct & Global 2015 S.C.A., SICAV-SIF & Global 2012 S.C.A., SICAR	37,664	4.4%
564,088	70.2%		485,021	56.6%
802,698	99.9%	Total	857,121	100.0%

PF Note 15 - Fair value – basis of valuation

The basis of the valuation of each class of investment asset is in accordance with the guidance contained in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). Asset and liability valuations are classified into three levels, according to the quality and reliability of information used to determine fair values. The investment assets of the Pension Fund are classed, as set out in the table below.

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

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 prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Cash and short term investment debtors and creditors are classified as level 1.

Level 2

Quoted prices are not available and valuation techniques use inputs that are based significantly on observable market data. Investment assets classified at level 2 are those where quoted market prices are not available; for example, where an investment 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

At least one input that could have a significant effect on valuation is not based on observable market data. 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, and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments. Assurances over the valuations are gained from the independent audit of the accounts.

PF Note 15 - Fair Value - basis of valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments - equities	Level 1	Recognised at market value	Not required	Not required
Market quoted investments - pooled equities and bonds	Level 1	Published bid market price on final day of the accounting period	Not required	Not required
Pooled investments - equities and bonds	Level 2	Closing bid price where bid price published. Closing single price where single price published	NAV based pricing set on a forward pricing basis. Evaluated price feeds	Not required
Pooled property investments where regular trading does not take place	Level 3	Fair value as determined by independent valuers	NAV based pricing set on a forward pricing basis. Unobservable inputs include rental income and gross yield	Valuations of underlying properties could be affected by a range of variables, including changes to estimated rental growth, vacancy levels and construction costs
Pooled infrastructure investments	Level 3	EBITDA multiples, discounted cashflows, market comparable companies, replacement costs and adjusted net asset values	Discount factors, recent transaction prices, reported net asset values and fair value adjustments	Valuations could be affected by a range of variables, such as changes to expected cashflows, or the difference between audited and unaudited accounts
Pooled private debt investments	Level 3	Valued by underlying investment managers	NAV based pricing with many unobservable inputs	Valuations could be affected by a range of variables, such as the quality of underlying collateral, or varying liquidity

PF Note 15 - Fair Value - basis of valuation (continued)

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022 and 31 March 2021.

2021/22	Potential variation in fair value	Value at 31 March 2022	Potential value on increase	Potential value on decrease
	+/-	£'000	£'000	£'000
Pooled Investment Vehicles:				
- Property	10%	56,371	62,008	50,733
- Infrastructure	10%	37,664	41,430	33,897
- Private Debt	10%	17,094	18,803	15,384
Total		111,129	122,241	100,014

2020/21	Potential variation in fair value	Value at 31 March 2021	Potential value on increase	Potential value on decrease
	+/-	£'000	£'000	£'000
Pooled Investment Vehicles:				
- Property	10%	49,365	54,300	44,427
- Infrastructure	10%	25,301	27,831	22,771
Total		74,666	82,131	67,198

All movements in the assessed valuation range derive from changes in the net asset value of the underlying property, infrastructure, private debt and real estate assets. The range in potential movement of 10% is caused by how this value is measured.

PF Note 15a - Fair value hierarchy

31 March 2021 (re-stated)				31 March 2022			
Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
				Pooled Investment Vehicles:			
301,265	186,197		487,462	391,636	74,421		466,057
	87,910		87,910		93,404		93,404
		49,365	49,365			56,371	56,371
	56,508		56,508		86,694		86,694
	96,150		96,150		99,837		99,837
		25,301	25,301			37,664	37,664
			-			17,094	17,094
301,265	426,765	74,666	802,696	391,636	354,356	111,129	857,121
				Financial Assets at fair value through profit and loss			

PF Note 15b: Reconciliation of fair value measurements within Level 3

2021/22	Value 31 March 2021	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2022
	£'000			£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Property	49,365	-	-	-	(303)	7,309	56,371
- Infrastructure	25,301	-	-	9,407	(2,692)	5,648	37,664
- Private Debt	-	-	-	16,277	(161)	978	17,094
Total	74,666	-	-	25,684	(3,156)	13,935	111,129

2020/21 re-stated	Value 31 March 2020	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2021
	£'000			£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Property	49,784	-	-	65	(292)	(192)	49,365
- Infrastructure	25,048	-	-	2,729	(2,739)	263	25,301
Total	74,832	-	-	2,794	(3,031)	71	74,666

PF Note 16a - Classification of financial instruments

2020/21 (re-stated)			2021/22		
Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
<u>Financial Assets</u>					
Pooled Investment Vehicles:					
487,462			466,057		
87,910			93,404		
49,365			56,371		
56,508			86,694		
96,150			99,837		
25,301			37,664		
			17,094		
	10,241			13,556	
	1,422			2,045	
802,696	11,663	-	857,121	15,601	-
<u>Long Term Assets</u>					
	150			150	
802,696	11,813	-	857,121	15,751	-
<u>Financial Liabilities</u>					
-	-	(2,129)	-	-	(18,034)
-	-	(2,129)	-	-	(18,034)
802,696	11,813	(2,129)	857,121	15,751	(18,034)
Total					

PF Note 16b - Net gains and losses on financial instruments

2020/21		2021/22
£'000		£'000
	Financial Assets	
156,462	Designated at fair value through profit and loss	53,369
(261)	Designated at amortised cost	50
156,201		53,419

PF Note 17 - Nature and extent of risks arising from financial instruments

Key risks

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

- market risk – the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.
- credit risk – the possibility that other parties might fail to pay amounts due to the Pension Fund.
- liquidity risk – the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.

Overall Procedures for Managing Risk

The Pension Fund's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2013 and the associated regulations. These regulations set out permissible financial instruments, require the Administering Authority to maintain and invest on behalf of the Pension Fund in accordance with its investment principles, to take professional advice, to review investment performance and to operate a separate Pension

Fund bank account. Overall these procedures require the Administering Authority to manage Pension Fund risk by maintaining and investing in accordance with a:

- Investment Strategy Statement;
- Funding Strategy Statement;
- Statement of Governance Policy;
- Governance Compliance Statement.

The Pension Fund Investment Strategy is reviewed at least triennially following actuarial valuation by the Pension Fund Committee, who monitor investment performance and compliance quarterly, including the internal control arrangements of external fund managers and the custodian.

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

a) Market risk

Market risk is the risk of loss from fluctuations in equity, bond and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset classes, geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short, is unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund's Investment Strategy.

Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds, as an example. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. Had the market price of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as shown in the table below.

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

Interest rate – risk sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk:

2021/22	Asset Values at 31 March 2022	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash	13,556	13,556	13,556
Fixed interest bonds	51,790	50,438	53,142
Variable rate bonds	34,904	34,211	35,597
Total	100,251	98,206	102,296

2020/21	Asset Values at 31 March 2021	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash	10,241	10,241	10,241
Fixed interest bonds	40,919	39,692	42,147
Variable rate bonds	15,589	15,121	16,056
Total	66,749	65,054	68,444

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

2021/22	Interest receivable 2021/2022	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Cash	5	5	5
Fixed interest bonds	1,274	1,274	1,274
Variable rate bonds	994	1,033	1,013
Total	2,273	2,312	2,292

2020/21	Interest receivable 2020/2021	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Cash	12	12	11
Fixed interest bonds	1,040	1,040	1,040
Variable rate bonds	396	410	402
Total	1,448	1,462	1,454

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data, the council considers the likely volatility associated with foreign exchange rate movements to be 10%. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following table summarises the Fund's currency exposure as at 31 March 2022, along with the impact that a 10% strengthening / weakening of the pound against the various currencies in which the Fund holds investments would have on the values

The value on increase and value on decrease for an individual currency exposure is calculated with reference to that currency's volatility, relative to GBP, over the three years to March 2022. Given that currency changes are not necessarily correlated it is not appropriate to sum the outputs from each currency. In calculating the increase and decrease at a total fund level, it is necessary to establish the change in value of the aggregate of currencies held. It is this change that is applied to the overall currency exposure.

Value as at 31/03/2021 (re-stated)	Value on 9.8% price increase	Value on 9.8% price decrease	Currency Exposure - Asset Type	Value as at 31/03/2022	Value on 10% price increase	Value on 10% price decrease
£'000	£'000	£'000		£'000	£'000	£'000
460,435	505,557	415,312	Overseas equities	445,900	490,491	401,310
11,734	12,884	10,584	Overseas property	13,596	14,956	12,237
28,095	30,848	25,342	Overseas multi asset credit	68,868	75,755	61,981
52,921	58,107	47,734	Overseas diversified growth funds	62,914	69,205	56,622
25,301	27,780	22,821	Overseas infrastructure	37,664	41,430	33,897
-	-	-	Overseas private debt	14,786	16,265	13,307
578,486	635,176	521,793	Total assets available to pay benefits	643,728	708,102	579,354

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

Other Price Risk -Sensitivity Analysis

Value as at 31/03/2021 (re-stated)	Change +/-	Value on increase	Value on decrease	Asset Type	Value as at 31/03/2022	Change +/-	Value on increase	Value on decrease
£'000	%	£'000	£'000		£'000	%	£'000	£'000
487,462	17.9	574,718	400,206	Equities	466,057	18.0	549,947	382,167
87,910	7.8	94,767	81,053	Fixed income	93,404	7.6	100,503	86,305
49,365	15.0	56,770	41,960	Property	56,371	15.1	64,883	47,859
56,508	8.4	61,255	51,761	Multi Asset Credit	86,694	9.6	95,017	78,371
96,150	10.2	105,957	86,343	Diversified Growth Funds	99,837	10.3	110,120	89,554
25,301	15.0	29,096	21,506	Infrastructure	37,664	15.1	43,351	31,977
	10.4	-	-	Private Debt	17,094	10.6	18,906	15,282
4,877	5.3	5,135	4,619	Cash	385	5.5	406	364
31		31	31	Other				
807,604		927,729	687,479	Total	857,506		983,133	731,879

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Pension Fund has selected bond managers who have an investment strategy

that requires investment only in high investment grade and collateralised products and who use research and market knowledge to minimise exposure to credit risk. The Pension Fund uses a custodian to ensure that all money due is paid in full and on time. Internally invested cash is placed in an interest bearing account with the Council's bankers.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. This will particularly be the case to meet the pensioner

payroll costs and also cash to meet investment commitments. The Pension Fund currently remains cash flow positive with contributions exceeding payable pensions, though this is regularly monitored. The Council has immediate access to a proportion of its Pension Fund cash holdings, as these are held in an instant access interest bearing account maintained by Council officers. Surplus funds are invested externally with fund managers. In the event of a funding shortfall, the LGPS regulations permit the administering authority to borrow on behalf of the Pension Fund for up to 90 days. If required, funds can also be called back from investment managers to meet liabilities.

PF Note 18 - Funding arrangements

Actuarial position

Rates of contributions paid by the participating Employers during 2021/22 were based on the actuarial valuation carried out as at 31 March 2019 (the next valuation is due to take place as at 31 March 2022) by the Fund's actuary, Hymans Robertson LLP. The objectives of the Fund's funding strategy is:

- to ensure the long-term solvency of the Fund, so 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 which balances risk and return;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of three years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation, the fund was assessed as 90% funded (80% at the March 2016 valuation). This corresponded to a deficit of £71m (2016 valuation: £129m) at that time. Contribution increases will be phased in over the three-year period ending 31 March 2023 for both scheme employers and admitted bodies.

Contribution Rates

The majority of employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority. Their contribution rates are calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of employers using the projected unit actuarial method.

The rates of contributions payable by each participating employer over the period 1 April 2020 to 31 March 2023 are set out in a certificate dated 31 March 2019 which is appended to the actuary's report on the actuarial valuation. For those bodies which have become separate employers within the Fund since the valuation date, their contribution rates have been calculated individually and certified by the Fund's actuary.

The total average contribution rate payable by employers consists of two elements; the primary rate and the secondary rate. The primary rate is the weighted average (by pensionable pay) of the individual employers' primary rates (after allowing for member contributions). The secondary rate is an adjustment to the primary rate, to arrive at the total rate each employer is required to pay, for example to allow for deficit recovery.

PF Note 18 - Funding arrangements (continued)

Average Contribution Rate	
Employer Future Service Rate (primary rate)	19.2%
Past service adjustment - 21 year spread (secondary rate)	6.6%
Total Average Employer Contribution Rate	25.8%

The following table shows a summary of the results of the 2019 valuation;

Past Service Position	31/03/2019
	£m
Past Service Liabilities	(732)
Market Value of Assets	661
Surplus (Deficit)	(71)
Funding Level	90%

The valuation was undertaken using principal assumptions as follows;

Financial Assumptions	31/03/2019
	Nominal
Discount Rate	4.7%
Salary Increases	3.6%
Pension Increases	2.6%

Assumed life expectancies at age 65 is as follows;

Demographic Assumptions	31/03/2019
Male pensioners	21.7
Male non-pensioners	23.1
Female pensioners	24.3
Female non-pensioners	25.8

PF Note 18 - Funding arrangements (continued)

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

PF Note 19 - Actuarial present value of promised retirement benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2022, of the actuarial valuation of promised retirement benefits as set out in IAS26, and that the actuarial present value should be calculated on an IAS 19 basis.

IAS26 is the accounting standard that sets out the requirements for accounting and reporting in respect of retirement and the requirements for accounting and reporting of promised retirement benefit plans following the move to financial reporting of the Pension Fund Accounts under the International Financial Reporting Standards (IFRS).

31 March 2021		31 March 2022	
£'m		£'m	
(1,283)	Actuarial present value of promised retirement benefits	(1,257)	
808	Net fund assets available to fund benefits	855	
(475)	Net Liability	(402)	

The promised retirement benefits at 31 March 2022 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019.

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2022 and 31 March 2021, as shown in the table below.

PF Note 19 - Actuarial present value of promised retirement benefits (continued)

2020/21		2021/22	
%		%	
2.8	Pension increase rate (CPI)	3.2	
3.8	Salary increase rate	4.2	
2.0	Discount rate	2.7	

PF Note 20 - Current assets

31 March 2021		31 March 2022	
£'000		£'000	
1,062	Contributions	1,587	
142	Other debtors	458	
187	Current receivables	-	
5,364	Cash at Bank	13,171	
6,755	Total Current Assets	15,216	

PF Note 21 - Current liabilities

31 March 2021		31 March 2022	
£'000		£'000	
-	Transfers out	(15,450)	
(280)	Refund of contributions	-	
(561)	Other Creditors	(1,270)	
(1,288)	Current payables	(1,314)	
(2,129)	Total Current Liabilities	(18,034)	

PF Note 22 - Additional voluntary contributions

A number of active Fund members have elected to pay additional voluntary contributions (AVCs) to increase their personal benefits. Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires that these are not paid into the Pension Fund.

The Council's approved AVC providers are Clerical Medical and Utmost (formerly Equitable Life). These are money purchase arrangements reported annually on 31 May. Total contributions paid by members in Clerical Medical during 2021/22 were £119k (£101k in 2020/21), as below. There are no active contributors with Utmost.

31 May 2021		31 May 2022
£'000		£'000
101	Clerical Medical	119
101		119

At 31 May 2022, the total estimated value of the AVC funds with Clerical Medical and Utmost was £796k (£637k at 31 May 2021).

PF Note 23 - Related party transactions

The Council is a related party to the Fund and in accordance with the regulations the Council's expenses in administering the Scheme are charged to the Fund. The amount charged by the Council for 2021/22 was £920,851 (£719,123 in 2020/21)

Three of the Councillors voting on the Pension Committee are members of the Pension Fund.

The key management personnel for the Pension Fund are the members of the Pension Fund Committee, the Strategic Director - Resources (S151 Officer), the Head of Pensions Investments and the Head of Pensions Administration. Their remuneration is set out below:

PF Note 23 - Related party transactions (continued)

31 March 2021		31 March 2022	
£'000		£'000	
53	Short-term benefits	98	
190	Post-employment benefits	214	
243		312	

PF Note 24 - Contingent liabilities and contingent assets

There are no known material contingent assets as at 31 March 2022. There are no outstanding contractual commitments and no material relating non-adjusting events occurring subsequent to the period end.

10. Annual Governance Statement 2021/22

This provides assurances on the Council's governance framework, that comprises the systems, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community.

The Annual Governance Statement is published alongside but does not form part of the Accounts and so is not subject to the same inspection of accounts regime.



Annual Governance Statement

This statement from the Leader and the Chief Executive provides assurance to all stakeholders that within Sutton Council processes and systems have been established, which ensure that decisions are properly made and scrutinised, and that public money is being spent economically and effectively to ensure maximum benefit to all citizens of the borough.

1. Scope of responsibility

- 1.1. Sutton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Sutton Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 Sutton Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by external auditors and other review agencies and inspectors.

- 1.3 This statement explains how Sutton Council has complied with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* (2016) and the requirements of regulation 6(1b) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement. The Guidance has identified seven core principles supported by a further 21 sub-principles against which local authorities should measure their compliance. The outcomes of such a review then provide the key issues for Members to consider in relation to the production and content of the AGS.

2. The governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and the activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The Governance Framework summarised in this Statement has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts. Some of the key elements of the

Authority's governance framework is described below.

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- 2.3 The Council's Constitution sets out how decisions are made and the procedures that are followed to evidence open and transparent policy and decision making and compliance with established policies, procedures, laws and regulations. The Monitoring Officer completes an annual review of the Council's Constitution to ensure its aims and principles are given full effect.
- 2.4 A review on the constitution carried out by Lord Kerslake in 2020 was presented to the Constitutional Working Group in July 2020 which concluded that the constitution worked well. All the political groups in Sutton worked together to create some principles of how the Council operates in practical terms: decision making, the different roles of Councillors, how Council Officers support Councillors and access to information. A final draft of the Principles of How We Work was presented to the Constitutional Working Group on 14 September 2021 and was agreed at the Strategy and Resources Committee, on 1 November 2021.

Annual Governance Statement (continued)

2.5 The Member Use of Resources Protocol, which provides additional guidance to the Code of Conduct, was revised and agreed at the Strategy and Resources Committee, on 1 November 2021.

2.6 The Council operates a committee system for decision-making. The Full Council sets the policy and budgetary framework and is responsible for the appointment of Members to Scrutiny, other Committees and local committees. It also adopts the Code of Conduct for Councillors, agrees to any changes to the Council's constitution and terms of reference for committees, panels and other member bodies. These meetings are open to the public, except where personal or confidential matters are being discussed. Members are reminded to keep their register of interests up to date on an annual basis and are requested to make any disclosable pecuniary interests in any business to be considered at the start of all committee meetings. Senior officers are required to make annual declarations of interest.

2.7 There are the following standing committees:

- People Committee, chaired by the Lead Member for People. People Committee is the Council's statutory social services committee, including Children's Social Care, Adult Social Care, Education and Early Years, and Wellbeing Services.

- Strategy and Resources Committee, chaired by the Leader of the Council. This Committee exercises any function not delegated to another Committee, or Full Council, including making recommendations concerning the Council's budget to the Full Council.

- Environment and Sustainable Transport Committee, chaired by a Deputy Leader of the Council. This Committee covers statutory and non-statutory functions such as Environmental Health, Leisure, Parking, Waste and Street Cleaning.

- Housing, Economy and Business Committee, chaired by a Deputy Leader of the Council. This Committee covers statutory and non-statutory functions such as Building Control. Homelessness, Business Regulation/Consumer Protection/Trading Standards/Enforcement, Sutton Housing Partnership, Strategic Planning, Economic Development (Employment, Skills and Inward Investment)

- Health and Wellbeing Board, Chaired by the Leader of the Council, and

three Vice Chairs are representatives from Healthwatch, Sutton CCG and a Councillor. This Committee ensures the Joint Strategic Needs Assessment (JSNA) is in place and kept up to date, leads on the Joint Health and Wellbeing Strategy considers options for joint commissioning of health and social care services

All the above Committee Chairs are members of the Strategy and Resources Committee.

2.8 Since the Council operates a committee system of governance it is noted that major decisions are already taken through Committees where the different political groups are represented thus providing an additional layer of scrutiny and challenge. In addition the Council has the following specific Scrutiny functions

- **The Scrutiny Committee.** The Council has well-established Scrutiny arrangements which act to hold the Council to account by scrutinising decisions made by other committees and decisions delegated to officers. Councillors are also able to scrutinise any issue which affects the Council and its residents which may be outside

Annual Governance Statement (continued)

the Council's control. Full details of the topics under scrutiny can be accessed on the Council's website. Progress on the implementation of agreed scrutiny recommendations is monitored regularly. Additionally, the Council is also part of the:-

- **South West London and Surrey County Council Joint Health Scrutiny Committee**, covering 7 councils to consider strategic issues affecting health.
- **South West London and Surrey JHSC sub-committee** - Improving Healthcare Together 2020-2030, is established by 3 Councils, to scrutinise the work being undertaken by the 3 Clinical Commissioning Groups (NHS Surrey Downs, Sutton and Merton).
- **The Audit and Governance Committee** is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The Council's Standards function is undertaken by this

committee, as well as discharging its responsibility as an audit committee. The terms of reference cover all of the requirements and members are regularly trained and updated on their responsibilities. This committee is split into 2 sections; governance and audit and each section is covered by a separate Chair.

- During 2021/22 the following areas were discussed in the governance section- Operation of the Code of Conduct for members (member complaints), Managing unreasonable behaviour policy (complaints from the public), member development update, governance arrangements for capital projects, aspect insurance. The audit section of the committee covered reports from; external audit, internal audit, fraud, insurance, risk and HR updates.

2.9 A calendar for upcoming meetings is published on the Council's website and all the minutes of the committees are published including any reports discussed. During 2021/22 the meetings were live streamed and available through different formats such as audio and video with closed captions and available on platforms such as YouTube, making them transparent and accessible to everyone.

Developing the entity's capacity, including the capability of its leadership and the individuals within it

- 2.10 The Council's Constitution sets out the roles and responsibilities of Members and senior officers. The role of the corporate management team, including the statutory chief officers, such as the Head of Paid Service, (Chief Executive) and the Section 151 officer, as well as the Monitoring Officer, is to support Members in the policy and decision-making process by providing assessments and advice to ensure that decision making is rigorous, lawful and risk based.
- 2.11 The Council has a designated Monitoring Officer, who, after consulting with the Chief Executive and the Strategic Director of Resources, may report to the Full Council, if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission would give rise to unlawful action. The Monitoring Officer also oversees Member complaints and 'conduct' matters referred by the Audit and Governance Committee and delivers reports and recommendations in respect of those to this Committee.
- 2.12 There are clear roles and responsibilities held within the financial regulations and leadership roles are defined within the Council's Constitution.

Annual Governance Statement (continued)

- 2.13 The Council has adopted codes of conduct for its staff and its members, including co-opted Members. Officers receive a copy as they are inducted into the organisation. Members and co-opted Members sign an undertaking to abide by their Code of Conduct at the point of their election or appointment. These Codes are available for reference at all times and reminders and training are provided as necessary.
- 2.14 Members' induction training is undertaken after each local government election. In addition, an on-going programme of training and awareness is available for Members with formal and informal events each year, covering all major changes in legislation and governance issues. Details of Member development programmes are reported regularly to the Audit and Governance Committee. A new training programme has been arranged for Councillors elected in the May 2022 local elections.
- 2.15 A corporate induction programme is delivered to all new staff joining the Council, supplemented by department-specific elements. In addition, further developmental needs are identified through the Council's Appraisal Scheme.
- Defining outcomes in terms of sustainable economic, social, and environmental benefits. Determining the interventions necessary to optimise the achievement of the intended outcomes**
- 2.16 The Council's most recent Corporate Plan covers the period 2018-2023 and sets out a vision for Sutton and is available to residents, officers, and members via the Sutton Council website. Work has commenced on the review and preparation of a new plan following the Council elections in May 2022, the new Corporate Plan will be agreed in 2022/23. The council's existing priorities have been identified under four key themes.
- Being Active Citizens
 - Making Informed Choices
 - Living Well Independently
 - Keeping People Safe
- 2.17 To reflect the impact of Covid-19 on the Council and Sutton communities, the Council identified the following key themes as priorities for delivery across the Council in 2021/22:
- Supporting the most vulnerable - continue to build on work with the health and voluntary sector to support people impacted by COVID-19 in the longer term.
- 2.18 The Ambitious for Sutton Transformation Portfolio covers the key transformation programmes and activity across the Council:
- The importance of place - leverage the change in how people are using their local area to give people more of a say and opportunities to get involved in their local area.
 - Local business and employment - seeking to mitigate the impact of an economic recession in Sutton by supporting local businesses and employers.
 - Adult Social Care Transformation
 - Children's Social Care Service Development
 - Health Integration
 - Children's Programme
 - Health Inequalities & Population Health Programme
 - Health and Social Care Integration / PCN Neighbourhoods Programme
 - Learning Disability Programme
 - Frailty Programme
 - Mental Health Programme
 - Affordable Housing Supply
 - Climate Emergency / Environment Strategy
 - London Cancer Hub

Annual Governance Statement (continued)

- Town Centre Regeneration
- Economic Recovery
- WorkWell
- Asset Strategy and Civic
- Digital / Channel Shift

2.19 The Ambitious for Sutton Transformation Board was established in 2021/22 and provides an opportunity for CMT oversight of key transformation programmes. CMT receives updates and considers the key risks, issues and mitigation that needs to be put in place to ensure the successful delivery of the portfolio.

2.20 The progress in delivering the Ambitious for Sutton Plan 2018-23 and the priorities for 2022/23 were noted by the Strategy and Resources Committee throughout the year, most recently a meeting held on 14 February 2022.

2.21 In October 2020, Sutton adopted a revised Environment Strategy and Climate Emergency Response Plan. This sets out the Council's ambition to be London's most sustainable borough, including the commitment to become a zero carbon council and borough. Performance against action plans are monitored monthly and a progress report reported quarterly to the Environment Strategy Board, which comprises senior representatives from all services. This progress report is published on the council's website. This has been identified on the Councils Key Strategic

Risk Register as a high risk and is included in the action plan 2022/23 on this AGS.

Action 1 : On-going review and monitoring of progress against the councils Climate Change action plan, lobbying for funding and oversight

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Council's commitment to openness and transparency to publish data is freely available in a variety of formats making it accessible to everyone, as required by the government's Open Data requirements. Data relating to the Borough are published on Data Sutton. An Internal Audit review was carried out in 2021/22 and a central point of data agreed for the website and quarterly checks on compliance to be carried out.

2.22 Arrangements are in place for Freedom of Information requests, Subject Access Requests, an Internal Audit review in 2021/22 found good oversight and improvements now made for reminders and publishing of a privacy notice.

2.23 Under the Freedom of Information (FOI) Act, a public authority must respond to an FOI

request within 20 working days. The council is measured against a corporate target of 90% of requests within 20 working days. The council is measured against a corporate target of 90% of FOI requests dealt with in time. In 2021/22, a total number of requests made were 1,440 in which 90% were responded to in time. This is an improvement on 2020/21 response time, 1,243 received and 77% responded to on time. Performance is reported monthly to the Corporate Management Team.

2.24 To ensure that concerns or complaints from the public can be raised, the Council has an established formal complaints guidance which sets out how complaints can be made, what should be expected and how to appeal, The Guidance was last reviewed in Jan 2021, to incorporate the updated Ombudsman guidance issued in October 2020. An Internal Audit review is scheduled for 2022/23.

2.25 Council's performance in responding to complaints is reported to the Corporate Management Team on a monthly basis. Prior to the pandemic an annual report (last reported July 2019) was included as part of the Strategy & Resources Committee performance report, but was replaced by the covid update reports. Annual reporting to Strategy and Resources is due to recommence from July 2022.

2.26 The number of complaints received by the Council increased from 444 in 2020/21 to 882

Annual Governance Statement (continued)

- in 2021/22. The number of complaints escalating to stage 2 increased from 9.9% in 2020/21 to 16.4% 2021/22. The number of Ombudsman referrals increased from 40 in 2020/21 to 53 in 2021/22. It should be noted that the number of complaints received during 2020/21 was considerably lower than normal due to the impact of the pandemic. The level of complaints received in 2021/22 is at around the same level as pre-pandemic.
- 2.27 The Council maintains an effective Internal Audit service which operates, in accordance with the Public Sector Internal Audit Standards. The Council's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2019)*. An internal Public Sector Internal Audit Standards internal review for 2021/22 of the Internal Audit service concluded that the service is satisfactory and fit for purpose. A five-year external review is due to be undertaken in 2023.
- 2.28 Internal audit is responsible for monitoring the quality and effectiveness of internal controls. Using the Council's risk registers and an audit needs assessment, a plan of internal audit work is developed. The outcome of the internal audit risk-based work is reported to Directors and regularly to the Audit and Governance Committee. Implementation of recommendations is monitored, and progress reported. Regular fraud update reports are presented to the Audit and Governance
- Committee by the South West London Fraud Partnership (SWLFP).
- 2.29 The Council has an Anti-Fraud and Corruption Strategy setting out its commitment to prevent and detect fraud and corruption. The Council has a Whistleblowing Policy which clearly sets out arrangements in place for reporting and investigating any concern relating to a deficiency or breach in the provision of services; the guidance reassures that this may be done without fear of recrimination. Both these policies are due to be reviewed in 2022/23.
- Managing risks and performance through robust internal control and strong public financial management**
- 2.30 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.31 In 2021/22, 91% of Internal Audit assurance reviews received a substantial assurance rating. Reviews undertaken on the Council's Key Financial systems all received Substantial Assurance. There were 3 Limited Assurance reviews in relation to; school budget monitoring, a high school with a deficit budget and Children's short break, with weaknesses in annual review and monitoring against outcomes. Where weaknesses were identified, action was taken promptly to improve these controls. All priority 1 actions have been implemented.
- 2.32 The Council has a risk management process to identify, assess and manage those significant risks to the Council's objectives including the risks of its key strategic partnerships. The risk management process includes a risk management strategy, and corporate and directorate risk registers. Directorate Risk Registers are reviewed quarterly by officers and the Corporate Risk Register is reviewed quarterly by CMT and the Audit and Governance, and Strategy and Resources Committees. The Key Strategic high risks identified by the Council are;
- Cyber security risks,
 - Response to the Climate emergency,
 - Adverse impact of cost of living, high inflation, energy crisis

Annual Governance Statement (continued)

- 2.33 The Council has a performance planning process supplemented by detailed business planning to establish, monitor and communicate Sutton Council's objectives. This includes a performance management system that sets key targets and reports on performance monitoring. The performance management framework is utilised to measure the quality of services for users, to ensure that they are delivered in accordance with the Council's objectives, and that these services represent the best use of resources and value for money.
- 2.34 In July 2021, the Strategy and Resources Committee agreed on a series of performance indicators (PIs) for those service areas for which the Committee is directly responsible. This is to enable the committee to gain a greater understanding of how services are performing and seek assurance from officers where performance is below target that actions are in place to get performance back on track.
- 2.35 The financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution. The Council has designated the Strategic Director of Resources as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972.
- 2.36 The Council's financial management arrangements conform to the requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (CIPFA 2016).
- 2.37 A new Financial Management code was introduced by CIPFA, setting out the standards for financial management in Local Authorities. The FM Code applicable in full from 2021/22, is the collective responsibility of elected members, the Section 151 Officer and the leadership team of the Council to ensure that compliance with the code is monitored and that the requirements are being sufficiently met. The principles of the FM Code are supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to financially manage the short, medium and long term finances of a local authority and financial resilience to meet demand on services.
- 2.38 A review of the Council's current financial management arrangements has been undertaken against the FM Code, in 2021/22. The findings of this review, and a set of proposed actions to further improve the financial management arrangements was reported to the Strategy and Resources Committee meeting held on 14th February 2022.
- 2.40 The 2021/22 final outturn against revenue budget, is a service overspend of £4.569m, funded by £4.435m Covid funding and £0.968 grant funding (received to offset some of the pressure arising from lost sales, fees and charges income).
- 2.41 The Council's MTFP is aligned to the Council Corporate Plan, Ambitious for Sutton and aligns resources to outcomes and vision for the future. It contains details of key financial risks and potential impact on the Council, as well as mitigating actions being taken and outlines financial plans going forward, and a financial strategy that considers risk over this period and into the longer term.
- 2.42 The Council uses CIPFA's financial resilience index tool. This is a comparative analytical tool used by local authorities to provide an understanding of the councils financial resilience and risk.
- The balance of unused Covid funding of £0.833m will be held in a recovery reserve for use in 2022/23 to support the borough's recovery from the pandemic period. There will be future budget restraints for the Council, with increased inflationary pressures, legacy pandemic costs, and potential financial impact of white papers on social care reform. This is an area identified on the Key Strategic Risk Register as high risk and has been included in the AGS 2022/23 action plan.

Action 2: Financial planning to develop longer term financial plans aligned to a new Corporate Plan

Annual Governance Statement (continued)

		<p>representatives from each department and key officers. Online Information Security training was rolled out to staff. In 2020-21, 43 data breaches were reported, this increased to 72 breaches reported in 2021/2022. No breaches were required to be reported to the ICO.</p>
<p>2.43 It highlights areas requiring additional scrutiny. The current analysis for Sutton shows the following as areas of higher financial stress; low level reserves, high social care costs and low fees and charges in relation to expenditure.</p> <p>There are regular opportunities for leadership challenge and discussion through bi-monthly reporting of financial performance to CMT and the budget setting process and regular reports to the Strategy and Resources Committee. The Update to the Medium-Term Financial Plan for 2022/23 to 2023/24 was presented to the Strategy and Resources Committee meeting on 14 February 2022.</p>	<p>2.46 In December 2020, the Programme Management Office (PMO) and Finance undertook a review of governance arrangements and financial controls on capital projects over a value of £1m, as a result of this review it was agreed by CMT that from April 2021, a Capital Board was be established, aligned to the annual rolling capital programme, to enable a Portfolio view and oversight of Council capital programmes and projects.</p>	<p>2.49 The transition to making more services available on-line, and the need to ensure that core supporting systems operate effectively, sees the Council's dependency on IT systems continue to increase and with that a need to ensure resilience in service availability. To minimise cyber security threats and to support the efficient delivery of Council services the need to refresh IT security is constant. This will include focused staff training and awareness and increased resilience testing. This has been identified as an area of concern for the Council and is included on the Council's Key strategic Risk Register. This is included in this Action Plan for 2022/23.</p>
<p>2.44 A Capital Strategy and Accompanying Treasury Strategy are published annually as part of the MTFs. These are compliant with the Prudential Code and other relevant guidance. Future investment is linked to available capital resources and the costs of investment are planned for in the revenue budget. The commercial property investment portfolio is managed and monitored through regular board meetings. Officers provide robust challenges and make consideration of all options for prudent investment opportunities that are permissible within current guidance or funding constraints</p>	<p>2.47 A refresh of current capital projects governance arrangements was carried out in 2021/22 to introduce common and proportionate standards and processes to strengthen effectiveness, consistency, transparency and accountability. A report was presented to the Audit and Governance Committee on 20 January 2022, on the Capital Programme Member Governance Overview which provided a summary of Members' oversight of Capital Projects in terms of risk and financial control.</p>	<p>2.50 The Council has a Corporate Business Continuity Management Policy and Strategy. Service Business Impact Analysis (BIAs) were updated in March 2022, with Business Continuity Plans due to be updated in June 2022. A corporate business continuity exercise will follow in Autumn 2022 to validate developed plans and capabilities.</p>
<p>2.45 Budget holders are held accountable for their own budgets through monthly DMT reviews and bi-monthly reviews at CMT.</p>	<p>2.48 The Council has designated the Strategic Director of Resources as Senior Information Risk Owner. Quarterly Information Security and Governance Board meetings are held to review policy, procedures, and data breaches, with</p>	

Annual Governance Statement (continued)

Business Continuity threats has been identified on the Councils Key Strategic Risk register as an area to be reviewed due to increased IT risks and as well emergency planning arrangements to be refreshed.

Action 3: Active Monitoring of Cybersecurity risks and update of the Business Continuity Plans during 2022/23

Ensuring openness and comprehensive stakeholder engagement

2.51 The Council's 2020-23 Communications and Engagement Strategy outlines how the Council will engage and communicate with residents and stakeholders with the aim to support the deliverance of the Council's aims and objectives.

2.52 As part of the Sutton Plan, the Council engages with residents and partner organisations including local public businesses, voluntary sector such as Age UK Sutton, the Alzheimer's Society, and Dementia UK, other public bodies, such as health, London Fire Brigade and the police.

2.53 A number of resident engagement sessions were held in 2021/22 to seek resident views and engagement with longer term planning for

the Council. This gives residents an opportunity to influence the strategic direction of the Council and to develop greater understanding of need in the Borough, which will help shape the next Corporate Plan.

2.54 In August 2021, the Council launched the Stronger Sutton Conversation. The aims of the Stronger Sutton Conversation were to hear from residents and businesses about how they had been affected by the pandemic, in order to help shape the Council's short, medium, and long-term priorities. More than 1,800 people and 244 businesses were engaged across various engagement methods.

2.55 The key findings from the Stronger Sutton Conversation were reported to the Strategy and Resources Committee meeting held on 14 February 2022.

2.56 The Council runs a wide ranging Budget communications and engagement campaign in February each year. This provides residents with information about the Council budget for the year ahead, with case studies about how Council resources are used to achieve outcomes, and with a breakdown of how Council Tax supports delivery of the corporate plan

2.57 There are six local committees, with meetings held online. Questions by the public, residents and community groups are submitted prior to the meeting, using the form available on the Council's website at least five working days in

advance of the meeting.

2.58 Advisory forums provide an additional channel for the Council to engage with the residents and key stakeholders. These forums act as a consultative body in which the Council shares and discusses early stages on policy development and service changes such as:

- Sutton Schools Forum's consultative role on changes to or new contracts affecting schools and their financing. Representatives from primary and secondary headteachers, school governors, the local education authority, special educational needs, parents, ethnic minorities to work together to arrive at satisfactory admission arrangements through consultation and discussion of issues.
- The Fairness Commission, run by Community Action Sutton with support from the Council and other partners provides advice and recommendations to the Council, its committees and officers on equality and diversity issues concerning all aspects of their work including implementing policies. In 2021/22 the Fairness Commission completed investigations on the following topics:
 - Life chances of children in the borough
 - Racial equality and justice

Annual Governance Statement (continued)

- 2.59 Sutton Citizen Space provides a gateway for consultations run by the Council which shows the issues raised, feedback on issues from residents, local partners and key stakeholders and the Council's decision based on the gathered results and feedback. Residents and customers can contribute to and shape the strategic themed plans, such as the Health and Wellbeing Strategy and the Safer Sutton Partnership Community Safety Strategy.
- 2.60 Residents of Sutton are invited to present and submit petitions. A petition will need to have 50 or more signatures from Sutton residents on the electoral roll to be considered by a committee. For a Full Council debate the petition will need to contain more than 1,500 signatures. The petition must be with the Chief Executive for at least 14 days before the relevant meeting. Any contact information for the petition should be provided on the council website.
- 2.61 The Health and Wellbeing Board, bringing together the NHS, public health, adult social care and children's services and other partners to plan how best to meet the needs of the local population and tackle local inequalities in health. The Health & Wellbeing Board has adopted the local Sutton Health and Care Plan in which Sutton CCG (Clinical Commissioning Group) and Sutton Council have agreed to work together to "enable people to maintain their independence and health in the community".
- 2.62 The Local Health Care Plan has been refreshed and aligns partners to collaborate on an agreed set of priorities. Active engagement is taking place with NHS colleagues to understand the planned reforms described in the Adult Social Care, Health integration and levelling Up white papers and how this might impact locally. The implications of proposed changes to care legislation, statutory responsibilities of Local Authorities and the Care Charging regime are currently unknown. Work is underway to test the proposals and model the potential impact on service users, self funders, Councils and Health Authorities. The Council is part of these discussions and working with partners across our London networks to understand and assess the proposals. This risk has been included in the Councils Key Strategic Risk register and has been included in the AGS action plan for 2022/23.
- Action 4. Response to a number of national Social Care changes (such as white papers for Adult and Children Social care) will be undertaken during 2022/23.**
- 2.63 During 2021/22 there have been regular Insight articles issued to staff via email to share the values of the organisation and regular Ambitious for Sutton email messages. The Chief Executive and other Directors have regular staff engagement events via video link.
- 2.64 Staff Network Groups are used to engage staff in the awareness and promotion of equalities across the Council, assisting and running events in support of Black History Month, International Women's Day and International Day of Persons with Disabilities.
- 2.65 The Council has a process in place to keep Trade Unions involved in staffing matters, through the Council and Employees Joint Committee.
- 2.66 Shared Service arrangements are in place with the Royal Borough of Kingston in the following areas:- Highways, HR, Finance, IT, Customer Services, Regulatory Services and Pension Services. The governance arrangements in place between the two councils are; Bi annual Shared Services Strategic meetings between the Sutton Chief Executive Kingston Chief Executive, Strategic Director Resources Sutton, Executive Director Corporate and Communities Kingston and Strategic Director Environment Housing & Neighbourhoods Sutton. Separate bi monthly meetings are held with Assistant Directors in HR, IT, Finance and Highways for Kingston and Sutton.

Annual Governance Statement (continued)

2.67 The Council has other Shared Service arrangements with 4 other councils, Kingston, Merton, Richmond and Wandsworth for the Shared Legal partnership (Sllp), Internal Audit and Fraud. The governance arrangements for these services are managed through a Shared Service Boards (SSB) comprising senior officers from each of the Councils. The boards meet at least four times a year. Each board meeting provides an opportunity to focus upon key areas of shared service delivery. Alongside looking at performance, monitoring and supporting key delivery priorities and issues.

2.68 The Sutton Housing Partnership (SHP) is a wholly owned subsidiary of the London Borough of Sutton. It was created to manage and improve the Council's housing stock and estates. The Environment, Housing & Regeneration Directorate gives "operational delegation for housing management to the Managing Director of Sutton Housing Partnership." A Management Agreement between the Council and SHP sets out the governance arrangements in place (A new 10 year management agreement took effect from 1 April 2019). Operational Protocols set out defined responsibilities and standards including activities carried out by other organisations or by Council owned companies (e.g. Encompass LATC or Sutton Living). There are quarterly Performance & Partnership Group meetings where partnership issues are raised and reviewed.

2.69 SHP have their own internal auditors and are externally audited by Grant Thornton. No issues have been identified.

Council owned companies

2.70 The Committee on Standards in Public Life carried out a review on Local Government Ethical Standards in January 2019 which recommended areas of best practice.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

2.71 The governance arrangements for the Council owned companies are overseen by the Sutton Shareholdings Board. This is a sub-committee of the Strategy and Resources Committee and comprises five elected members appointed on a politically proportional basis. The Council has the following companies.

Annual Governance Statement (continued)

Table 1 List of Councils owned companies

Company Name	Details
Opportunity Sutton Ltd _08529735.	Non trading company. Opportunity Sutton has two subsidiary companies: <ul style="list-style-type: none"> • Sutton Living Ltd • Sutton Decentralised Energy Network Ltd
Sutton Living Ltd 09897512	Local housing development company . This company is sole shareholder of a subsidiary company: Sutton Living Design and Build Ltd 11763052
Sutton Decentralised Energy Network Ltd 10022446	The Council's sustainable energy supplier that provides low-carbon energy to homes and businesses in Sutton.
Encompass LATC Ltd 10184775.	Homelessness and housing needs; Adult Social Care support brokerage; Shared Lives (Adult Social Care); and Financial administration for Direct Payments
Cognus Ltd 10276456.	The majority of the Council's education services including: <ul style="list-style-type: none"> • School inclusion • SEND • Attendance and Admissions • School Improvement
London Cancer Hub (LCH) Co Ltd 10635978	Non trading company.

Annual Governance Statement (continued)

2.72 The above companies are registered with Companies House, a review of the published information shows the required accounts have been filed for the year ending March 2021.

2.73 The Sutton Shareholdings Board (SSB) met three times during 2021/22, and the agenda and minutes are published on the Council website. The Board considered performance and update reports from the companies and changes to directors. They consider annual reports, business plans and any mid-year amendments with contribution from company directors.

2.74 An Internal Audit review of Sutton's Shareholding role was undertaken in November 2021 and received a Substantial Assurance, this report made recommendations to improve the role of the SSB, these included training, keeping an action plan and demonstrating performance against business plan targets.

2.75 At the Council meeting on the 12th of July 2021, it was agreed to undertake a review of SDEN. The Chartered Institute of Public Finance and Accountancy (CIPFA) was commissioned to undertake this review. Results of this review have been reported to Strategy and Resources Committee 1 Nov 2021, they have made a number of recommendations, which include improvements to the governance and oversight of SDEN .

- Strengthen the leadership and oversight of SDEN by appointing full time directors as well as non-executive directors (NEDS) to the Board - SDEN has already started.
- Strengthen scrutiny of the Council's companies by briefing members on the lessons learnt from phase 1.

2.76 In response to the CIPFA review it has been agreed at the Sutton Shareholdings Board meeting held on 17 November 2021 that recommendations from the CIPFA review will be included in the revised Business Plan and included in the updated Finance model to enable SDEN to improve its future financial sustainability..

2.77 To ensure a continuous oversight of the Council's arrangements on high risk areas, a review of the LATC governance and service delivery was undertaken during 2021/22. It is proposed that a review of governance of the Shareholder structure for the LATC with reference to OSL Ltd and its purpose will be undertaken during 2022/23.

Action 6 - A review of the role and governance arrangements for Opportunity Sutton will be undertaken in 2022/23

3 Internal Audit outcomes

3.1 The Head of Audit is required to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment. In the Annual Report on the work of Internal Audit.

During 2021/22 the Head of Internal Audit is satisfied that sufficient internal audit work has been undertaken to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's control environment.

4 Review of effectiveness

4.1 Sutton Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:-

a) The work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment,

b) The Head of Audits Annual Report on the internal control environment, prepared in accordance with the Public Sector Internal Audit Standards, provides an independent

Annual Governance Statement (continued)

opinion on the adequacy and effectiveness of the Council's system of internal control in respect of its financial and non-financial systems

c) Outcomes from the work of the fraud partnership, Health and Safety and Risk Management.

d) The opinion of the external auditors in their reports and annual letter to the Audit and Governance Committee. The latest report in November 2021 had not identified any vfm issues

e) Comments made by review agencies and inspectorates such as OFSTED, the Care Quality Commission (CQC) and other agencies.

f) The outcome of the OFSTED Inspection of Children's Services December 2021 rated LBS as a 'Good' Authority under Pathway 1 was presented to the People Committee held on 17 March 2022. In response to the inspection a Children's Social Care Action Plan has been developed and progress will be reported back to the People Committee within six months.

g) LBS has highlighted the implications of the government's Adult Social Care White Paper 'People at the Heart of Care' to the People Committee meeting held on 17 March 2022. Adult Social Care will come under an inspection regime from 2023. In preparation for

this change LBS have contracted an external independent assessor to provide assurance.

h) The Corporate Parenting report was presented to the People Committee held on 17 March 2022. Members discussed how they could mentor Children Looked After and Care Leavers.

i) The Sutton Safeguarding Adults Board and the Sutton Local Safeguarding Children Partnership annual Reports for 2020/21 were presented to the People Committee meeting held on 9th of December 2021. The reports included learning from safeguarding to ensure that adults and children at risk of abuse are safer in Sutton.

j) Aon, external consultants have completed a review of structure and efficiency of the Pensions Administration Service. (due to be reported to Pension board)

5 Assurance by Directors and Assistant Directors

5.1 The Council ensures corporate ownership of the Annual Governance Statement through requiring senior management to complete a Self-Assessment covering the controls in place in their service areas. The statement provides assurance that they have reviewed arrangements for meeting their responsibilities in relation to:

- Service planning;
- Counter fraud and corruption;
- Finance and budgetary control;
- Health and safety;
- Human resources;
- Internal control;
- Partnership arrangements;
- Performance;
- Risk management; and
- Value for money

6. Conclusion

6.1 This annual review has shown that the governance framework is consistent with the principles of the CIPFA / SOLACE best practice framework and the examples of the arrangements that should be in place. In particular, Internal Audit has reviewed the effectiveness of the system of internal control for 2021/22. The Head of Internal Audit's opinion based on this work, is that the system of internal control is generally sound and effective. 2.63 During 2021/22 there have been regular Insight articles issued to staff via email to share the values of the organisation and regular Ambitious for Sutton email messages. The Chief Executive and other Directors have regular staff engagement events via video link.

Annual Governance Statement (continued)

Table 1 Update on issues raised in 2021/22 action plan and progress to date

Key Issues	Action	Progress during 2021/22
<p>1. A recovery plan for the easing of the lockdown and an assessment of the long-term disruption and consequences arising from the coronavirus pandemic.</p>	<p>During 2021/22, as the lockdown eases, the Council will continue planning for recovery. This will require short term, medium term and long term changes to take place as an assessment is undertaken on services to restart, stop, retain or change. A workstream for business recovery to review the impact on businesses in the short, medium, and long term is in place. The Council will review its Corporate Plan to ensure it reflects any revised priorities.</p>	<p>To reflect the impact of Covid-19 on the Council and Sutton communities, the Council identified the following key themes as priorities for delivery across the Council in 2021/22. These themes provided the framework for the Council's covid-19 recovery work and delivery of the Corporate plan</p> <ul style="list-style-type: none"> ● Supporting the most vulnerable - continue to build on work with the health and voluntary sector to support people impacted by COVID-19 in the longer term. ● The importance of place - leverage the change in how people are using their local area to give people more of a say and opportunities to get involved in their local area. ● Local business and employment - seeking to mitigate the impact of an economic recession in Sutton by supporting local businesses and employers.
<p>2. Overseeing and managing the various delivery models (shared, outsourced, spun out).</p>	<p>A review of the delivery arrangements to be undertaken in 2021/22 including the effectiveness of contract management.</p> <p>A review of the governance arrangements for LATC's has been included in the Internal Audit plan for 2021/22.</p>	<p>Resources and governance are required to 'client' the variety of different delivery models in place and for these to be reviewed regularly.</p> <p>Our focus is upon areas of high risk particularly Local Authority Trading Companies (LATC) to address issues within governance and service delivery as required. The Service Review has been completed with a new and more robust commissioning agreement now in place.</p> <p>Review of management of major contracts has been completed with a delivery and training plan developed, to support improved delivery. The Commercial and Procurement team have sought to ensure that there are sufficient resources within the team to deliver and improve the required skill base for effective contract management across the Council, with a consideration given to the potential for additional resources available to support the mobilisation and early stages of new service / changes of model.</p> <p>In parallel, discussions have taken place with the LB Kingston, reflecting on both shared procurement and shared service delivery between the two boroughs, taking forward the training plan and pooling and sharing the necessary resources to now move ahead.</p>

Annual Governance Statement (continued)

Key Issues	Action	Progress during 2021/22
3. Business Continuity Plans	Business Continuity Plans to be reviewed in 2021/22	<p>Greater emphasis on cyber resilience and preparedness. Corporate response structure developed (synced with Kingston) and workshops held with critical services following a Quality Assurance process of Business Continuity Plans (BCP).</p> <p>Service Business Impact Analysis (BIAs) were updated in March 2022, with Business Continuity Plans due to be updated in June 2022. A corporate business continuity exercise will follow in Autumn 2022 to validate developed plans and capabilities.</p>
4. Increasing financial pressures.	<p>Budget setting for 2022/23 will begin early following a further review of existing savings proposals as part of budget monitoring, and an updated evaluation of financial risks and potential growth. This will seek to protect the Council's financial position by identifying early whether or not additional savings proposals are required for next year so that we can set the budget without drawing on reserves. The forecast will be updated based on the latest information available at key points over the next year. As at the end of May 2021 the expected budget gap for 2022/23 remains at £3.1m as set out in the budget report.</p>	<p>The 2022/23 budget was approved at the Budget Council in March 2022. This included an updated MTFP showing a forecast gap of circa £5m pa for the next two years.</p> <p>Work to develop a Medium Term Financial Strategy will be progressed over the summer to present it for approval at S&R Committee in September alongside the Corporate Plan.</p> <p>Medium Term Financial Planning for 2023/24 will be undertaken in line with the MTFS proposals and budget proposals will be taken to the Budget Council in March 2023.</p>

Annual Governance Statement (continued)

Key Issues	Action	Progress during 2021/22
<p>5. Internal Audit work during the year raised issues in relation to project management and oversight on a project.</p> <p>Further work was undertaken on all projects and no issues identified on other projects, a capital programme board established and further work</p>	<p>To provide refresher project management training and templates in order to strengthen accountability and decision making to ensure the Council meets its objectives</p>	<p>The Council Project and Programme Management Network has been set up and met twice in 2021/22. The network provides a forum to share best practice and learning from the delivery of projects and programmes across the Council.</p> <p>The Council's suite of project and programme management documents has been updated and shared via the network and beyond.</p>

Annual Governance Statement (continued)

Table 2 Based on the review the following key issues for 2022/23 have been identified:

Key Issues	Action	Responsible Officer
1. Response to the climate emergency and failure to reduce carbon emissions in the borough	On-going review and monitoring of progress against the councils action plan, lobbying for funding and oversight.	Strategic Director of Environment, Housing and Neighbourhoods
2. Medium Term Financial Sustainability	The last few years have required short term financial plans. Now needs to consider longer term plans with a MTFS that sits alongside the new Corporate Plan. (due to be agreed in 2022/23). The uncertainty due to the impact of cost of living, high inflation, and the energy crisis will need to be closely monitored.	Strategic Director of Resources
3. Cyber security and Business Continuity	<p>Ongoing active monitoring of cyber risks including extensive monitoring of the IT environment. Planned testing of Cyber response preparedness including Corporate response structure (synced with Kingston)</p> <p>Business Continuity Plans will be reviewed in 2022/23 and a Corporate continuity exercise in Autumn 2022.</p>	Strategic Director of Resources

Annual Governance Statement (continued)

Key Issues	Action	Responsible Officer
4. Response to a number of national Social Care changes (such as white papers for Adult and Children Social care).	The Transformation Change Programme, which includes members, will have oversight of the impact on the Council on the number of proposed changes.	Strategic Director of People
5. Review of governance of the Shareholder structure for our companies with reference to OSL Ltd and its purpose.	A review of the role and governance arrangements for Opportunity Sutton will be undertaken in 2022/23	Strategic Director of Resources

Annual Governance Statement (continued)

7.2 Progress managing these issues will be monitored in-year and assessed as part of the next annual review.

8. Statement of the Leader of the Council and the Chief Executive

8.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by senior management and the Audit and Standards Committee. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

8.2 It is our opinion that the Council's governance arrangements in 2021/22 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2022/23.

Signed on behalf of Sutton Council

Chief Executive:

Date: 07/07/2022



Leader:

Date: 12/07/2022



11. Glossary of Terms

An explanation of financial terms and abbreviations used in the Statement of Accounts



Glossary of Terms

Accounting Policies

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

Accruals

Amounts that are charged to the accounts for goods and services rendered/received during the year for which payments have not been received/made.

Active Member

A member of an occupational pension scheme who is building up pensions benefits, in either a defined benefit or a defined contribution scheme, from their current job.

Actuarial Valuation

Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

Actuary

An independent consultant who advises on the financial position of the pension fund.

Admitted Body

A body which can be admitted to the LGPS with the agreement of the Administering Authority, it must be non-profit-making and will normally be in receipt of a grant from either central or local government.

Amortisation

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

Appropriations

The transfer of resources to and from various revenue reserves.

Capital Expenditure

Expenditure on the acquisition of a non-current asset or expenditure that adds value to an existing non-current asset. Expenditure can only be treated as 'capital' if it meets statutory definitions and is in accordance with accounting practice and regulations.

Capital Receipts

Income from the sale of capital assets such as council dwellings, land and buildings.

Carrying Amount

This is the nominal value of the loan / investment plus accrued interest due to the end of the financial year.

Council Tax

A tax on domestic properties, introduced 1 April 1993 as a replacement for the Community Charge (Poll Tax), based on their value.

Creditors

Amount of money owed by the Council for goods or services received.

Debtors

Amount of money owed to the Council for goods or services received.

Depreciation

A measure of the cost of the economic benefits of a non-current asset consumed during the period.

Earmarked Reserves

Amount set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Effective Interest Rate

This method calculates the rate of interest that is necessary to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount at initial recognition.

General Fund

The fund within which most transactions of a local authority take place. It includes the cost of all services provided (excluding the Housing Revenue Account) which are paid from government grants, generated income and the borough's share of Council Tax and business rate income.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future; in particular, that the revenue accounts and balance sheet are not based on the assumption of an intention to curtail significantly the scale of operations.

Housing Revenue Account (HRA)

A local authority statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Glossary of Terms (continued)

Impairment

A reduction in the value of a non-current asset below its carrying value (but not through economic consumption).

Intangible Assets

Assets that do not have physical substance, e.g. computer software licences.

Levies

Payments to London wide bodies such as the Lee Valley Regional Park Authority. The cost of these bodies is borne by local authorities in the area concerned based on their Council Tax base and is met from the General Fund

Minimum Revenue Provision

The minimum amount that the council must charge to the revenue account to provide for the repayment of debt due to capital expenditure. The minimum provision is currently based on the asset life (annuity) method and is applied to both 'supported' and 'unsupported' borrowing. This results in more even payments linked to average asset life. The average lives of the council's assets funded by 'supported' and 'unsupported' borrowing are within the recommended 50 years

Non-Domestic Rates (NDR)

Business rates, or non-domestic rates, collected by councils are the way that those who are responsible for non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1 April 2013, authorities keep a proportion of the business rates paid locally.

Precept

The charge made by one authority (e.g. The Greater London Authority) on another authority to finance its net expenditure.

Property, plant and equipment

Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Provisions

Amounts set aside for liabilities or losses which are certain or very likely to be incurred but where exact amounts and dates on which these will arise are uncertain.

Reserves

Amounts set aside in one financial year which can be carried forward to meet expenditure in future years. Earmarked reserves are allocated for specific purposes. Unallocated reserves are often described as balances.

Revenue Expenditure

The regular day-to-day running costs an authority incurs in providing services e.g. salaries and wages, premises costs and supplies and services.

Support Services

Services that are provided by the administrative and professional service groups that support all the Council's services. They include financial, legal, personnel, information technology, property and general administrative support.

Glossary of Terms (continued)

Abbreviations used in the accounts

ALMO	Arms Length Management Organisation	DLUHC	Department for Levelling Up, Housing and Communities
AVC	Additional Voluntary Contribution	MIRS	Movement in Reserves statement
CCG	Clinical Commissioning Group	MRA	Major Repairs Allowance
CF	Collection Fund	MRP	Minimum Revenue Provision
CIES	Consolidated Income and Expenditure Statement	NNDR	National Non Domestic Rates (Business Rates)
CIPFA	Chartered Institute of Public Finance and Accountancy	PWLB	Public Works Loan Board
CT	Council Tax	REFCUS	Revenue Expenditure Funded From Capital Under Statute
DLUHC	Department for Levelling Up, Housing and Communities	RICS	Royal Institution of Chartered Surveyors
DfE	Department for Education	RCCO	Revenue Contribution to Capital Outlay
DSG	Dedicated Schools Grant	SHP	Sutton Housing Partnership
FTE	Full Time Equivalent	TFL	Transport for London
GLA	Greater London Authority	TPA	Teachers' Pension Agency
HRA	Housing Revenue Account	UCR	Usable Capital Receipts
IAS	International Accounting Standard		
I&E	Income and Expenditure		
IFRS	International Financial Reporting Standard		
IT	Information Technology		
LASAAC	Local Authority (Scotland) Accounts Advisory Committee		
LATC	Local Authority Trading Company		
LOBO	"Lenders Option Borrowers Option" Loan		