

LONDON BOROUGH OF SUTTON

STATEMENT OF ACCOUNTS

2020/21

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Strategic Director - Resources



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1. Narrative Report 2020/21

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. The Covid-19 pandemic had a significant impact on the Council's activities and finances throughout the year and this report provides some detail as to how the Council has used its resources within that changing and uncertain context.

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 2021, as well as providing information as to how the Council will develop over the medium term, especially as we begin to plan for recovery and post pandemic operations.

2. About the Borough

In 2021 Sutton had a projected population of 206,917 residents and this is estimated to increase to 213,805 by 2030 (3.3% increase).

Sutton is home to a high proportion of older residents with 15.5% 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% with 12% representing one person households aged 65+. Compared to other London boroughs, Sutton has a higher proportion of UK nationals at 80%.

Before the pandemic Sutton's population was 84% economically active but this has fallen slightly to 82.6% as at December 2020. This is still fairly high though and is the 9th highest of the London Boroughs. The highest group of those economically active in Sutton remains 'professionals' at 28%. The long term consequences of the pandemic on economic activity and employment are currently unknown.

Sutton ranks as one of the least deprived areas of London, though some areas of deprivation do remain present. Just under 11% of Sutton's children under 16 live in absolute low income households compared to 14.% in London as a whole and 15% nationally. Approximately 8% of Sutton households live in fuel poverty compared to 11% in London and 10% nationally.

Sutton has the third lowest crime rate of all London Boroughs between June 2020 and May 2021 with only 58.6 crimes recorded per 1,000 persons. Of this 27.5 crimes per 1,000 persons are antisocial behaviour, which is significantly lower than the 43 recorded for London as a whole. Sutton is also lower than the London average in 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 2021, Sutton Council had 1,221 staff. Of this staffing group, 209 deliver services jointly to Sutton and Kingston (66 in Customer Experience, 30 in Pensions and 113 in Finance). An additional 316 (as at 31.3.21) 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 females and black, asian and ethnic minority staff had increased by more than 7%. There has been a very small decrease in the LGBTQ+ earners, although the proportion of high earners is higher than the workforce. Our younger workforce has decreased very slightly, but this is perhaps to be expected as our apprentice scheme has not been as active as it usually would, due to Covid-19.

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 pandemic caused some changes to our business as usual operation in 2020/21 including performance monitoring, but as the initial emergency response

phase transitioned to a more steady state as the year progressed, committees were once again able to scrutinise such information via remotely held meetings.

5. Covid-19

The Covid 19 pandemic has impacted all sectors but Local Government and Health services have been particularly affected by the need to manage the initial emergency response, followed by a more steady phase of ongoing Government led changes to everyday life for our Residents and businesses. This has inevitably had a significant impact on how we work and what services we need to provide, and is still ongoing as we enter into 2021/22.

Large scale redeployment of Council staff and resources was used to implement initial emergency response activities including the provision of advice and support to residents and businesses, provision of essential services such as food and medicine to those needing to shield, and social care support to those suffering from or otherwise impacted by Covid.

The first of several lockdown periods saw the introduction of many Government funded support schemes that were administered and managed locally, via ringfenced and more general grant based financial support. This was used to mitigate the impact of the pandemic on residents and businesses where possible, but

also to help the Council offset the additional costs incurred during the response and to meet some of the income shortfalls that arose from changes in societal behaviour and the need to close some activities for long periods of time.

By the end of 2020/21 the national and local restrictions had been changed a number of times, creating a context of uncertainty and financial risk for many of our residents as well as for the Council. This situation is still ongoing and likely to continue throughout 2021/22, meaning the Council needs to carefully manage its financial position to ensure we remain resilient to future changes and are able to continue supporting those who are vulnerable.

6. Outlook and Risks

The Council continues to face financial pressures as a result of grant reductions since 2010, new (and sometimes underfunded) burdens from Government and increased demand for services as a result of demographic pressures. In addition to this the pandemic has created new pressures as income has fallen and response costs rise. Although the Council has received significant additional funding to help mitigate this, there remains significant risks about how the ongoing pressures and potentially permanent changes to our budgets will be funded in future.

Narrative Report (continued)

The key corporate risks and mitigations the Council face are:

- A balanced budget has been set for 2021/22, but an estimated £3.1m budget gap remains in the forecast for 2022/23. There is considerable uncertainty within this forecast given the changing environment we are operating in and the lack of certainty about future pandemic related activities. A budget readiness review was conducted in March 2021 and provided some assurance over delivery of savings forecast for 2021/22, and further financial modelling will be undertaken over the summer to revisit key budget assumptions for 2022/23.
- Demographic and other demand pressures, in particular from adult and children's social care. Mitigations include 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.
- Further pandemic restrictions or new 'waves' of infection could lead to further financial pressure if not adequately funded by the Government. All Covid related spend and loss of income is monitored closely through the year and regular submissions are made to the MHCLG to report the impact in Sutton. Unused grants at the end of 2020/21, and some underspends from corporate budgets, have been carried forward in earmarked reserves to help mitigate financial impacts in 2021/22 and 2022/23.
- Exposure to another, different, catastrophic incident, and the following response. The relevant emergency response plans have been created and implemented.

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 2021, following an in-depth review of all MTFP assumptions to inform the detailed budget setting process for 2022/23.

7. Financial Impact of Covid-19

During the 2020/21 financial year, the Council had to manage the unprecedented financial impacts of the Covid 19 pandemic. This event dominated the year, and is ongoing as we enter 2021/22, and meant the Council had to implement emergency response measures and support the national lockdown and pandemic management plans at short notice from March 2020. Inevitably this significantly impacted our financial plans, and meant that our costs, income and risks would be very different to that planned at the point the budget had been set pre-pandemic.

The Council adapted to this emergency situation well and although the initial response saw fast changing restrictions brought in at both national and local levels creating immediate unforeseen financial pressures, later in the year we saw the context change to a more steady pandemic response phase where financial impacts were more predictable and consistent month on month.

The Government announced a series of additional funding measures for Councils to both support the response and to support the community as the consequences of the pandemic response began to impact on the finances of individuals and businesses. This additional funding included £13.8m of un-ringfenced grants applied in year, £3.1m in grants to replace lost sales, fees and charges income, and £0.920m of

Narrative Report (continued)

ringfenced grants applied during the year to deliver test and trace services, to manage infection outbreaks and to provide grants and rate relief to businesses and taxpayers.

The pandemic also created a significant deficit of £12.807m for the Council on the Collection Fund as a result of lower Council Tax and Business Rates receipts, despite the significant funding and support provided. The Government introduced legislation allowing Councils to make good this deficit over three years rather than one, but there is a risk that a further deficit may be incurred in 2021/22 as the pandemic continues and the economic impact continues to affect residents and businesses.

It is clear that the pandemic created immediate financial pressure for the Council in 2020/21 but it is less clear how much it has increased the level of financial risk we are facing for the future. The long term implications of Covid 19, the effects of 'long covid' on society, long term

changes to how we live, work and socialise and even the costs of recovery actions are all uncertain. This means additional risk of higher costs in future for our social care services, our economic regeneration schemes and services supporting businesses, our education sector and leisure and wellbeing services.

8. Revenue Budget Performance

Despite the challenges of managing the financial impact of the pandemic, the Council successfully delivered services within the planned budget for the year. A significant overspend was initially forecast at the start of the pandemic, but the new Government funding helped us mitigate this and offset the losses in income we would see as a result of the lockdown restrictions. There were a number of underlying budget pressures that

needed to be managed alongside the pandemic, including the delivery of over £5m 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 £0.828m. 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 outturn position is presented on the following page.

Narrative Report (continued)

	Budget	Outturn	Variance	Variance
	£'000	£'000	£'000	%
Health & Wellbeing	13,852	15,170	1,318	9.51
Environment, Housing & Regeneration	32,883	37,657	4,774	14.52
Peoples Services	104,407	110,700	6,293	6.03
Resources	21,933	23,591	1,658	7.56
Sutton College	-	534	534	100.00
PPE	-	940	940	100.00
Mortuary Costs	-	566	566	100.00
TOTAL SERVICE EXPENDITURE	173,075	189,158	16,083	9.29
Covid 19 Grant	0	(13,855)	(13,855)	100.00
COVID - income grant	0	(3,056)	(3,056)	100.00
SERVICE EXPENDITURE less COVID FUNDING	173,075	172,247	(828)	(0.48)
Corporate Costs	(174,075)	(175,716)	(1,641)	0.94
Contingency	1,000	0	(1,000)	(100.00)
Contribution to Earmarked Reserves	-	2,641	2,641	100.00
TOTAL NET EXPENDITURE	-	(828)	(828)	

Narrative Report (continued)

People Directorate

The People Directorate comprises the services providing social care for children and adults and for education. The general fund revenue outturn position for the directorate was an overspend of £6.293m including the pandemic costs which were offset by the grants reported as non service income. The overspend reflected significant pressure on placements budgets for Children's social care and high unit costs, as well as the additional demands on Adult Social Care caused by the pandemic. The Dedicated Schools Grant (DSG) underspent by £0.410m, though this masks a significant underlying pressure of £1.06m on the high needs block, which was offset by an underspend on the schools block in year. The cumulative DSG balance carried forward is £1.321m which provides some mitigation against future high needs block pressures.

Environment, Housing and Regeneration

The EH&R directorate covers a wide range of services. The directorate ended the year with a £4.774m overspend including the pandemic impact and loss of income from services that were closed during the lockdown periods.

The Government initiated an "All In" service at the start of the pandemic which required all rough sleepers to be offered accommodation by the Council. This created pressure in our temporary accommodation budget and rental income budgets. Rent collection was also impacted by

individuals struggling to access benefits as their situation changed as a result of the economic impact of the restrictions, and despite the furlough scheme many residents faced financial hardship this year. The total overspend in Housing was £1.021m.

This directorate also saw income fall dramatically as car parks were closed during lockdown and parking or traffic related charges remained low due to reduced travel to & from work and relatively low visitor numbers to town centres. This created a loss of parking income of £1.850m. There was also a loss of income in the building control service (£0.556m) as demand for planning applications reduced and development activities were paused.

Other pressures in EH&R included the delivery of savings as staff were reassigned to work on the pandemic response, the costs of increased regulatory and trading standards activities, and the need to introduce additional cleaning and PPE measures across a range of highways and environmental services.

Resources Directorate

The Resources outturn position is an overspend of £1.659m mainly due to the pandemic impact on commercial rents and building costs, and the loss of income from the registrars services as activities were ceased or severely restricted all year.

The Council implemented a number of measures to support tenants of Council owned properties

including rent holidays and delay of planned rent reviews. This resulted in income falling and planned increases in rents not being realised. This continues to impact our income in 2021/22 and there is a risk that the economic impact on businesses as the furlough and other Government support schemes wind down will cause further pressures in this area in future.

Health & Wellbeing

This directorate reported an overspend of £1.318m which was due to the £1.636m pressure in the leisure service caused entirely by the pandemic. Leisure centres were closed for much of the year and have experienced a significant reduction in customers when they have been able to open. In addition to this and the consequential fall in income, the Council has provided over £1m to fund exceptional costs incurred to facilitate the reopening under various stages of Government restrictions.

The public health budget was largely spent on managing the pandemic and was supplemented by significant funding from the Contain Outbreak Management Fund and Infection Control funds from the Government. Where possible, unspent grants have been carried forwards for use in 2021/22 as activity in these services remains high and is likely to continue throughout the next year.

Narrative Report (continued)

Corporate revenue budgets and core grants

The Corporate budgets, covering capital financing, government grants and other non-service costs underspent by £2.614m. This was largely due to our interest payments being £2.027m lower than budget. The variance against corporate budgets has been transferred to an earmarked reserve for use in 2021/22 to help offset the additional pressures of the 2020/21 Collection Fund deficit and other Covid related pressures that may not be funded by Government grants.

9. Capital Expenditure

The 2020/21 capital outturn was an underspend of £49.191m against the original capital budget of £87.296m. This was largely caused by the removal of the £10m planned spend on commercial properties and scheme delays caused by the pandemic.

The budget was revised a number of times during the year to reflect known slippage and planned

changes in activities. The outturn was a small underspend of £0.430m against this revised budget, with the change being largely due to further project re-profiling in the last quarter of the year.

The table below shows the outturn position for each Directorate as at 31 March 2021 with the variation against original and revised budgets. Actual expenditure (outturn) includes provision for works completed but not yet invoiced by the contractor.

Capital Programme 2020/21	Original Budget 2020/21	Revised Budget 2020/21	Outturn 2020/21	Variation against original budget	Variation against revised budget
EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Environment, Housing and Regeneration	64,856	30,058	31,232	33,624	(1,174)
People	7,792	5,458	4,436	3,356	1,022
Resources	14,138	2,653	2,315	11,823	338
Health & Wellbeing	510	366	122	388	244
Total Expenditure	87,296	38,535	38,105	49,191	430

The pandemic inevitably impacted our ability to progress our capital plans during the year, and a decision was taken early to remove the £10m budget for Commercial Property acquisitions due to the economic context and the market uncertainty. Our housing and highways

programmes experienced delays and some cessation during the initial lockdown periods, and had to adapt to covid safe ways of working later in the year which resulted in schemes being delayed and reprofiled across the MTFP.

Despite this however, progress was made in a number of key areas. The Sutton Works programme has appointed an operating partner in 2020/21 and work on design and build will progress in 2021/22. We continued with our property acquisitions programme as part of our

Narrative Report (continued)

housing supply strategy and were able to purchase 20 properties more than planned in the budget across the year. We also made progress in a number of our HRA schemes and have now approved a business plan to redevelop existing accommodation at Beech Tree Place to deliver much needed new and affordable homes. Other key capital projects implemented during the year included completion of the new Hackbridge school, investing in IT and accommodation changes, as well as rolling programmes to improve highways, pavements and street lighting. In addition, works continue to progress on the London Cancer Hub site.

10. Public Issuance Bond

The Capital Programme is funded through a range of sources including grants, Section 106 monies, capital receipts and external borrowing. Our Capital Strategy and our Treasury Management Strategy are published each year as part of our Medium Term Financial Plan and set out our approach and principles for funding future investments and managing cash and borrowing. In recent years most of our borrowing has been from the Public Works Loans Board, which offers competitive low risk borrowing rates for Local Authorities. However as a result of changes to the interest rate offered and the terms under which their loans are offered, we explored alternative options in 2020/21. This resulted in us entering into a public issuance Bond arrangement, under which we have borrowed £100m at a rate of 1.73%, which was significantly

lower in cost than the PWLB rate offered at the time and that offered by other lenders. This cash was used to fund existing capital programmes and refinance some older, more expensive, borrowing thereby reducing our interest costs and protecting us from the risk of interest rate rises in future. We have the option to borrow up to another £150m using this bond should we wish to in the future.

11. Pensions Liability

The Council has net pension liabilities of £379m 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 will be carried out at 31 March 2022. The fund's actuary has estimated that despite the significant market volatility during March 2020 due to the Covid-19 pandemic, the funding level has improved to around 96% at 31 March 2021. 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.

12. 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 2021. 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 2020/21 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 2021. 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 2021 and its income and expenditure for the year.



Richard Simpson
Strategic Director - Resources (S151 Officer)
7 February 2022

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 24 November 2021 to the Strategic Director of Resources, in consultation with the Chair of the Committee.



Chair, Audit and Governance Committee
7 February 2022

3. Auditor's Reports 2020/21

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 London Borough of Sutton (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, 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, the Collection Fund Income and Expenditure Account, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements. 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 2020/21.

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 2021 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 2020/21; 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 2020/21 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 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.

Auditor's Report on the Financial Statements (continued)

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, 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 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, the Strategic Director - Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities [set out on page 15], 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 2020/21, 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 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, 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), the Local Government Act 2003 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 controls. We determined that the principal risks were in relation to:
 - journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date.
- 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 unusual journals;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit 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, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- 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/auditors.
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - 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.
 - 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.

Auditor's Report on the Financial Statements (continued)

- 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 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied

that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 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
- 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 consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Auditor's Report on the Financial Statements (continued)

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for London Borough of Sutton for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the 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.

Iain Murray

Iain Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London
8 February 2022

Auditor's Report on the Pension Fund Financial Statements

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

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 2021 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 2020/21.

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 2021 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 2020/21; 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 2020/21 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

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

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 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.

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

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 2020/21, 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 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.

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

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 2020/21, 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;
 - potential management bias in determining accounting estimates, especially in relation to the calculation of the valuation of the Fund's Investment Assets
- 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;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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

- 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.
- 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
 - 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
 - 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.

Iain Murray

Iain Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London

8 February 2022

4. Core Financial Statements 2020/21



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 2020/21, 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	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
2019/20	2019/20	2019/20			2020/21	2020/21	2020/21
£000	£000	£000			£000	£000	£000
23,308	(12,259)	11,049	Health and Wellbeing		30,969	(18,627)	12,342
50,452	(18,660)	31,792	Environment, Housing and Regeneration		59,738	(19,229)	40,509
258,000	(144,302)	113,698	Peoples Services		258,895	(142,376)	116,519
91,134	(60,847)	30,287	Resources		92,892	(62,596)	30,296
			Housing Revenue Account				
23,713	(37,831)	(14,118)	- Main HRA Revenue Account		26,463	(38,686)	(12,223)
18,284	-	18,284	- Revaluation loss/(gain) - Dwellings	HRA10	583	-	583
6,137	(99)	6,038	Non Service Revenue Accounts		5,681	(2,361)	3,320
471,028	(273,998)	197,030	Cost of services		475,221	(283,875)	191,346

Note: 2019/20 restated for Directorate structure changes

Comprehensive Income and Expenditure Statement (continued)

Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
2019/20	2019/20	2019/20			2020/21	2020/21	2020/21
£000	£000	£000			£000	£000	£000
10,707	-	10,707	Other operating expenditure	6	1,427	(4,021)	(2,594)
21,445	(768)	20,677	Financing and investment income and expenditure	7	12,893	(604)	12,289
-	(178,618)	(178,618)	Taxation and non-specific grant income	8	-	(192,332)	(192,332)
503,180	(453,384)	49,796	(Surplus) or deficit on the provision of services		489,541	(480,832)	8,709
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
-	-	(18,550)	Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets	12a	-	-	(4,678)
-	-	(58,590)	Remeasurement of the net defined benefit liability on the pensions reserve	12c	-	-	51,223
		(77,140)	Other comprehensive income and expenditure				46,545
		(27,344)	Total comprehensive income and expenditure (surplus)/deficit				55,254

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.

2020/2021	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	17,517	-	17,517	(8,808)	-	-	-	8,709	46,545	55,254
Adjustments between accounting basis and funding basis under regulations (Note 10)	(34,312)	-	(34,312)	10,184	1,047	(6,524)	680	(28,925)	28,925	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	(16,795)	-	(16,795)	1,376	1,047	(6,524)	680	(20,216)	75,470	55,254
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)	75,470	55,254
Balance at 31 March 2021	(8,236)	(47,819)	(56,054)	(5,724)	(14,972)	(15,008)	(10,565)	(102,323)	(76,126)	(178,449)

Movement in Reserves Statement (continued)

2019/2020 Comparative	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 2019	(9,696)	(24,915)	(34,611)	(3,112)	(20,815)	(5,352)	(11,328)	(75,218)	(131,141)	(206,359)
Movement during 2019/20:-										
Total Comprehensive Expenditure and Income	40,519	-	40,519	9,277	-	-	-	49,796	(77,140)	(27,344)
Adjustments between accounting basis and funding basis under regulations (Note 10)	(45,167)	-	(45,167)	(13,265)	4,796	(3,132)	83	(56,685)	56,685	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	(4,648)	-	(4,648)	(3,988)	4,796	(3,132)	83	(6,889)	(20,455)	(27,344)
Transfers to / (from) Earmarked Reserves (Note 11)	6,936	(6,936)	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	2,288	(6,936)	(4,648)	(3,988)	4,796	(3,132)	83	(6,889)	(20,455)	(27,344)
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)

Balance Sheet

This sets out the financial position of the Council as at 31 March 2021 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 2020		Notes	31 March 2021
£'000			£'000
	Non-Current Assets		
761,534	Property, Plant and Equipment	13	773,516
123,454	Investment Properties	14	124,729
1,875	Long Term Investments	17a	5
4,145	Long Term Debtors	17a	4,470
891,008	Total Non-Current Assets		902,720
	Current Assets		
34,138	Short Term Investments	17a	90,272
485	Assets Held for Sale	15	485
4	Inventories		3
55,904	Debtors	18	68,046
487	Cash and Cash Equivalents	20	(23,122)
91,018	Total Current Assets		135,684

Balance Sheet (continued)

31 March 2020		Notes	31 March 2021
£'000			£'000
	Less Current Liabilities		
(60,797)	Short Term Borrowing	17a	(1,388)
(3,036)	Capital Grants Receipt in Advance		(3,071)
(51,280)	Creditors	19	(63,971)
-	Provisions		(629)
(115,113)	Total Current Liabilities		(69,059)
	Less Non-Current Liabilities		
(8,370)	Provisions	21	(7,726)
(312,126)	Long Term Borrowings	17a	(412,127)
(312,714)	Liability Related to Defined Benefit Pension Scheme	31c	(371,043)
(633,210)	Total Non-Current Liabilities		(790,896)
233,703	Net Assets		178,449
(151,596)	Total Unusable Reserves	12	(76,127)
(82,107)	Total Usable Reserves	11	(102,322)
(233,703)	Total Reserves		(178,449)

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.

2019/20		2020/21	
£000		Notes	£000
(49,796)	Net surplus or (deficit) on the provision of services	-	(8,709)
72,390	Adjustment to the net surplus or deficit on the provision of services for non-cash movements	22	29,268
(26,571)	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	22	(15,235)
(3,977)	Net cash flows from operating activities		5,324
(57,458)	Net cash flows from investing activities	23	(69,387)
61,679	Net cash flows from financing activities	24	40,454
244	Net increase/(decrease) in cash and cash equivalents		(23,609)
Represented by:			
243	a Cash and cash equivalents at the beginning of the reporting period	20	487
487	b Cash and cash equivalents at the end of the reporting period	20	*(23,122)
244	Net increase/(decrease) in cash and cash equivalents (b-a)		(23,609)

- Please refer to Note 20 for explanation

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 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21 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 2021 was 2.0% 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 is 75% owned by the Council, with the remaining 25% owned by schools within the borough. The Council is in the process of acquiring the remaining 25% share and as a result being wholly owned by the Council. It 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.

Note 1 Accounting Policies (continued)

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

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.

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.

As at the Balances sheet date, the following new accounting standard and amendments had not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the code).

Definition of a Business: Amendments to IFRS 3 Business combination provides clarity on the definition of a business , we are not expecting this to affect our accounts when this is implemented from 1st April 2021.

Interest Rate Benchmark Reform Phase 1 and 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Interest rate benchmark reform is expected to affect hedge accounting and therefore we are not expecting this to affect our accounts when implemented from 1st April 2021.

With regards to IFRS 16, work is ongoing at present, there is not sufficient information to make a reliable estimate of how this will impact the financial statements. The new implementation date is 1 April 2022.

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 made in Accounts are:

Accrual Materiality - As per the Code the accounts have been prepared under the accounting concept of materiality. The Council has stipulated a de minimis level for all accruals set at £0.001m order related and £0.005m non order related on revenue and £0.010m for capital accruals.

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>Our 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>The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of Value. Accordingly, and in line with guidance issued by RICS, the Council's valuers have removed the 'material valuation uncertainty' which the 2019/20 valuations were subject to.</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 31.3.2021 would reduce the balance sheet value by £7.740m.</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>Guidance issued by RICS recommended that material uncertainty declarations are no longer required for all assets. Accordingly, the Council's valuers have removed the 'material valuation uncertainty' which the 2019/20 valuations were subject to. However in respect of the leisure sector, as at the valuation date the Council's valuers continued to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base their judgements. The valuation of the David Lloyd Club, Hannibal Way, Wallington is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.</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 would equate to £1.250m, 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 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 £19.0m in the Council's pension liability; a one year increase in member life expectancy would increase the liability by approximately £47.0m and a 0.1% increase in the rate of salary increase would increase the liability by approximately £1.259m.</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 Council's actuaries have applied the same assumptions as used in the GAD review to prepare the IAS19 report, and have allowed for a potential increase in pension liabilities of 0.5%, or £5.0m. This figure was calculated before the July 2020 consultation paper was released, but the actuaries believe that the remedies proposed in the consultation paper are in line with the assumptions they used when preparing the IAS19 report, and so do not believe any further adjustment to the allowance is warranted at this time.</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.

2020/21	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	15,170	(3,009)	12,161	181	12,342
Environment, Housing and Regeneration	38,223	1,388	39,611	898	40,509
Peoples Services	111,234	(1,886)	109,348	7,171	116,519
Resources	24,532	2,241	26,773	3,523	30,296
Housing Revenue Account	(12,253)	-	(12,253)	613	(11,640)
Non Service Revenue Accounts	8,688	(6,373)	2,315	1,005	3,320
Net cost of services	185,594	(7,639)	177,955	13,391	191,346
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)	24,129	8,709
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 5 Expenditure and Funding Analysis (continued)

2019/20 Comparative figures	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	11,586	201	11,787	(738)	11,049
Environment, Housing and Regeneration	31,978	(977)	31,001	791	31,792
Peoples Services	89,111	16	89,127	24,571	113,698
Resources	22,998	4,005	27,003	3,284	30,287
Housing Revenue Account	(14,145)	-	(14,145)	18,311	4,166
Non Service Revenue Accounts	5,814	(1,988)	3,826	2,212	6,038
Net cost of services	147,342	1,257	148,599	48,431	197,030
Other Operating Expenditure	(5,361)	154	(5,207)	15,914	10,707
Financing and Investment income	6,922	(3,305)	3,617	17,060	20,677
Taxation and Special Grants	(153,341)	(4,292)	(157,633)	(20,985)	(178,618)
Statement of Movement on General Fund Balances	1,458	531	1,989	(1,989)	-
(Surplus) or Deficit	(2,980)	(5,655)	(8,635)	58,431	49,796
Opening General Fund and HRA Balance			(37,723)		
Add (Surplus) or Deficit on General Fund and HRA Balance in Year			(8,635)		
Closing General Fund and HRA Balance at 31 March			(46,358)		

Note: 2019/20 restated for Directorate structure changes

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.

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	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)	908	83	181
-	1,388	1,388	Environment, Housing and Regeneration	2,171	481	(1,753)	899
-	(1,886)	(1,886)	Peoples Services	4,103	2,875	193	7,171
(115)	2,356	2,241	Resources	2,662	1,733	(873)	3,522
-	-	-	Housing Revenue Account	583	30	-	613
-	(6,373)	(6,373)	Non Service Revenue Accounts	(3)	1,163	(155)	1,005
(115)	(7,524)	(7,639)	Net cost of services	8,706	7,190	(2,505)	13,391
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)	14,701	11,947	24,129

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	2019/20 Comparative figures	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
(154)	354	200	Health and Wellbeing	(1,097)	359	-	(738)
-	(977)	(977)	Environment, Housing and Regeneration	2,091	282	(1,582)	791
-	16	16	Peoples Services	21,740	1,679	1,152	24,571
-	4,005	4,005	Resources	2,220	994	70	3,284
-	-	-	Housing Revenue Account	18,284	27	-	18,311
-	(1,988)	(1,988)	Non Service Revenue Accounts	-	2,688	(476)	2,212
(154)	1,410	1,256	Net cost of services	43,238	6,029	(836)	48,431
154	-	154	Other Operating Expenditure	-	-	15,914	15,914
-	(3,304)	(3,304)	Financing and Investment income	9,033	8,327	(300)	17,060
-	(4,292)	(4,292)	Taxation and Special Grants	(22,578)	-	1,593	(20,985)
-	531	531	Statement of Movement on General Fund Balances	-	-	(1,989)	(1,989)
-	(5,655)	(5,655)	Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	29,693	14,356	14,382	58,431

Note: 2019/20 restated for Directorate structure changes

Note 5b Expenditure and Income Analysed by Nature

The Council' expenditure and income is analysed as follows:

2019/20		2020/21
£000		£000
	Expenditure	
137,034	Employee expenses	152,689
326,277	Other operating expenses	305,371
18,962	Depreciation, amortisation and impairment	18,921
723	Payments to Housing Capital Receipts Pool	704
10,200	Interest payments	11,133
746	Precept and Levies	723
9,238	Loss on disposal of non-current assets	-
503,180	Total expenditure	489,541
	Income	
(88,461)	Fees and charges and other service income	(66,680)
(768)	Interest and investment income	(604)
-	Gain on disposal of non-current assets	(4,021)
(144,425)	Income from Council Tax and Business Rates	(129,088)
(219,730)	Government grants and contributions	(280,439)
(453,384)	Total income	(480,832)
49,796	(Surplus) or Deficit on Provision of Services	8,709

Note 6 Other operating expenditure

2019/20		2020/21
£'000		£'000
746	Levies paid to Other Local and Public Authorities	704
723	Payment to the Government Housing Capital Receipts Pool	723
9,238	Net Losses/(Profit) on the disposal of non-current assets	(4,021)
10,707	TOTAL	(2,594)

Note 7 Financing and investment income and expenditure

2019/20		2020/21
£'000		£'000
10,200	Interest payable and similar charges	11,136
8,327	Net interest on the net defined benefit pension scheme liability	7,511
(768)	Interest receivable and similar income	(604)
(278)	Financial Instruments	129
(5,185)	Income and expenditure in relation to investment properties	(4,608)
8,381	Changes in the Fair Value of investment properties	(1,275)
20,677	TOTAL	12,289

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

2019/20		2020/21
£'000		£'000
(101,154)	Council Tax Income	(103,014)
(44,724)	Business Rates Retention Scheme	(26,073)
1,708	Business Rates Retention Scheme Pool	-
(8,621)	Non ringfenced government grants	(32,915)
-	Renewable energy Schemes retained by the authority	(460)
(4,842)	COVID-19 Grants	(21,726)
(20,985)	Capital grants and contributions	(8,144)
(178,618)	Total Credited to Taxation and Non-Specific Grant Income	(192,332)

Note 9 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

2019/20	Grants Credited to Taxation and Non-Specific Grant Income	2020/21
£'000	Non ringfenced government grants:	£'000
-	Revenue Support Grant	(6,717)
(3,655)	Section 31 Business Rate Grant	(3,088)
(727)	Housing Benefit and Council Tax Admin Grant	(739)
(2,001)	New Homes Bonus	(1,780)
-	Bettercare Fund	(12,773)
(1,260)	Social Care Support grant	(3,871)
-	Improved Better Care Fund Grant	(3,210)
(737)	Winter Pressures grant	(737)
(4,842)	COVID-19 funding	(21,726)
(241)	Other	-
(13,463)	Total	(54,641)

Note 9 Grant Income (continued)

2019/20	Capital Grants and Contributions:	2020/21
£'000		£'000
(13,331)	Education Grants	(1,909)
(1,944)	Mayors Grant (GLA)	(1,642)
(29)	Housing Associations	(4)
(4,189)	Section 106 Contributions	(1,768)
(102)	Leaseholder Contributions	-
(91)	Heritage Lottery Fund	(94)
-	GLA - Strategic Investment Pot	(2,096)
-	MHCLG Future High Street Fund	(150)
-	GLA/BEIS Leap Funding	(214)
(1,299)	Other Capital Grants and Contributions	(267)
(20,985)	Total	(8,144)

Note 9 Grant Income (continued)

2019/20	Revenue Grants Credited to Services	2020/21
£'000		£'000
(97,311)	Dedicated Schools Grant	(104,044)
(5,216)	Education & Skills Funding Agency funding	(2,691)
(718)	Teachers Pay Grant	(857)
(1,438)	Teachers Pension Grant	(2,591)
(9,555)	Public Health Grant	(10,058)
(11,352)	Housing Benefit Rebate Subsidy	(10,679)
(3,560)	Housing Benefit Rebate Subsidy - outside HRA	(4,846)
(36,134)	Housing Benefit Allowances	(33,839)
(464)	Discretionary Housing Payments	(634)
(2,784)	Pupil Premium (schools)	(2,792)
(3,210)	Improved Better Care Fund Grant	-
(1,541)	Asylum Seekers	(1,752)
(328)	Troubled Families Grant	(618)
(1,132)	Universal Infants Free School Meals	(1,413)
(1,301)	Flexible Homelessness grant	(1,563)
(4,000)	Internet of Things grant	-
(69)	COVID-19 funding	(13,750)
(3,712)	Other	(3,622)
(183,825)	Total Revenue Grants included in Cost of Services	(195,749)
2019/20	REFCUS Grants included in Cost of Services	2020/21
£'000		£'000
(1,593)	Disabled Facilities	(1,808)
(1,593)	Total REFCUS Grants included in Cost of Services	(1,808)

Note 9 Grant Income (continued)

Agency Transactions

The Council received a range of grants from the Central Government in 2020/21 to support the overall response to the COVID-19 pandemic. The grants and Business Rates relief were administered by the council in line with the guidance received from Central Government.

Following on from the receipt of grant the Council had to determine whether in administering the grant it was acting as an agent or principal.

Where the Council was acting as an agent the following conditions applied:

- 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 table below sets out the summary of agency related grant receipts:

Grants	Grant Allocation	The Council acting as Agent	The Council acting as Principal	Amount of Grant remaining repaid to Central Government	Expenditure as at 31 March 2021
	£'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	-	-	8,833
Christmas Support Payments for Pubs *	38	38	-	-	31
	55,070	52,720	1,290	1,060	41,302

*The balance of £12.708m funding has been carried forward to the Council's balance sheet for further distribution from 1 April 2021, any balance remaining will be paid back to Central Government.

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)

2020/21	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 38)	23,248	116	-	-	-	(23,364)
Pensions costs (transferred to (or from) the Pensions Reserve)	(37,882)	(183)	-	-	-	38,065
Sub Total for Pensions Reserve	(14,634)	(67)	-	-	-	14,701
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	(46,936)	(7,534)	-	-	-	54,470
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 (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	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	12,624	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	(34,312)	10,184	1,047	(6,524)	680	28,924

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

2019/20 comparative figures	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 38)	16,931	139	-	-	-	(17,070)
Pensions costs (transferred to (or from) the Pensions Reserve)	(31,192)	(234)	-	-	-	31,426
Sub Total for Pensions Reserve	(14,261)	(95)	-	-	-	14,356
Financial instruments (transferred to the Financial Instruments Adjustments Account)	94	-	-	-	-	(94)
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	428	-	-	-	-	(428)
Holiday pay (transferred to the Accumulated Absences Reserve)	(235)	-	-	-	-	235
Charges for depreciation and impairment of non-current assets	(12,413)	(6,549)	-	-	-	18,962
Revaluation loss/(gain) on Property Plant and Equipment	(7,388)	(18,284)	-	-	-	25,672
Movements in the market value of Investment Properties	(8,381)	-	-	-	-	8,381
Amortisation of intangible assets	(1,752)	-	-	-	-	1,752
Revenue expenditure funded from capital under statute	(16,466)	-	-	-	-	16,466
Financial Instruments Revaluation Reserve	278	-	-	-	-	(278)
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	(60,096)	(24,928)	-	-	-	85,024
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	(11,588)	(4,530)	-	-	-	16,118

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

2019/20 (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	723	6,037	-	-	(6,760)	-
Transfer of deferred sale proceeds as part of the gains/ losses on disposal to the CIES	188	-	-	-	-	(188)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account	3,524	-	-	-	-	(3,524)
Capital expenditure financed from revenue balances (charged to HRA)	-	3,687	-	(3,687)	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	227	-	-	-	-	(227)
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)	-	(80)	-	-	80	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	6,549	-	(6,549)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	19,677	-	(19,677)	-	-	-
Capital Grants and contributions applied	2,900	-	-	-	-	(2,900)
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	14,929	11,663	(19,677)	(10,236)	(5,957)	9,279
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	6,040	(6,040)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	7,104	-	(7,104)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	24,474	-	-	(24,474)
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	-	-	24,474	7,104	6,040	(37,618)
Total Adjustments	(45,167)	(13,265)	4,797	(3,132)	83	56,685

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 2020/21:

	Balance at 31 March 2019	Transfers Out	Transfers In	Balance at 31 March 2020	Transfers Out	Transfers In	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
General Fund balances	(8,416)	1,089	(81)	(7,408)	-	(828)	(8,236)
Sub total	(8,416)	1,089	(81)	(7,408)	-	(828)	(8,236)
Earmarked Reserves:-							
DSG Balances	(1,068)	157	-	(911)	-	(409)	(1,320)
Balances held by schools under a scheme of delegation	(3,832)	1,800	(677)	(2,709)	509	(1,405)	(3,605)
- Insurance Fund	(5,786)	79	-	(5,707)	84	(338)	(5,961)
- Risk Reserve	(4,102)	785	(433)	(3,750)	-	(80)	(3,830)
- Redundancy Costs	(1,795)	414	-	(1,381)	153	-	(1,228)
- Revenue Grants Unapplied	(1,678)	2,217	(4,846)	(4,307)	727	(3,340)	(6,920)
- Transitional Grant Reserve	(1,571)	569	-	(1,002)	566	(73)	(509)
- Commercial Property Investment Reserve	(1,416)	-	(633)	(2,049)	-	(628)	(2,677)
- Capital & Treasury Reserve	(1,173)	220	(20)	(973)	119	-	(854)
- Town Centre Reserve	(938)	10	-	(928)	-	(10)	(938)
- Non Grant Carry Forwards	(601)	265	(531)	(867)	352	(266)	(781)
- Public Health Reserve	-	-	(664)	(664)	-	(524)	(1,188)
- Sustainable Investment Fund	(555)	-	-	(555)	-	-	(555)
- Opportunity Sutton Reserve	(491)	237	-	(254)	-	-	(254)
- Welfare Support	(484)	48	-	(436)	98	-	(338)

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

	Balance at 31 March 2019	Transfers Out	Transfers In	Balance at 31 March 2020	Transfers Out	Transfers In	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves continued:-							
- Planning Income Reserve	(285)	285	-	-	-	-	-
- Catering Reserve (School Meals Delegated Funds)	(192)	5	-	(187)	-	(60)	(247)
- Renewals and Repairs Fund	(115)	-	-	(115)	-	-	(115)
- Brexit Reserve	(105)	109	(210)	(206)	110	-	(96)
- Other	(8)	-	-	(8)	-	(93)	(101)
- Parking Places Reserve	-	1,178	(1,178)	-	-	-	-
- Ambition for Sutton-Earmarked Reserve (AFS)	-	-	-	-	64	(1,000)	(936)
- Covid 19 Grant funding (COMF & other)	-	-	-	-	-	(2,768)	(2,768)
- Council Tax Hardship Grant Funding	-	-	-	-	-	(287)	(287)
- Additional Restriction Grant Discretionary (LRSG)	-	-	-	-	-	(89)	(89)
- Extended Retail Relief Sect 31 funding	-	-	-	-	-	(8,502)	(8,502)
- Fair Funding Reserve	-	-	-	-	-	(1,321)	(1,321)
- Business Rates Risk Reserve	-	-	-	-	-	(1,321)	(1,321)
- Local Tax Guarantee	-	-	-	-	-	(1,078)	(1,078)
- Covid-19 Reserve	-	-	(4,842)	(4,842)	4,842	-	-
Sub total	(26,195)	8,378	(14,034)	(31,851)	7,624	(23,592)	(47,819)

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

	Balance at 31 March 2019	Transfers Out	Transfers In	Balance at 31 March 2020	Transfers Out	Transfers In	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA:							
Housing Revenue Account	(2,511)	-	(4,016)	(6,527)	1,379	-	(5,148)
Heating Reserve	(553)	33	(10)	(530)	-	-	(530)
Freeholders Contributions	(48)	6	(1)	(43)	-	(3)	(46)
Sub total	(3,112)	39	(4,027)	(7,100)	1,379	(3)	(5,724)
Capital Grants and Contributions Unapplied	(20,815)	24,473	(19,677)	(16,019)	8,631	(7,584)	(14,972)
Capital Receipts Reserve	(11,328)	6,040	(5,957)	(11,245)	7,001	(6,321)	(10,565)
Major Repairs Reserve	(5,352)	7,104	(10,236)	(8,484)	6,975	(13,499)	(15,008)
Total	(75,218)	47,123	(54,012)	(82,107)	31,610	(51,827)	(102,324)

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 **Capital and Treasury Reserve** has been established to fund and support future capital schemes as part of the planned capital programme.
- The **Public Health Reserve** has been established to hold the balance of the Public Health grant which was underspent by £0.664m. 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 **Covid-19 Reserve** was established to hold the balance of the Covid-19 Emergency grant which was received at the end of March 2020. This was fully used during 2020/21 to support the Council's pandemic response.
- The **Ambitious for Sutton** reserve will help focus our resources on residents' priorities, and achieve our vision of being a borough in which all can take part and take pride.
- **Council Tax Hardship Grant Funding** represents the balance of funding received during the year that has not yet been allotted to residents. This will be done as hardship is identified.
- **External 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. Grant was paid to fund the Council's 30% share of this loss. Due to the statutory arrangements of the Collection Fund, this loss won't hit the general fund until 2021/22, making it necessary to carry this funding forward.
- **Additional Restrictions Grant:** this funding was provided up front by the government to support businesses affected by the pandemic. This reserve represents amounts not yet distributed to businesses, and the Council will continue to support businesses during 2021/22 with this funding.
- 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.
- **Local Tax Income Guarantee:** is funding provided by the Government to compensate for losses in Council Tax and Business Rates income. Due to the statutory arrangements of the collection fund, losses that arose in 2020/21 won't hit the general fund until 2021/22, making it necessary to carry this funding forward.

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 2020		31 March 2021
£'000		
(148,322)	(a) Revaluation Reserve	(150,364)
(318,360)	(b) Capital Adjustment Account	(320,189)
312,714	(c) Pensions Reserve	378,638
654	(d) Financial Instruments Adjustment Account	560
(531)	(e) Deferred Capital Receipts	(529)
(241)	(f) Collection Fund Adjustment Account	12,807
2,740	(g) Accumulated Absences Account	3,071
(250)	(h) Financial Instruments Revaluation Reserve	(121)
(151,596)	TOTAL	(76,127)

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.

2019/20		2020/21
£'000		£'000
(140,842)	Balance at 1 April	(148,322)
(20,523)	Upward revaluation of assets	(6,131)
1,973	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	1,453
(18,550)	Surplus or deficit on revaluation of non current assets not posted to the surplus/(deficit) on the provision of services	(4,678)
2,295	Difference between fair value depreciation and historical cost depreciation	2,392
8,775	Accumulated losses on assets sold or scrapped	244
11,070	Amount written off to the Capital Adjustment Account	2,636
(148,322)	Balance at 31 March	(150,364)

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.

2019/20		2020/21
£'000		£'000
(350,372)	Balance at 1 April	(318,360)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
18,962	Charge for depreciation and impairment of non-current assets	18,921
25,672	Revaluation gains/(losses) on Property, Plant and Equipment	1,438
1,753	Amortisation of intangible assets	1,264
16,466	Revenue expenditure funded from capital under statute	6,007
16,118	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	3,025
78,971		30,655
(2,295)	Difference between fair value depreciation and historical cost depreciation	(2,392)
(8,776)	Accumulated losses on assets sold or scrapped	(244)
67,900	Net written out amount of the cost of non-current assets consumed in the year	28,019

Note 12 Unusable Reserves (continued)

Capital Adjustment Account (continued)

2019/20		2020/21
£'000		£'000
	Capital financing applied in the year:	
(6,040)	Use of the Capital Receipts Reserve to finance new capital expenditure	(7,001)
(4,458)	Use of the Major Repairs Reserve to finance new capital expenditure	(5,229)
(24,474)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(8,631)
(2,900)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,368)
(3,524)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	(3,598)
(2,811)	Funded from Revenue Reserves	(1,746)
(62)	Capital expenditure charged against General Fund and HRA balances	-
(44,269)		(28,573)
8,381	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,275)
(318,360)	Balance at 31 March	(320,189)

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.

2019/20		2020/21
£'000		£'000
356,948	Balance at 1 April	312,714
(58,590)	Remeasurement of the net defined benefit liability	51,223
31,426	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	38,065
(17,070)	Employers pension contributions and direct payments to pensioners payable in year	(23,364)
312,714	Balance at 31 March	378,638

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.

2019/20		2020/21
£'000		£'000
748	Balance at 1 April	654
(94)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(94)
654	Balance at 31 March	560

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.

2019/20		2020/21
£'000		£'000
(343)	Balance at 1 April	(531)
(188)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2
(531)	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.

2019/20		2020/21
£'000		£'000
187	Balance at 1 April	(241)
(428)	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	13,048
(241)	Balance at 31 March	12,807

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.

2019/20		2020/21
£'000		£'000
2,505	Balance at 1 April	2,740
(2,505)	Settlement or cancellation of accrual at the end of the preceding year	(2,740)
2,740	Amounts accrued at the end of the current year	3,071
235	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	331
2,740	Balance at 31 March	3,071

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.

2019/20		2020/21
£'000		£'000
28	Balance at 1 April	(250)
-	Upward revaluation of investments	129
(278)	Downward revaluation of investments	-
(250)	Balance at 31 March	(121)

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

Movement on balances

2020/21	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
Cost or Valuation								
At 1st April 2020	423,687	308,819	24,366	76,438	2,599	2,330	6,504	844,743
Additions	21,767	1,891	327	5,174	15	-	1,642	30,816
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	81,612	2,614	2,370	8,001	866,119

Note 13 Property, Plant and Equipment (continued)

Movement on balances

2020/21	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
Accumulated Depreciation and Impairment								
At 1st April 2020	-	(17,225)	(19,577)	(46,407)	-	-	-	(83,209)
Depreciation Charge:	(6,818)	(5,988)	(1,520)	(4,586)	-	(9)	-	(18,921)
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)	(50,993)	-	-	-	(92,603)
Net Book Value:								
At 31 March 2020	423,687	291,594	4,789	30,031	2,599	2,330	6,504	761,534
At 31 March 2021	435,627	290,689	3,596	30,619	2,614	2,370	8,001	773,516

Note 13 Property, Plant and Equipment (continued)

Movement on balances

Comparative movements in 2019/20	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
Cost or Valuation								
At 1st April 2019	411,118	299,020	23,890	70,804	2,567	2,150	35,900	845,449
Additions	18,051	8,188	476	5,634	32	-	750	33,131
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	15,672	-	-	-	140	-	15,812
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(24,786)	(7,635)	-	-	-	-	-	(32,421)
Derecognition - disposals	(4,530)	(11,284)	-	-	-	-	-	(15,814)
Assets reclassified (to)/from held for sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	23,834	4,858	-	-	-	40	(30,146)	(1,414)
At 31st March 2020	423,687	308,819	24,366	76,438	2,599	2,330	6,504	844,743

Note 13 Property, Plant and Equipment (continued)

Movement on balances

2019/20	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
Accumulated Depreciation and Impairment								
At 1st April 2019	-	(14,705)	(17,232)	(42,159)	-	-	-	(74,096)
Depreciation Charge:	(6,481)	(5,880)	(2,345)	(4,248)	-	(8)	-	(18,962)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	6,481	284	-	-	-	8	-	6,773
Depreciation charge written out to the Revaluation Reserve	-	2,738	-	-	-	1	-	2,739
Derecognition - disposal	-	196	-	-	-	-	-	196
Other movements in depreciation and impairment	-	142	-	-	-	(1)	-	141
At 31st March 2020	-	(17,225)	(19,577)	(46,407)	-	-	-	(83,209)
Net Book Value:								
At 31 March 2019	411,118	284,315	6,658	28,645	2,567	2,150	35,900	771,353
At 31 March 2020	423,687	291,594	4,789	30,031	2,599	2,330	6,504	761,534

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 2020/21 the Council invested £7.5m of capital expenditure on improvements to council dwellings, and purchased 51 dwellings at a cost of £14.3m. As at 31 March 2021, the Council has a number of major capital projects which are detailed in the Narrative Report to the Statement of Accounts.

Capital Commitments

At 31 March 2021, 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 2021/22 and future years which are budgeted to cost £188.5m in total (£191.2m at 31 March 2020). The major commitments are detailed in the following table:

	Planned expenditure to 31 March 2025
	£'000
School Expansions and new schools	19,248
Local Authority New Build Housing Phase 1	500
Local Authority New Build Housing Phase 2	23,997
Digital Programme	1,946
Beddington Park Heritage Lottery Fund	41
Town Centre Masterplan	2,129
Total	47,861

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 2021.

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. RICS issued a practice alert supplement on 6 November 2020 about the impact of COVID-19. This advised that whilst the pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence returning to levels where adequate market evidence exists upon which to base opinions of value. Accordingly, the Council's valuers have removed the 'material valuation uncertainty' which the 2019/20 valuations were subject to.

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
- 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 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. Following a review of the impact of the COVID-19 pandemic by the Material Valuation Uncertainty Leaders Forum (UK), RICS recommendation is that material uncertainty declarations are no longer required for residential property. Accordingly the valuations carried out as at 31 March 2021 are no longer reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

Council dwellings reflect vacant possession value (£1.744m) adjusted to account for their status as social housing. For 2020/21 the social housing factor for London remains at 25% which results in a vacant possession value adjusted for the social housing factor of £435.627m.

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	-	-	3,596	30,619	2,614	-	8,001	44,830
Valued at current value as at:								
31 March 2021	435,627	231,048	-	-	-	2,370	-	669,045
31 March 2020	-	35,666	-	-	-	-	-	35,666
31 March 2019	-	23,898	-	-	-	-	-	23,898
31 March 2018	-	-	-	-	-	-	-	-
31 March 2017	-	-	-	-	-	-	-	-
31 March 2016	-	77	-	-	-	-	-	77
Total Cost or Valuation	435,627	290,689	3,596	30,619	2,614	2,370	8,001	773,516

Valuation Techniques used to Determine Level Three Fair Value

Investment properties 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 2021. 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 2020					31 March 2021			
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	-	2,330	2,330	Surplus Assets	-	-	2,370	2,370
-	-	123,454	123,454	Investment Properties	-	-	124,729	124,729
-	-	485	485	Assets Held for Sale	-	-	485	485
-	-	126,269	126,269	Total	-	-	127,584	127,584

Surplus Assets

Surplus assets held by the Authority at 31 March 2021 are as follows:

31 March 2020			31 March 2021	
£'000			£'000	
85	Archive Store Manor Park Road		125	
500	Grove House, Grove Park		500	
1,745	Secombe Theatre		1,745	
2,330	Total Surplus Assets		2,370	

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 2020/21 as no acquisitions or disposals took place. The nature and significance of these assets are detailed below.

Land and Buildings

a) Museums

Honeywood £2.096m and Whitehall £2.737m

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 £498,055

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 medieval 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 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.

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 pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where adequate market evidence exists upon which to base opinions of value. Accordingly, the Council's valuers have removed the 'material valuation uncertainty' for most assets. However in respect of the leisure sector, as at the valuation date there continues to be an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence for the Council's valuers to base their judgements on. The valuation of the David Lloyd Club, Hannibal Way, Wallington is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global valuation.

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

2019/20		2020/21
£'000		£'000
96,228	Balance at the start of the year	123,454
1,272	Reclassifications	-
34,335	Additions	-
(8,381)	Net gains/(losses) from fair value adjustments (Revaluations and Impairments)	1,275
123,454	Balance at the end of the year	124,729

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:

2019/20		2020/21
£'000		£'000
(7,026)	Rental income from investment property	(6,979)
1,841	Direct operating expenses arising from investment property	2,371
(5,185)	Net gain	(4,608)

Note 15 Assets Held for Sale

Assets Held for Sale as at 31 March 2021 are as follows:

2019/20		2020/21
£'000		£'000
235	Stonecourt Main Building, North Street	235
250	Festival Walk Old Rectory	250
485	Total Assets Held for Sale	485

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.

2019/20		2020/21
£'000		£'000
377,423	Opening Capital Financing Requirement	418,839
	Capital Investment:	
33,131	Property, Plant and Equipment	30,833
34,335	Investment Properties	-
1,753	Intangible Assets	1,264
16,466	Revenue Expenditure Funded from Capital Under Statute	6,007
	Sources of Finance:	
(6,040)	Capital Receipts	(7,001)
(27,374)	Government grants and other contributions	(10,999)
	Sums set aside from revenue	
(7,331)	- Direct revenue contributions	(6,975)
(3,524)	- MRP / Loans fund principal	(3,598)
418,839	Closing Capital Financing Requirement	428,370
	Explanation of movements in year	
(41,416)	Increase in underlying need to borrow (unsupported by government financial assistance)	(9,531)
(41,416)	Increase in Capital Financing Requirement	(9,531)

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 nil. This is because the “cash and cash equivalent” amount of (£23.122m) does not meet the definition of a financial liability. See Note 20 for further information.

Categories of financial assets

31 March 2020						31 March 2021						
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	
-	2,837	-	-	-	2,837	Fair value through profit and loss	-	3,209	-	-	-	3,209
-	1,308	34,138	28,262	487	64,195	Amortised Cost	-	1,260	90,272	59,964	-	151,496
1,875	-	-	-	-	1,875	Fair value through other comprehensive income - designated equity instruments	5	-	-	-	-	5
1,875	4,145	34,138	28,262	487	68,907	Total financial assets	5	4,469	90,272	59,964	-	154,710

Categories of financial liabilities

31 March 2020					31 March 2021						
Non-current		Current			Total	FINANCIAL LIABILITIES	Non-current		Current		Total
Borrowings	Creditors	Borrowings	Creditors		Borrowings		Creditors	Borrowings	Creditors		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
(312,126)	-	(60,797)	(38,293)	(411,216)	Amortised Cost	(412,127)	-	(1,388)	(54,843)	(468,358)	
(312,126)	-	(60,797)	(38,293)	(411,216)	Total financial liabilities	(412,127)	-	(1,388)	(54,843)	(468,358)	

Note 17 Financial Instruments (continued)

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

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

Opportunity Sutton has two subsidiary companies - Sutton living and SDEN (Sutton Decentralised Energy Network Ltd). The Council's total investment for 2020/21 is £0.005m.

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:

2019/20			2020/21	
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:				
289	-	Financial assets measured at fair value through profit or loss	(129)	-
-	-	Financial assets measured at amortised cost	-	-
-	11	Investments in equity instruments designated at fair value through other comprehensive income	-	-
289	11	Total net gains/losses	(129)	-
Interest revenue:				
(388)	-	Financial assets measured at amortised cost	(198)	-
(141)	-	Other Financial assets measured at fair value through profit and loss	(161)	-
(529)	-	Total interest revenue	(359)	-

Note 17 Financial Instruments (continued)

Fair Value

2019/20			2020/21	
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:				
10,198		Financial assets or financial liabilities that are not at fair value through profit or loss	11,681	-
10,198	-	Total interest expense	11,681	-
Fee expense:				
42		Financial assets or financial liabilities that are not at fair value through profit or loss	40	-
42	-	Total fee expense	40	-

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 2020 £'000	As at 31 March 2021 £'000
Fair Value through Profit and Loss				
Other financial instruments classified as fair value through profit and loss	Level 3	Discounted cashflow	2,837	3,209
Total			2,837	3,209
Fair Value through Other Comprehensive Income				
Opportunity Sutton (Sutton Living Limited)	Level 3	Equity share attributable to shareholders	1,870	-
Opportunity Sutton (SDEN LTD)	Level 3	Equity share attributable to shareholders	5	5
Total			1,875	5

Equity Investments

Opportunity Sutton (Sutton Living Limited) - the shares in this company are not traded in an active market and for 2021 the shares are Nil.

Opportunity Sutton (SDEN) - the shares in this company are not traded in an active market and the shares for 2020/21 is £0.005m at fair value and not based on a valuation technique that is not based on observable current market transactions or available market data.

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 2020 are also provided for comparison.

Note 17 Financial Instruments (continued)

Fair Value of Liabilities Carried at Amortised Cost

31 March 2020			31 March 2021	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
287,896	314,313	PWLB debt	287,896	339,440
25,623	34,580	Market Debt	25,618	37,885
-	-	European Primary Placement Facility (Bond)	100,001	88,953
2,307	2,305	Local Authorities	-	-
57,097	57,097	Short term Borrowing	-	-
38,293	38,293	Short term creditors	54,843	54,843
411,216	446,588	Total financial liabilities	468,358	521,121

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 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £339.4m 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 £287.9m would be valued at £339.4m. 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 £406.685m

Note 17 Financial Instruments (continued)

31 March 2020			31 March 2021	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
34,138	34,138	Short term investments	90,272	90,272
1,875	1,875	Equity investments	5	5
28,262	28,262	Short term debtors	59,964	59,964
4,145	4,145	Long term debtors	4,470	4,470
487	487	Cash and cash equivalents	-	-
68,907	68,907	Total financial assets	154,711	154,711

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 2021	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 creditors	-	54,843	-	54,843
Total	-	521,121	-	521,121
Financial assets				
Financial assets held at amortised cost:				
	-	151,496	-	151,496
Total	-	151,496	-	151,496

Note 17 Financial Instruments (continued)

31 March 2020 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	-	314,313	-	314,313
Non-PWLB	-	34,580	-	34,580
Local Authorities	-	2,305	-	2,305
Short term borrowing	-	57,097	-	57,097
Short term creditors	-	38,293	-	38,293
Total	-	446,588	-	446,588
Financial assets				
Financial assets held at amortised cost:				
	-	64,195	-	64,195
Total	-	64,195	-	64,195

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 2021 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. In 2018/19 the Council has recognised a 100% credit loss allowance on a number of long term debtors which are over 3 years old. These amounted to £93k but the debtors are still subject to recovery action by the Council. It has not been necessary to make any such allowances in 2020/21.

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 2020		31 March 2021	
£'000		£'000	
286,921	Public Works Loans Board	286,826	
27,600	Market debt	25,300	
-	European Primary Placement Facility (Bond)	100,001	
57,000	Temporary loans	-	
371,521	Total	412,127	
59,395	Less than 1 year	-	
-	Between 1 and 2 years	4,500	
4,500	Between 2 and 5 years	-	
4,200	Between 5 and 10 years	9,200	
303,426	More than 10 years	398,427	
371,521	Total	412,127	

The figures in the table above excludes accrued interest on the loans.

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 2021 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2020	31 March 2021
	£'000	£'000
Increase in interest payable on variable rate borrowings	153	153
Increase in interest receivable on variable rate investments	(678)	(3,266)
Impact Surplus or Deficit on the Provision of Services	(525)	(3,113)
Share of overall impact debited to the HRA	(259)	(1,497)
Decrease in fair value of fixed rate investment assets	(295)	(30)
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)	(59,220)	(83,881)

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.

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 2020				At 31 March 2021		
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:						
6,473	-	6,473	Central government bodies	8,561	-	8,561
13,681	-	13,681	Other local authorities	9,637	-	9,637
1,840	-	1,840	NHS bodies	6,377	-	6,377
21,994	-	21,994	Sub total public sector bodies	24,575	-	24,575
Sundry debtors:						
2,529	(994)	1,535	HRA tenants	2,391	(1,217)	1,174
37,072	(7,827)	29,245	Other entities and individuals	50,895	(10,726)	40,169
6,663	(3,533)	3,130	Local Tax payers	8,263	(6,135)	2,128
46,264	(12,354)	33,910	Sub total sundry debtors	61,549	(18,078)	43,471
68,258	(12,354)	55,904	Total debtors	86,124	(18,078)	68,046

Note 19 Creditors

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

At 31 March 2020		At 31 March 2021
£'000		£'000
(7,647)	Central government bodies	(30,957)
(19,506)	Other local authorities	(2,737)
(296)	NHS bodies	(3,616)
(23,831)	Other entities and individuals	(24,927)
-	Local Tax payers	(1,734)
(51,280)	Total	(63,971)

Note 20 Cash and cash equivalents

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

At 31 March 2020		At 31 March 2021
£'000		£'000
61	Cash held by the authority	42
426	Bank current accounts	*(23,164)
487	Total	(23,122)

*The negative cash position is due to the Council issuing payments within its cash book relating to the 2021/22 financial year ahead of 31.3.2021. 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.

Note 21 Provisions

Provisions have been established for the following purposes:

	Balance b/fwd 1 April 2020	Additional provisions made in 2020/21	Amounts used in 2020/21	Unused amounts reversed in 2020/21	Balance c/fwd 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Non-Current Provisions					
a) NNDR Appeals	(1,325)	(4,555)	3,685	-	(2,195)
b) Insurance Claims	(2,978)	-	561	-	(2,417)
c) Potential Employee Litigation	(210)	-	-	-	(210)
d) Disputed Social Care Supported Living Costs	(1,701)	(147)	-	-	(1,848)
e) Municipal Mutual Insurance Liability	(861)	-	-	-	(861)
f) Water and Sewage Claims	(1,200)	(100)	1,200	-	(100)
g) General Adult Social Care	(95)	-	-	-	(95)
Total	(8,370)	(4,802)	5,446	-	(7,726)

- 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 2021.
- b. A provision for the total outstanding internal reserve (excluding department contributions) for all incurred and reported claims.
- c. A provision of £0.210m is included in the accounts to cover general employment related matters which could involve the Council incurring costs. This provision has remained the same since 2016/17.
- d. This provision covers potential costs of clients in supported living placements where identification of the ordinary residence is in dispute

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, Barnett

Waddingham, 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 January 2021, but there remains a potential liability for claims from former tenants of the Council. Whilst the Value and number of individual claims are relatively small, we have made a provision of £0.100m against these to be prudent.

- 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. This has not been resolved in 2020/21 so the provision remains. It now also includes potential care costs that an agency is claiming which hasn't been resolved. The provision at year end 2020/21 stands at £0.095m..

Note 22 Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2019/20		2020/21
£'000		£'000
746	Interest received	583
(8,061)	Interest paid	(22,601)
(7,315)	Total	(22,018)
	Adjust net surplus or deficit on the provision of services for non-cash movements	
18,962	Depreciation	18,921
25,672	Impairment and downward revaluations	1,438
1,752	Amortisation	1,264
2,422	(Increase) / decrease in creditors	13,992
(14,474)	Increase / (decrease) in debtors	(22,787)
56	Increase / (decrease) in inventories	1
14,356	Movement in Pension Liability	14,701
7,526	Other non cash items charged to the net surplus or deficit on the provision of services	(1,287)
16,118	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,025
72,390	Sub total of non-cash movements	29,268
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(19,677)	Capital Grants credited to surplus or deficit on the provision of services	(9,952)
(6,894)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(7,153)
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	1,870
(26,571)	Sub total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities	(15,235)
45,819	Total cash flows from operating activities	14,033

Note 23 Cash Flows from Investing Activities

2019/20		2020/21
£'000		£'000
(68,812)	Purchase of property, plant and equipment, investment property and intangible assets	(33,238)
(13,495)	Purchase of short term and long term investments	(56,113)
6,665	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,411
-	Proceeds from short and long term investments	-
18,184	Other receipts from investing activities	12,553
(57,458)	Total cash (inflow)/outflow from investing activities	(69,387)

Note 24 Cash Flows from Financing Activities

2019/20		2020/21
£'000		£'000
76,092	Cash receipts of short and long term borrowing	100,000
-	Other receipts from financing activities	4
(15,000)	Repayment of short term and long term borrowing	(58,773)
587	Other payments for financing activities	(777)
61,679	Total cash (inflow)/outflow from financing activities	40,454

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 over leaf.

2019/20		Remuneration Band £	2020/21	
Schools Employees	Non-Schools Employees		Schools Employees	Non-Schools Employees
9	38	50,000 - 54,999	8	44
5	23	55,000 - 59,999	5	12
3	10	60,000 - 64,999	2	19
2	8	65,000 - 69,999	2	7
1	8	70,000 - 74,999	1	7
3	4	75,000 - 79,999	2	2
-	12	80,000 - 84,999	1	7
-	1	85,000 - 89,999	-	4
1	3	90,000 - 94,999	-	1
-	2	95,000 - 99,999	1	-
-	3	100,000 - 104,999	-	3
-	1	105,000 - 109,999	-	4
-	-	110,000 - 114,999	-	1
-	1	115,000 - 119,999	-	-
-	-	120,000 - 124,999	-	-
-	2	125,000 - 129,999	-	-
-	1	130,000 - 134,999	-	-
-	1	135,000 - 139,999	-	-
-	-	140,000 - 144,999	-	2
-	1	175,000 - 179,999	-	1
24	119	Total	22	114

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:

2020/21	Note	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
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	1	116,770	22,188	138,958
Interim Monitoring Officer	2	106,365	-	106,365

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

Notes:

Note 1: Director of Public Health role has changed to Strategic Director of Public Health and Wellbeing from December 2020

Note 2: The role of monitoring officer is still being covered by an interim until the post is permanently filled in June 2021.

Note 25 Officers Remuneration and Exit Packages (continued)

2019/20	Note	Salary, fees and allowances	Employers pension contributions	Total
		£	£	£
Chief Executive - Helen Bailey		177,621	30,551	208,172
Strategic Director - Environment, Housing and Regeneration		115,350	19,840	135,190
Acting Strategic Director - Environment, Housing and Regeneration		22,002	3,784	25,786
Strategic Director - Resources		138,948	23,899	162,847
Strategic Director - People		132,009	22,706	154,715
Assistant Director Customers, Commissioning and Governance		71,926	12,371	84,297
Interim Monitoring Officer		33,550	-	33,550
Director of Public Health		100,000	17,200	117,200

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£							£	£
0 - 20,000	11	1	3	3	14	4	95,143	43,770
20,001 - 40,000	4	-	-	2	4	2	97,568	50,740
40,001 - 60,000	-	-	-	1	-	1	-	44,264
60,001 - 80,000	-	-	-	-	-	-	-	-
80,001 - 100,000	-	-	-	-	-	-	-	-
100,001 - 150,000	-	-	-	-	-	-	-	-
150,001 - 200,000	-	1	-	-	-	1	-	182,007
Total	15	2	3	6	18	8	192,711	320,781

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:

2019/20		2020/21
£'000		£'000
931	Allowances	946
1	Expenses	2
932		948

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 2020/21 are as follows:

	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2020/21 before Academy recoupment	-	-	222,775
Less Academy figure recouped for 2020/21	-	-	(118,532)
Total DSG after Academy recoupment for 2020/21	-	-	104,243
Plus: brought forward from 2019/20	-	-	911
Less: carry forward to 2021/22 agreed in advance	-	-	(911)
Agreed initial budgeted distribution in 2020/21	34,775	69,468	104,243
In-year adjustments	-	(264)	(264)
Final budget distribution for 2019/20	34,775	69,204	103,979
Less actual central expenditure	(34,441)	-	(34,441)
Less actual ISB deployed to schools	-	69,128	(69,128)
Carry forward to 2021/22	334	76	410
Plus : carry -forward to 2021/22 agreed in advance			911
Total Surplus as at 31 March 2021			1,321

In 2020/21 the Council received net DSG funding of £103.979m, after academy recoupment and a net in-year adjustment for Early Years funding of £(0.186m). There is an in-year deficit of £0.410m and a cumulative surplus balance as at 31st March 2021 of £1.321m. The surplus DSG balance of £1.321m will be carried forward and used to support the next 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 2021 the 2020/21 outturn position was a £2.639m underspend which relates to capital and will be carried forward as funding for 2021/22.

31 March 2020		31 March 2021
£'000		£'000
	Funding:	
(900)	Underspend brought forward from previous year	(838)
(8,705)	London Borough of Sutton	(9,062)
(13,013)	Sutton Clinical Commissioning Group	(13,329)
(22,618)	Total Funding	(23,229)
	Expenditure:	
8,871	London Borough of Sutton	8,874
12,909	Sutton Clinical Commissioning Group	11,716
21,780	Total Expenditure	20,590
(838)	Total underspend to be carried forward	(2,639)

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 £0.985m in 2020/21 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	2019/20	2020/21
		£'000	£'000
Arts Network Sutton	Arts Grant	9	9
Epsom & Ewell Borough Council	Nonsuch Committee Joint Management	101	103
Encompass - Empty Homes scheme	Rent for Self contained flats	29	15
Roundshaw Community Network	Various payments	1	-
Community Action	Grant and Various payments	405	557

Restated 2019-20 for new transactions in 2020/21

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. Further information is available on the company's website <https://www.opportunitysutton.org/>

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 2021, the Council provided Sutton Living Ltd with a loan of £4.680m towards the development of the Wallington Public Hall. There are no amounts owed to or from Sutton Living. 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 £2.448m to SDEN for the construction of the heat infrastructure. There are no amounts owed to or from SDEN. 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 £16.879m (2020: £14.679m) were paid to SHP. Services provided and charged to SHP amounted to £1.115m (2020: £0.475m). The balance owed to London Borough of Sutton as at the year-end was £0.071m (2020: £0.116m). Balance owing to SHP as at the year-end was £1.583m, (2019: £0.390m)

An audited copy of SHP's 2020/21 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 £5.826m, (2019/20 £5.530m). 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 75% of Cognus Ltd. Payments to Cognus for commissioning agreements amounted to £4.677m (£2.295 funded from General fund (GF) and £2.382m from DSG). Other payments of £3.184m 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 2020/21.

2019/20		2020/21
£'000		£'000
73	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	141
28	Fees payable to Grant Thornton for certification of Housing Benefit for the year	28
11	Fees Payable for teachers pension claim and pooling of housing capital receipts	11
112	Total for Sutton Council	180
35	Fee payable by Sutton Housing Partnership (SHP) for external audit services	59
5	Other audit costs (SHP)	-
152	Total audit fee for group	239

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 2020/21 the employers contribution amounted to £6.847m and the employees contribution was £2.747m (employers £5.798m and employees £2.622m in 2019/20). 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 2020/21 totalled £0.501m (£0.509m in 2019/20).

- 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, Barnett Waddingham, 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 £7.595m at 31.3.2021, and will be £3.778m at 31.3.2022, reducing to nil on 31.3.2023

Note 31 Defined Benefit Pension Scheme (continued)

2019/20	Comprehensive Income and Expenditure Statement	2020/21
£'000		£'000
	Service cost comprising:	
20,411	- Current service cost	29,391
4,015	- Past service cost	301
(1,846)	- (gain)/loss from settlements	-
22,580		29,692
8,327	Net interest expense	7,511
519	Administration expenses	862
31,426	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	38,065
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
35,670	- Return on plan assets (excluding the amount included in the net interest expense)	(120,773)
(26,760)	- Actuarial (gains) and losses arising on changes in demographic assumptions	(9,194)
(1,851)	- Other Actuarial (gains) and losses arising on assets	-
8,663	- Experience (gains) /losses on defined benefit obligation	(11,282)
(74,312)	- Actuarial gains and losses arising on changes in financial assumptions	192,472
(58,590)	Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	51,223
(27,164)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	89,288
	Movement in Reserves Statement	
(31,426)	Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	(38,065)
17,070	Actual amount charged against the General Fund balance for pensions in year - Employers' contributions payable to scheme	23,364

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:

2019/20		2020/21
£'000		£'000
807,451	Present value of defined benefit obligation	1,000,946
(494,737)	Fair value of plan assets	(629,903)
312,714	Net Liability arising from defined benefit obligation	371,043

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 Barnett Waddingham, an independent firm of actuaries, with estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2021.

The main assumptions used by the actuary in calculations have been:

2019/20		2020/21
%		%
1.9	Rate of Inflation	2.8
2.9	Rate of Increase in Salaries	3.8
1.9	Rate of Increase in Pensions	2.8
2.4	Rate of Return on Assets	2.0
2.4	Rate for Discounting Scheme Liabilities	2.0
50.0	Take-Up of Option to Convert Annual Pension into Retirement Lump Sum	50.0
Years		Years
21.8	Longevity at 65 for Current Pensioners - Men	21.6
24.4	Longevity at 65 for Current Pensioners - Women	24.3
23.2	Longevity at 65 for Future Pensioners - Men	22.9
25.8	Longevity at 65 for Future Pensioners - Women	25.7

Note 31 Defined Benefit Pension Scheme (continued)

2019/20		2020/21
% of Fund		% of Fund
57	Equities	64
26	Bonds	23
9	Property	7
3	Cash	2
3	Infrastructure	3
2	Other	1
100	Total Fund	100

Note 31 Defined Benefit Pension Scheme (continued)

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

2019/20		2020/21
£'000		£'000
884,645	Balance at 1 April	807,451
20,411	Current Service Cost	29,391
20,852	Interest Cost	15,472
3,651	Contributions by Members	3,794
(26,760)	Actuarial (gains)/losses arising from changes in demographic assumptions	(9,194)
(74,312)	Actuarial (gains)/losses arising from changes in financial assumptions	192,472
4,015	Past Service Cost	301
(31,015)	Benefits Paid	(27,459)
(2,699)	Liabilities extinguished on settlements	-
8,663	Experience loss/(gain) on defined benefit obligation	(11,282)
807,451	Balance at 31 March	1,000,946

Note 31 Defined Benefit Pension Scheme (continued)

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

2019/20		2020/21
£'000		£'000
527,697	Balance at 1 April	494,737
12,525	Interest income	7,961
	Remeasurement gain/loss:	
(35,670)	- The return on plan assets, excluding the amount included in the net interest expense	120,773
17,070	Contributions from employer	30,959
3,651	Contributions from employees into the scheme	3,794
(31,015)	Benefits Paid	(27,459)
479	Other	(862)
494,737	Balance at 31 March	629,903

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 2021. These values have been used by the Council's actuaries for the purpose of IAS19 reporting, actual asset values at 31 March 2021 are shown in the Pension Fund Accounts.

2019/20		2020/21
£'000		£'000
13,735	Cash and Cash Equivalents	19,426
284,308	Equities	401,182
129,314	Bonds	143,020
41,848	Property	42,027
18,800	Infrastructure	19,292
6,732	Other	4,956
494,737		629,903

Note 31 Defined Benefit Pension Scheme (continued)

Further details of the assets are shown below for 2020/21, 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.

2020/21	Quoted	Unquoted	Total	Percentage of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	19,426	-	19,426	3.1
Equities				
- UK	30,266	-	30,266	4.8
- Overseas	370,916	-	370,916	58.9
Bonds				
Fixed Interest Government Securities				
- UK	17,469	-	17,469	2.8
- Overseas	8,476	-	8,476	1.3
Index Linked Government Securities				
- UK	67,823	-	67,823	10.8
- Overseas	-	-	-	0.0
Corporate Bonds				
- UK	23,682	-	23,682	3.8
- Overseas	25,570	-	25,570	4.1
Property	2,961	39,066.9	42,027	6.7
Infrastructure	-	19,291.5	19,292	3.1
Other	4,956	-	4,956	0.8
Total	571,545	58,358	629,903	100.0

Note 31 Defined Benefit Pension Scheme (continued)

h) Scheme History

	31 March 2017	31 March 2018	31 March 2019	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	908,702	889,159	884,645	807,451	1,000,946
Fair Value of Assets	(488,656)	(493,549)	(527,697)	(494,737)	(629,903)
Deficit	420,046	395,610	356,948	312,714	371,043

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net liability of £371.043m (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 2021 and earlier years are as follows:

	31 March 2017	31 March 2018	31 March 2019	31 March 2020	31 March 2021
	%	%	%	%	%
On assets as % of Fair Value	12	-	-	2	(2)
On liabilities as % of Present Value	(6)	-	-	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 2021:

Present value of total obligation at 31 March 2021	+ 0.1%	0.0%	- 0.1%
	£'000	£'000	£'000
Adjustment to discount rate	982,425	1,000,946	1,019,835
Adjustment to long term salary increase	1,002,205	1,000,946	999,697
Adjustment to pension increases and deferred valuation	1,018,409	1,000,946	983,799
Adjustment to life expectancy assumptions	1,048,406	1,000,946	955,757

Note 32 Leases

Authority as Lessor - Operating Leases

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

31 March 2020		31 March 2021	
£'000		£'000	
8,214	No later than one year	8,716	
29,534	Later than one year but no later than five years	27,425	
129,101	Later than five years	126,168	
166,849	Total Operating Lease Income	162,309	

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 2021. 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. The ongoing global Covid-19 pandemic has resulted in uncertainty around aspects reported within these statements, as set out in Note 4. The Council is unable to estimate the financial impact of these events.

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

2019/20	HRA Income and Expenditure Statement	Notes	2020/21
£'000			£'000
	Expenditure		
14,040	Sutton Housing Partnership management fee		16,220
2,089	Other operating costs		2,411
340	Rents, rates, taxes and other charges		226
6,549	Depreciation of fixed assets	9	6,884
18,284	Impairment costs - revaluations and disposals	10	583
315	Increase in bad debt provision		204
41,617	Total Expenditure		26,528
	Income		
(33,587)	Gross rent from Council dwellings		(34,386)
(851)	Gross non dwellings rent		(763)
(3,035)	Charges for services and facilities		(2,983)
(5)	Contributions towards expenditure		(65)
(37,478)	Total Income		(38,197)
4,139	Net Cost of HRA Services		(11,669)
27	Add HRA services share of Corporate and Democratic Core		29
4,166	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(11,640)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
6,545	Interest payable and similar charges		7,017
(75)	Interest and investment income		(3)
(1,427)	(Profit)/Loss on disposal of non current assets		(4,219)
67	Pensions interest cost and expected return on pension assets		37
9,276	(Surplus)/Deficit for the Year on HRA Services		(8,808)

Statement of Movement on the Housing Revenue Account Balance

2019/20	Statement of Movement on the Housing Revenue Account Balance	2020/21
£'000		£'000
(2,511)	Balance on the Statutory HRA at the end of the previous year	(6,527)
9,276	Surplus/(Deficit) on the HRA Income and Expenditure Account for the year	(8,808)
	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	
(234)	- Net Charges made for Retirement Benefits in Accordance with FRS17	(183)
1,427	- Profit/(Loss) on disposal of non current assets	4,219
(18,284)	- Impairment Costs and Disposals	(583)
	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	
140	- Employers Contributions Payable to the Pension Fund	116
(7,675)	Net increase before transfers to or from reserve	(5,239)
3,687	Transfer to the Major Repairs Reserve	6,615
-	Transfers (to)/from Heating Reserve Freeholders Contributions	-
(23)	Transfers (to)/from Heating Reserve	-
(5)	Transfer to Hostel Services Reserve	3
(6,527)	Balance on the Statutory HRA Reserve Carried Forward	(5,148)
(530)	Heating Reserve - Accumulated Surplus	(530)
(43)	Hostel Services Reserve - Accumulated Surplus	(46)
(7,100)	Total HRA Balances and Reserves	(5,724)

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 2021 of £5,147,889 (£6,527,305) at 31 March 2020) equates to 7.42% of income.

In addition the HRA carries a Heating Reserve of £529,991 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.

HRA 3. Housing Stock

At 31 March 2021 the Council owned and managed 6,014 tenanted dwellings plus it manages a further 1,387 leasehold properties. The Council also owned a proportion of 11 equity share/shared ownership dwellings, being the equivalent of 6 fully-owned dwellings.

Total 2019/20		Bedsits	Flats	Houses	Total 2020/21
5,915	Dwellings at 1 April	184	3,054	2,758	5,996
-	Demolitions / Transfers	-	-	-	-
(28)	Right-to Buy Sales	-	(12)	(19)	(31)
-	Other Disposals	-	-	(2)	(2)
31	Acquisitions	-	50	1	51
78	Net changes through change of use or refurbishment	-	-	-	-
5,996	Dwellings at 31 March	184	3,092	2,738	6,014

HRA 4. Stock Valuation

The latest Council Dwellings valuation is at the 31 March 2021. The following valuations are included in the Council's balance sheet:

Balance Sheet Valuation of HRA Assets:

At 31 March 2020		At 31 March 2021
£'000		£'000
	Operational Assets:	
423,687	Council Dwellings	435,627
5,324	Other Land and Buildings	5,261
5	Investment Properties	5
429,016	Total	440,893

This valuation reflects the use of HRA dwellings as tenanted stock. The vacant possession value on the balance sheet at 31 March 2021 is £1.744m. The balance sheet valuation (£435.627m) 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.

2019/20		2020/21
£'000		£'000
(2,230)	Balance at 1 April	(4,321)
(6,549)	Major Repairs Allowance (MRA) received	(6,818)
(68)	Depreciation on non-dwellings	(66)
4,458	MRA used on capital projects	5,163
68	Transfer to Statement of Movement on HRA balance	66
(4,321)	Balance carried forward at 31 March	(5,976)

HRA 6. Capital Financing

2019/20		2020/21
£'000		£'000
(18,438)	HRA Capital Expenditure	(23,463)
	Financed by:	
(6,959)	Borrowing	(11,474)
(4,458)	Major Repairs Reserve	(5,229)
(2,646)	Revenue Contributions	(1,746)
(3,245)	Right to Buy receipts	(4,325)
(432)	Leaseholders Contributions	(250)
(672)	S106 Contribution	-
(26)	Grants	(439)
(18,438)	Total Financing	(23,463)

HRA 7. Capital Receipts

2019/20		2020/21
£'000		£'000
(4,804)	Right to Buy Sales	(5,327)
(1,231)	Other Disposals	(770)
(6,035)	Total	(6,097)

HRA 8. Revenue Contribution to Capital Outlay (RCCO)

2019/20		2020/21
£'000		£'000
(3,122)	Balance at 1 April	(4,163)
(3,687)	RCCO Existing Stock	(6,615)
1,602	RCCO used on capital projects - Existing Stock	1,729
1,044	RCCO used on capital projects - New Build	17
(4,163)	Balance carried forward at 31 March	(9,032)

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 2020-21 equates to £6.9m and has been posted to the HRA Income and Expenditure Statement.

2019/20	Depreciation	2020/21
£'000		£'000
	Operational Assets:	
(6,481)	Council Dwellings	(6,818)
(68)	Other Land and Buildings	(66)
(6,549)	Total	(6,884)

HRA 10. Impairment

Impairment charges totalling £0.583m have been made during 2020/21. The impairment charges do not impact on the HRA balance and have been written back in the Statement of Movement on the HRA balance.

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 2021 totalled £0.238m as compared to £0.714m at 31 March 2020. As a proportion of gross rent and service income, this represents 0.6% (1.9% in 2019/20). 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 £1.257m at 31 March 2021 compared to £1.033m at 31 March 2020

At 31 March 2020	Tenant Rent and Service Charge Arrears	At 31 March 2021
£'000		£'000
1,922	Current Tenant Arrears	1,747
443	Former Tenant Arrears	621
2,365	Total	2,368
(1,651)	Accounts in credit	(2,130)
714	Net Arrears	238
Provision included in the accounts for potential bad debts at 31 March:		
(1,033)	Tenants rent and heating charges	(1,257)
(1,033)	Total Bad Debt Provision	(1,257)

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 £0.100m 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 2020/21

2019/20			Note	2020/21		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
Income						
	(124,515)	(124,515)			(128,489)	(128,489)
(55,406)	-	(55,406)	4	(31,267)		(31,267)
(1,436)	-	(1,436)		(888)	-	(888)
(245)	-	(245)		-	-	-
-	-	-		460	-	460
-	-	-		-	(1,359)	(1,359)
(57,087)	(124,515)	(181,602)		(31,695)	(129,848)	(161,543)
Expenditure						
Precepts, Demands and Shares:						
			3			
27,297	100,626	127,923		17,883	105,010	122,893
15,355	23,476	38,831		22,055	24,409	46,464
14,217	-	14,217		19,671	-	19,671
188	-	188		187	-	187
1,430	-	1,430		882	-	882
6	-	6		6	-	6
Charges to Collection Fund:						
115	17	132		323	3	326
156	613	769		2,687	2,886	5,573

Collection Fund Income and Expenditure Account 2020/21 (continued)

2019/20			Note	2020/21		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
Charges to Collection Fund (continued)						
(1,339)	-	(1,339)	Increase/(decrease) in allowance for appeals	4,554	-	4,554
(165)	-	(165)	Transition Payment to Central Government	47	-	47
Contributions Prior Year (Deficit)/Surplus:						
580	529	1,109	London Borough of Sutton	(106)	178	72
221	118	339	Greater London Authority	(59)	42	(17)
(173)	-	(173)	Central Government	(202)	-	(202)
57,889	125,379	183,267	Total Expenditure	67,928	132,528	200,456
802	864	1,666	Total Income Less Expenditure	36,233	2,680	38,913
Movements on the Collection Fund:						
(1,156)	(848)	(2,004)	(Surplus) / Deficit brought forward at 1 April	(354)	16	(338)
802	864	1,666	(Surplus) / Deficit for year	36,233	2,680	38,913
(354)	16	(338)	(Surplus) / Deficit carried forward at 31 March	35,879	2,696	38,575
Distribution of Fund Balance						
(254)	13	(241)	London Borough of Sutton	10,620	2,187	12,807
(144)	3	(141)	Greater London Authority	13,339	509	13,848
44	-	44	Central Government	11,920	-	11,920
(354)	16	(338)	Total Allocation of Fund Balance	35,879	2,696	38,575

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 (£1,760.69 in 2020/21, split London Borough of Sutton £1,428.62 and GLA £332.07) 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 73,504.5 Band D equivalents, compared to 73,245.6 in 2019/20.

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 2020/21 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 2020		£	%
Less Than £40,000	A	574	6/9	383	
£40,000 - £52,000	B	4,791	7/9	3,726	
£52,000 - £68,000	C	21,283	8/9	18,918	
£68,000 - £88,000	D	21,388	9/9	21,389	
£88,000 - £120,000	E	11,537	11/9	14,101	
£120,000 - £160,000	F	6,506	13/9	9,398	
£160,000 - £320,000	G	3,498	15/9	5,830	
£320,000 or more	H	251.0	18/9	502	
		69,828.0		74,247	
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	
				74,247	
Adjustment for estimated collection rate				742.5	1.00%
Council Tax Base				73,504.5	99.00%
Band D council tax charge				£1,760.70	
Total Precept raised				£129,419,373	

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:

2019/20		2020/21
pence per £		pence per £
50.4	Standard non-domestic multiplier	51.2
49.1	Small business non-domestic multiplier	49.9

The total rateable value for business premises in Sutton as at 31 March 2021 was £147.632m (£144.404m at 31 March 2020).

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 changed in 2020/21 and are shown below, along with the 2019/20 rates for comparison;

2019/20		2020/21
%		%
48	London Borough of Sutton	30
27	Greater London Authority	37
25	Central Government	33

CF 4. Business Rates (continued)

The net business rates shares payable for 2020/21 were estimated before the start of the financial year as follows:

2019/20		2020/21
£'000		£'000
27,297	London Borough of Sutton	17,883
15,355	Greater London Authority	22,055
14,217	Central Government	19,671
56,869		59,609

These sums have been paid in 2020/21 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 provision charged to the collection fund for 2020/21 has been calculated at £7.303m. This leaves a total end of year provision for appeals balance of £7.316m of which the London Borough of Sutton's share is £2.195m.

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 2021

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
£000	£000	£000		£000	£000	£000
23,308	(12,259)	11,049	Health and Wellbeing	30,969	(18,627)	12,342
50,890	(18,910)	31,980	Environment, Housing and Regeneration	59,738	(19,229)	40,509
272,684	(158,063)	114,621	Peoples Services	275,279	(158,339)	116,940
91,134	(60,847)	30,287	Resources	92,892	(62,596)	30,296
			Housing Revenue Account			
23,713	(37,831)	(14,118)	- Main HRA Revenue Account	26,463	(38,686)	(12,223)
18,284	-	18,284	- Revaluation loss/(gain) - Dwellings	583	-	583
16,316	(15,445)	871	- Sutton Housing Partnership	18,240	(17,746)	494
6,137	(99)	6,038	Non Service Revenue Accounts	5,681	(2,361)	3,320
502,466	(303,454)	199,012	Cost of services	509,845	(317,584)	192,261

Note: 2019/20 restated for Directorate structure changes

Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2021 (continued)

*Minor changes to Cognus Limited accounts have been included and figures restated

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
£000	£000	£000		£000	£000	£000
10,708	-	10,708	Other operating expenditure	1,427	(4,021)	(2,594)
22,411	(2,680)	19,731	Financing and investment income and expenditure	15,530	(606)	14,924
	(178,619)	(178,619)	Taxation and non-specific grant income	-	(192,332)	(192,332)
535,585	(484,753)	50,832	(Surplus) or deficit on the provision of services	526,802	(514,543)	12,259
		(58)	Tax expenses of Subsidiaries			31
-	-	50,774	Group (surplus) / deficit	-	-	12,290
			Group (Surplus) / Deficit attributable to:			
-	-	50,472	Council's share (London Borough of Sutton)			12,225
		302	Minority Interest	-	-	65
		50,774				12,290
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
-	-	(18,550)	Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets	-	-	(4,678)
-	-	(64,063)	Remeasurement of the net defined benefit liability on the pensions reserve	-	-	57,568
		(82,613)	Other comprehensive income and expenditure			52,890
		(31,839)	Total comprehensive income and expenditure (surplus) / deficit			65,180
			Comprehensive income and expenditure (surplus) / deficit attributable to:			
		(32,185)	Council's share (London Borough of Sutton)			64,619
		346	Minority interest			561
		(31,839)				65,180

Group Movement in Reserves Statement

2020/21	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	(7,408)	(31,851)	(39,259)	(7,100)	(16,019)	(8,484)	(11,245)	(82,107)	(151,596)	(233,703)	7,577	681	(225,445)
Movement during 2020/21:													
Total Comprehensive Expenditure and Income	17,517	-	17,517	(8,808)	-	-	-	8,709	46,545	55,254	3,516	65	58,835
Adjustments between accounting basis and funding basis under regulations	(34,312)	-	(34,312)	10,184	1,047	(6,524)	680	(28,925)	28,925	-	5,848	496	6,344
Net (Increase) / Decrease before transfers to Earmarked Reserves	(16,795)	-	(16,795)	1,376	1,047	(6,524)	680	(20,216)	75,470	55,254	9,364	561	65,179
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)	75,470	55,254	9,364	561	65,179
Balance at 31 March 2021	(8,236)	(47,818)	(56,054)	(5,724)	(14,972)	(15,008)	(10,565)	(102,323)	(76,126)	(178,449)	16,941	1,242	(160,266)

Group Movement in Reserves Statement (continued)

2019/20 Comparative	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					
Balance at 31 March 2019	(9,696)	(24,915)	(34,611)	(3,112)	(20,815)	(5,352)	(11,328)	(75,218)	(131,141)	(206,359)	11,722	1,028	(193,609)
Movement during 2019/20:													
Total Comprehensive Expenditure and Income	40,519	-	40,519	9,277	-	-	-	49,796	(77,140)	(27,344)	680	301	(26,363)
Adjustments between accounting basis and funding basis under regulations	(45,167)	-	(45,167)	(13,265)	4,796	(3,132)	83	(56,685)	56,685	-	(4,825)	(648)	(5,473)
Net (Increase) / Decrease before transfers to Earmarked Reserves	(4,648)	-	(4,648)	(3,988)	4,796	(3,132)	83	(6,889)	(20,455)	(27,344)	(4,145)	(347)	(31,836)
Transfers to / (from) Earmarked Reserves	6,936	(6,936)	-	-	-	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	2,288	(6,936)	(4,648)	(3,988)	4,796	(3,132)	83	(6,889)	(20,455)	(27,344)	(4,145)	(347)	(31,836)
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)	7,577	681	(225,445)

*Minor changes to Cognus Limited accounts have been included and figures restated

Group Balance Sheet

31 March 2020		31 March 2021
£'000		£'000
	Non-Current Assets	
767,240	Property, Plant and Equipment	780,448
123,454	Investment Properties	124,729
1,875	Long Term Investments	5
4,145	Long Term Debtors	4,470
896,714	Total Non-Current Assets	909,652
	Current Assets	
34,138	Short Term Investments	90,272
485	Assets Held for Sale	485
4	Inventories	1,811
56,646	Debtors	71,823
8,667	Cash and Cash Equivalents	-
99,940	Total Current Assets	164,391

Group Balance Sheet (continued)

31 March 2020		31 March 2021
£'000		£'000
	Less Current Liabilities	
(60,797)	Short Term Borrowing	(1,388)
(3,036)	Capital Grants Receipt in Advance	(3,071)
(61,523)	Creditors	(77,337)
-	Provisions	(679)
-	Bank Overdraft	(15,135)
(125,356)	Total Current Liabilities	(97,610)
	Less Non-Current Liabilities	
(8,370)	Provisions	(7,726)
(312,130)	Long Term Borrowings	(416,885)
(325,352)	Liability Related to Defined Benefit Pension Scheme	(391,556)
(645,852)	Total Non-Current Liabilities	(816,167)
225,446	Net Assets	160,266
(138,958)	Total Non-usable Reserves	(55,614)
(87,169)	Total Usable Reserves	(105,894)
681	Minority Interest	1,242
(225,446)	Total Reserves	(160,266)

*Minor changes to Cognus Limited accounts have been included and figures restated

Group Cash Flow Statement

2019/20		2020/21
£000		£000
(52,593)	Net (surplus) or deficit on the provision of services	(10,377)
75,282	Adjustment to the net surplus or deficit on the provision of services for non-cash movements	35,524
(26,161)	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	(15,135)
(3,472)	Net cash flows from operating activities	10,012
(56,971)	Net cash flows from investing activities	(74,187)
61,573	Net cash flows from financing activities	40,315
1,130	Net (increase)/decrease in cash and cash equivalents	(23,860)
	Represented by:	
7,537	a Cash and cash equivalents at the beginning of the reporting period	8,667
8,667	b Cash and cash equivalents at the end of the reporting period	(15,193)
1,130	Net (increase)/decrease in cash and cash equivalents (b-a)	(23,860)

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 the Council owns 75%, 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 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 2020/21, 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. 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.

G4. Group Defined Benefit Pension Schemes (continued)

The cost of pension benefits earned during the year were:

2019/20			Comprehensive Income and Expenditure Statement:			2020/21		
LBS	Entities	Total				LBS	Entities	Total
£'000	£'000	£'000				£'000	£'000	£'000
			Service cost comprising:					
20,411	3,038	23,449	-	Current service cost	29,391	2,957	32,348	
4,015	581	4,596	-	Past service cost	301	49	350	
(1,846)	-	(1,846)	-	(gain)/loss from settlements	-	-	-	
22,580	3,619	26,199			29,692	3,006	32,698	
8,327	371	8,698		Net interest expense	7,511	277	7,788	
519	46	565		Administration expenses	862	79	941	
31,426	4,036	35,462		Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	37,203	3,362	41,427	
			Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement					
35,670	(3,188)	32,482	-	Return on plan assets (excluding the amount included in the net interest expense	(120,773)	10,756	(110,017)	
(26,760)	1,638	(25,122)	-	Actuarial (gains) and losses arising on changes in demographic assumptions	(9,194)	557	(8,637)	
(74,312)	5,683	(68,629)	-	Actuarial (gains) and losses arising on changes in financial assumptions	192,472	(16,114)	176,358	
(1,851)	627	(1,224)	-	Other actuarial (gains)/losses on assets	-	-	-	
8,663	(456)	8,207	-	Experience gain on defined benefit obligation	(11,282)	697	(10,585)	
(27,164)	8,340	(18,824)		Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	88,426	(742)	88,546	
			Movement in Reserves Statement:					
14,356	(1,465)	12,891		Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	14,701	(6,345)	8,356	

G4. Group Defined Benefit Pension Schemes (continued)

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

2019/20				2020/21		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
807,451	57,721	865,172	Present value of defined benefit obligation	1,000,946	77,760	1,078,706
(494,737)	(45,083)	(539,820)	Fair value of plan assets	(629,903)	(57,247)	(687,150)
312,714	12,638	325,352	Net Liability arising from defined benefit obligation	371,043	20,513	391,556

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

2019/20				2020/21		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
884,645	62,122	946,767	Balance at 1 April	807,451	57,721	865,172
20,411	2,874	23,285	Current Service Cost	29,391	2,908	32,299
20,852	1,495	22,347	Interest Cost	15,472	1,341	16,813
3,651	517	4,168	Contributions by Members	3,794	618	4,412
(26,760)	(1,835)	(28,595)	Actuarial (gains)/losses arising from changes in demographic assumptions	(9,194)	(618)	(9,812)
(74,312)	(6,483)	(80,795)	Actuarial (gains)/losses arising from changes in financial assumptions	192,472	18,523	210,995
8,663	149	8,812	Experience gain on defined benefit obligation	(11,282)	(754)	(12,036)
4,015	581	4,596	Past Service Cost	301	49	350
(31,015)	(1,699)	(32,714)	Benefits Paid	(27,459)	(2,028)	(29,487)
(2,699)	-	(2,699)	Liabilities extinguished on settlements	-	-	-
807,451	57,721	865,172	Balance at 31 March	1,000,946	77,760	1,078,706

G4. Group Defined Benefit Pension Schemes (continued)

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

2019/20				2020/21		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
527,697	46,403	574,100	Balance at 1 April	494,737	45,083	539,820
12,525	1,124	13,649	Interest income	7,961	1,064	9,025
			Remeasurement gain/loss:			
(35,670)	(3,188)	(38,858)	- Return on plan assets, excluding the amount included in the net interest expense	120,773	10,806	131,579
1,851	492	2,343	- Other actuarial gains/(losses)			-
17,070	1,480	18,550	Contributions from employer	30,959	1,783	32,742
3,651	517	4,168	Contributions from employees into the scheme	3,794	618	4,412
(31,015)	(1,699)	(32,714)	Benefits Paid	(27,459)	(2,028)	(29,487)
(1,372)	(46)	(1,418)	Other	(862)	(79)	(941)
494,737	45,083	539,820	Balance at 31 March	629,903	57,247	687,150

9. Pension Fund Accounts 2020/21

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 2021

2019/20		2020/21
£'000		£'000
	Note	
	Dealings with members, employers and others directly involved in the Fund	
(32,534)	Contributions	(40,766)
(6,565)	Transfers in from other pension funds	(3,314)
(39,099)		(44,080)
27,513	Benefits	27,569
5,412	Payments to and on account of leavers:	5,674
32,925		33,243
(6,174)	Net (additions) / withdrawals from dealings with members	(10,837)
6,015	Management expenses	6,510
(159)	Net (additions)/withdrawals including fund management expenses	(4,327)
	Returns on Investments	
(9,399)	Investment income	(11,813)
45	Taxes on income	27
33,264	(Profit) loss on disposal of investments and changes in the market value of investments	(156,201)
23,910	Net (Return)/Loss on Investments	(167,987)
23,751	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year	(172,314)
(663,817)	Opening Net Assets of the Scheme	(640,066)
(640,066)	Closing Net Assets of the Scheme	(812,380)

Sutton Pension Fund Net Assets Statement for the year ended 31 March 2021

2019/20		Note	2020/21
£'000			£'000
632,628	Investment Assets	14	807,754
632,628	Total Net Investments		807,754
7,998	Current Assets	20	6,755
(560)	Current Liabilities	21	(2,129)
640,066	Net Assets of the Fund available to fund benefits at the end of the reporting period		812,380

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 2014 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).
- the LGPS (Management and Investment of Funds) Regulations 2016
- the LGPS (Amendment) Regulations 2018, 2019 and 2020

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 2021 were as follows:

London Borough of Sutton

Scheduled Bodies

Sutton Housing Partnership

Academy Schools (x 42)

Admitted Bodies

Citizens Advice Bureau - Beddington and Wallington

Citizens Advice Bureau - Sutton

DB Services (previously NVIRO)

Everyone Active (formerly Sports and Leisure Management Ltd)

Ambient Support formerly Community Options (Heritage Care)

Compass Catering (Overton Grange Academy)

Compass Catering (St Philomena's)

Eldercare

Mitie (facilities and security management)

Cognus (formally Sutton Education Service)

Saba Park Services

Caterlink

Playwise Learning CIC

Ridgecrest Cleaning

Encompass

Orchard Hill College

Orchard Childcare

PF Note 1 - Description of the Fund (continued)

The following table summarises the membership numbers of the scheme:

2019/20		2020/21
No.		No.
58	Number of Employers with active members	62
	Active Members	
2,856	London Borough of Sutton	2,813
2,469	Scheduled bodies	2,671
512	Admitted bodies	414
5,837		5,898
	Deferred Members	
3,935	London Borough of Sutton	3,953
697	Scheduled bodies	794
158	Admitted bodies	179
4,790		4,926
	Pensioners (including Dependents)	
3,763	London Borough of Sutton	3,832
282	Scheduled bodies	324
89	Admitted bodies	114
4,134		4,270
14,761	Total	15,094

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 2021. Under the current scheme members can opt for the 50:50 option where they pay half their contributions for half the benefits.

In 2020/21, employer contribution rates ranged from 14.0% to 33.5% of pensionable pay. Employer contribution rates payable from 1 April 2020 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 2020/21 financial year and its position as at 31 March 2021. The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2020/21' (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 2021 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 certain critical judgments about complex transactions or those involving uncertainty about future events.

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is within accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised at Note 18. This estimate is subject to significant variances based on changes to the underlying assumption.

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. 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 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 £19m in the Council's pension liability; a one year increase in member life expectancy would increase the liability by approximately £47m and a 0.1% increase in the rate of salary increase would increase the liability by approximately £0.001m.</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 Council's actuaries have applied the same assumptions as used in the GAD review to prepare the IAS26 report, and have allowed for a potential increase in pension liabilities of 0.7%, or £7.0m. This figure was calculated before the July 2020 consultation paper was released, but the actuaries believe that the remedies proposed in the consultation paper are in line with the assumptions they used when preparing the IAS26 report, and so do not believe any further adjustment to the allowance is warranted at this time.</p>
Unquoted investments	<p>The valuation of unquoted private equity including property and infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using comparable market data, indices and data from third parties, as well as projected revenue streams associated with the assets.</p> <p>Due to the Covid-19 pandemic, there was very limited observable or reliable market data relating to property and infrastructure asset transactions at 31 March 2020, and there was significant uncertainty about revenue projections. 2019/20 valuations were therefore reported on the basis of 'material valuation uncertainty'.</p>	<p>The potential impact of this uncertainty cannot be measured accurately. Total property and infrastructure funds held by the Pension Fund are valued at £74.8m, and a 10% change in the valuation of property and infrastructure would therefore equate to a difference of £7.48m in Fund value.</p>

PF Note 6 - Events after the reporting period end

The Statement of Accounts was authorised for issue by the Strategic Director - Resources (S151 Officer) on 23 July 2021. At this date there was one non-adjusting event to report:

The value of the investments of the Fund at 31 May 2021 shows an increase in market movement from £807.8m to £829.3m. This is an increase of £21.5m or 2.7%.

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

2019/20		2020/21
£'000		£'000
(6,555)	Employees' contributions	(7,006)
	Employers' contributions	
(17,721)	Normal Contributions	(18,284)
(8,092)	Deficit Recovery Contributions	(15,321)
(166)	Augmentation contributions	(155)
(25,979)		(33,760)
(32,534)		(40,766)

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

2019/20		2020/21
£'000		£'000
(18,777)	London Borough of Sutton	(27,090)
(10,639)	Scheduled bodies	(10,617)
(3,118)	Admitted bodies	(3,059)
(32,534)		(40,766)

PF Note 8 - Transfers in from other pension funds

2019/20		2020/21
£'000		£'000
(6,565)	Individual transfers	(3,314)
-	Group transfers	-
(6,565)		(3,314)

During the years ended 31 March 2021 and 31 March 2020, 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

2019/20		2020/21
£'000		£'000
22,926	Pensions	23,659
3,884	Commutation and Lump sum retirement benefits	3,051
703	Lump sum death benefits	859
27,513		27,569

By Authority

2019/20		2020/21
£'000		£'000
23,996	London Borough of Sutton	24,061
2,410	Scheduled bodies	2,355
1,107	Admitted bodies	1,153
27,513		27,569

PF Note 10 - Payments to and on account of leavers

2019/20		2020/21
£'000		£'000
154	Refunds to members leaving service	90
-	Group transfers	789
5,258	Individual transfers	4,795
5,412		5,674

During the year ended 31 March 2021 £642k was paid to Croydon Council for the bulk transfer of Community Equipment Solutions (Sutton).

PF Note 11 - Management expenses

2019/20		2020/21
£'000		£'000
815	Administration Expenses	822
4,881	Investment Management Expenses	5,488
319	Oversight and Governance	200
6,015		6,510

The above table includes audit costs within Oversight and Governance which total £33,830 in 2020/21 (£16,170 in 2019/20).

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.

2019/20		2020/21
£'000		£'000
3,213	Management Fees	3,632
209	Performance Fees	417
37	Custody Fees	38
1,422	Transaction Costs	1,401
4,881		5,488

PF Note 11b - External audit costs

2019/20		2020/21
£'000		£'000
16	External audit costs	34
16		34

PF Note 12 - Investment income

2019/20		2020/21
£'000		£'000
	Pooled Investments:	
(5,130)	- Equities	(4,138)
(1,271)	- Fixed Income	(2,377)
(1,190)	- Property	(1,225)
(1,789)	- Other	(4,061)
(18)	Interest on Cash Deposits	(12)
(9,399)		(11,813)

PF Note 13 - Taxes on income

2019/20		2020/21
£'000		£'000
45	Withholding tax - pooled	27
45		27

PF Note 14 - Investments

2019/20	Investment Assets	2020/21
£'000		£'000
	Pooled Investment Vehicles - UK:	
27,897	Equities	39,702
107,708	Fixed Income - Public Sector	111,869
26,077	Fixed Income - Corporate	30,796
39,449	Property	39,524
10,475	Other	6,723
	Pooled Investment Vehicles - Overseas:	
339,555	Equities	486,624
13,433	Fixed Income - Public Sector	11,814
26,671	Fixed Income - Corporate	35,358
14,870	Property	14,985
25,048	Infrastructure	25,301
	Other Investment Balances:	
150	London CIV share capital	150
1,266	Cash deposits	4,877
31	Accrued income and recoverable taxes	31
632,628	Total Net Investment Assets	807,754

Other* includes absolute return, commodities and insurance linked assets within the Fund's holding in Baillie Gifford.

PF Note 14a - Analysis of Pooled Investment Vehicles

2020/21	Pooled Investment Vehicles:		Other managed funds:			Total
	Unit trusts	Unitised insurance policies	OEIC	SICAV	Insurance contract	
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	459,376	66,951				526,327
Fixed Income	45,419	37,045	56,508		50,865	189,837
Property	39,252			15,258		54,510
Infrastructure				25,301		25,301
Other	6,723					6,723
	550,770	103,996	56,508	40,559	50,865	802,698

2019/20	Pooled Investment Vehicles:		Other managed funds:			Total
	Unit trusts	Unitised insurance policies	OEIC	SICAV	Insurance contract	
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	328,217	39,235				367,453
Fixed Income	40,252	36,110	48,067		49,459	173,887
Property	39,306			15,013		54,319
Infrastructure				25,048		25,048
Other	10,475					10,475
	418,250	75,345	48,067	40,061	49,459	631,182

PF Note 14b - Reconciliation of movements in investments

2020/21	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	366,596	15,588	(1,748)	140,430	520,866
- Fixed Income	181,336	2,377	(1,008)	14,233	196,939
- Property	53,445	169	(361)	556	53,810
- Infrastructure	25,048	2,729	(2,739)	263	25,301
- Other	4,906	136	(91)	979	5,930
Sub-total Investments	631,332	20,999	(5,947)	156,461	802,846
Other Investment Balances:					
Cash deposits	1,266			(261)	4,877
Accrued income and recoverable taxes	31			0	31
Net Investment Assets	632,628			156,201	807,754

PF Note 14b - Reconciliation of movements in investments (continued)

2019/20	Value 31 March 2019	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:					
- Equities	403,069	3,784	(14,464)	(25,794)	366,596
- Fixed Income	183,871	2,159	(1,079)	(3,616)	181,336
- Property	55,985	356	(234)	(2,661)	53,445
- Infrastructure	22,841	2,800	(603)	9	25,048
- Credit	328	-	(332)	4	0
- Other	5,978	319	(188)	(1,203)	4,906
Sub-total Investments	672,073	9,419	(16,899)	(33,261)	631,332
Other Investment Balances:					
Cash deposits	940			0	1,266
Accrued income and recoverable taxes	31			(3)	31
Net Investment Assets	673,044			(33,264)	632,628

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 2021 is shown below. Fund's assets are held in unitised form. Excluding equities, the largest unitised holding is M&G's Alpha Opportunities Fund, representing 7.0% of net assets. There is no other individual holding of more than 5%.

31 March 2020			31 March 2021	
Market Value	% of total	Fund Manager	Market Value	% of total
£'000	%		£'000	%
Investments managed by London Collective Investment Vehicle				
42,270	6.8%	Pyrford - LCIV Global Total Return Fund	45,970	5.7%
42,538	6.7%	Baillie Gifford - LCIV Diversified Growth Fund	50,179	6.3%
103,658	16.4%	Newton - LCIV Global Equity Fund	142,461	17.7%
188,466	29.9%		238,610	29.7%
Investments managed outside of London Collective Investment Vehicle				
84,349	13.4%	Schroder Life QEP Global Active Value Fund	119,247	14.9%
110,664	17.5%	Harding Loevner Funds Plc Global Equity Fund	158,806	19.8%
39,235	6.2%	Legal & General All World Equity Index Fund	66,951	8.4%
36,110	5.7%	Legal & General Over 5 Year Index Linked Gilts Fund	37,045	4.6%
48,067	7.6%	M&G Alpha Opportunities Fund	56,508	7.0%
49,459	7.8%	M&G PP Index Linked Fund	50,865	6.3%
12,569	2.0%	LaSalle Investors UK Real Estate Fund of Funds	11,734	1.4%
22,202	3.5%	BlackRock UK Property Fund	22,373	2.8%
15,013	2.4%	Invesco Real Estate UK Residential Fund SCSp	15,258	1.9%
25,048	4.0%	Partners Group Direct & Global 2015 S.C.A., SICAV-SIF & Global 2012 S.C.A., SICAR	25,301	3.2%
442,716	70.1%		564,088	70.3%
631,182	100.0%	Total	802,698	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.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Recognised at market value	Not required	Not required
Market quoted investments - pooled equity and bond funds	Level 1	Published bid market price on final day of the accounting period	Not required	Not required
Pooled investments - equity and bond funds	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 investments - UK and overseas property funds	Level 3	Closing bid price where bid price published	NAV based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between reporting date and 31/03/21
Pooled investments - infrastructure fund and loans to companies fund	Level 3	Discounted cashflow method	Projected cashflow information based on agreed investment terms and expected growth rates	Valuations could be affected by material events occurring between reporting date and 31/03/21

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 2021 and 31 March 2020.

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%	49,364	54,300	44,427
- Private Equity/Infrastructure	10%	25,301	27,831	22,771
- Other	0%	150	150	150
Total		74,816	82,281	67,348

2019/20	Potential variation in fair value	Value at 31 March 2020	Potential value on increase	Potential value on decrease
	+/-	£'000	£'000	£'000
Pooled Investment Vehicles:				
- Property	10%	49,783	54,762	44,805
- Private Equity/Infrastructure	10%	25,048	27,553	22,543
- Other	0%	150	150	150
Total		74,982	82,465	67,498

All movements in the assessed valuation range derive from changes in the net asset value of the underlying property, infrastructure 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 2020					31 March 2021			
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:			
214,322	153,131	-	367,453	Equities	301,266	225,061	-	526,327
	173,887	-	173,887	Fixed Income		189,836	-	189,836
-	4,535	49,784	54,319	Property	-	5,144	49,365	54,509
-	-	25,048	25,048	Infrastructure	-	-	25,301	25,301
-	-	-	-	Credit	-	-	-	-
-	10,475	150	10,625	Other	-	6,723	150	6,873
214,322	342,028	74,982	631,332	Financial Assets at fair value through profit and loss	301,266	426,764	74,816	802,846

*Other Includes absolute return, commodities and insurance linked assets within the Fund's holding in Baillie Gifford.

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

2020/21	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	49,783	-	-	65	(292)	(192)	49,364
- Private Equity/Infrastructure	25,048	-	-	2,729	(2,739)	263	25,301
- Credit	(0)	-	-	-	-	-	(0)
- Other	150	-	-	-	-	-	150
Total	74,982	-	-	2,794	(3,031)	71	74,816

2019/20	Value 31 March 2019	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2020
	£'000			£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Property	51,840	-	-	218	(153)	(2,121)	49,783
- Private Equity/Infrastructure	22,841	-	-	2,800	(603)	9	25,048
- Credit	327	-	-	-	(332)	4	(0)
- Other	150	-	-	-	-	-	150
Total	75,159	-	-	3,018	(1,087)	(2,108)	74,982

PF Note 16a - Classification of financial instruments

2019/20			2020/21		
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:					
367,453	-	-	Equities	526,326	-
173,887	-	-	Fixed income	189,837	-
54,319	-	-	Property	54,509	-
25,048	-	-	Infrastructure	25,301	-
-	-	-	Credit	-	-
10,625	-	-	Other*	6,873	-
	7,918	-	Cash deposits		9,140
	800	-	Sundry debtors		1,235
631,332	8,718	-		802,846	10,375
<u>Financial Liabilities</u>					
-	-	16	Creditors	-	(841)
-	-	16		-	(841)
631,332	8,718	16	Total	802,846	(841)

*Other Includes absolute return, commodities and insurance linked assets within the Fund's holding in Baillie Gifford.

PF Note 16b - Net gains and losses on financial instruments

2019/20		2020/21
£'000		£'000
	Financial Assets	
(33,261)	Designated at fair value through profit and loss	156,462
(3)	Designated at amortised cost	(261)
(33,264)		156,201

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 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 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)

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 9.8%. 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 2021, along with the impact that a 9.8% 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 2021. 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 31/03/2020	Value on 10% price increase	Value on 10% price decrease	Currency Exposure - Asset Type	Value as at 31/03/2021	Value on 9.8% price increase	Value on 9.8% price decrease
£'000	£'000	£'000		£'000	£'000	£'000
339,555	373,511	305,600	Overseas equities	486,624	534,313	438,935
40,103	44,114	36,093	Overseas fixed income	47,171	51,794	42,549
14,870	16,357	13,383	Overseas property	14,985	16,454	13,517
25,048	27,553	22,543	Overseas infrastructure	25,301	27,780	22,821
419,577	461,535	377,619	Total assets available to pay benefits	574,081	630,341	517,822

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

Other Price Risk -Sensitivity Analysis

Value as at 31/03/2020	Change +/-	Value on increase	Value on decrease	Asset Type	Value as at 31/03/2021	Change +/-	Value on increase	Value on decrease
£'000	%	£'000	£'000		£'000	%	£'000	£'000
367,453	28.0	470,339	264,566	Equities	526,326	17.3	617,381	435,272
173,887	8.5	188,668	159,107	Fixed income	189,836	7.6	204,264	175,409
54,319	14.6	62,249	46,388	Property	54,509	14.2	62,250	46,769
25,048	15.6	28,956	21,141	Infrastructure	25,301	15.3	29,172	21,430
1,266	0.3	1,269	1,262	Cash	4,877	0.3	4,892	4,862
10,656	9.7	11,690	9,623	Other	6,905	12.8	7,789	6,021
632,628		763,171	502,087	Total	807,754		925,748	689,763

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 2021. Because 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.

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 which 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 a special 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 special interest bearing account maintained by Council officers. The remainder is invested in fixed term deposits taking into account likely future cash flows. 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 2020/21 were based on the actuarial valuation carried out as at 31 March 2019 by the Fund's actuary, Barnett Waddingham. 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 2021, 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 2020		31 March 2021	
£'000		£'000	
(996,923)	Actuarial Fair Value of Promised retirement benefits	(1,282,931)	
631,450	Net Fund Assets available to fund benefits	807,726	
(365,473)	Net Liability	(475,205)	

PF Note 20 - Current assets

31 March 2020		31 March 2021
£'000		£'000
1,321	Contributions	1,062
24	Other debtors	142
5,609	Current receivables	187
1,044	Cash at Bank	5,364
7,998	Total Current Assets	6,755

PF Note 21 - Current liabilities

31 March 2020		31 March 2021
£'000		£'000
(8)	Refund of contributions	(280)
(552)	Other Creditors	(561)
-	Current payables	(1,288)
(560)	Total Current Liabilities	(2,129)

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. Total contributions paid by members in Clerical Medical during 2020/21 were £101k (£98k in 2019/20), as below. There are no active contributors with Utmost.

PF Note 22 - Additional voluntary contributions (continued)

31 March 2020		31 March 2021
£'000		£'000
98	Clerical Medical	101
98		101

At 31 March 2021, the total estimated value of the AVC funds with Clerical Medical and Utmost was £637k (£632k at 31 March 2020).

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 2020/21 was £719,123 (£524,197 in 2019/20)

Two of the Councillors voting on the Pension Committee are members of the Pension Fund.

The key management personnel for the Pension Fund are the same as for the Council as a whole. Their costs have been reasonably apportioned between the Pension Fund Accounts and the Authority's Accounts, and are within scheme administration and investment management expenses as above. The costs of the Strategic Director - Resources (S151 Officer) cannot reasonably be apportioned in this way. Extra disclosure can be seen in the Authority's accounts under the notes related to Senior Officers remuneration and Related Party Transactions

PF Note 24 - Contingent liabilities and contingent assets

There are no known material contingent assets as at 31 March 2021. There are no outstanding contractual commitments and no material relating non-adjusting events occurring subsequent to the period end.

10. Annual Governance Statement 2020/21

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.

- 1.4 The seven core principles are as follows: -
- (a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - (b) Ensuring openness and comprehensive stakeholder engagement.
 - (c) Defining outcomes in terms of sustainable economic, social, and environmental benefits.
 - (d) Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - (e) Developing the entity's capacity, including the capability of its leadership and the individuals within it.

- (f) Managing risks and performance through robust internal control and strong public financial management.
- (g) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

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 In March 2020, emergency planning and business continuity arrangements were put in place to protect and support the most vulnerable, supporting public health measures to reduce the spread of the virus and maintaining and adapting Council services to continue to serve residents and businesses in the borough. LBS was able to continue to work with partners, local and regional authorities across London, and the government, through London emergency planning arrangements.

Annual Governance Statement (continued)

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- 2.2 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 The Council operates the modern committee system for decision-making, rather than the executive cabinet system. 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 asked to declare their interests each year (after the Annual Council) and at the start of all committee meetings. Senior officers are required to make annual declarations of interest.

2.5 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 the 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 the 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.

2.6 The Councils has the following Scrutiny functions

- **The Scrutiny Committee** scrutinises decisions made by other committees and decisions delegated to officers. During 2020/21 this committee met 3 times from October 2020. The following items were covered:- The Council's approach to Covid, October 2020 committee; overview of the Council's Shared Services, December 2020 committee; Highways Shared Service Improvement plan, March 2021 committee.
- **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. This committee continued to meet on-line during 2020/21.

Annual Governance Statement (continued)

- 2.7 On 18 May 2020 the Council agreed Decision Continuity Procedures which resulted in establishing a politically proportionate Urgency Committee, at this time it was also agreed to consolidate the decision making structures of the Council with the Strategy and Resources Committee taking all decisions usually reserved to standing committees until 1 October 2020. The provisions of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authorities and Police and Crime Panels Meetings) (England and Wales) Regulations 2020 were utilised for these meetings to take place remotely. From 1 October 2020 the established structures of committees were reinstated, with meetings held remotely.
- 2.8 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 2020/21 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**
- 2.9 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.
- 2.10 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.
- 2.11 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.
- 2.12 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.
- 2.13 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.
- 2.14 During 2020/21 the Council adopted formal major emergency response arrangements (Gold, Silver) to manage the coronavirus response in the Borough. The Council Gold Group, consisting of the Corporate Management Team members, convened weekly to discuss the changing situation and impacts, make complex decisions, and take strategic actions to direct the Council's response. The Council's Silver Group convened daily to undertake work as directed by the Gold Group across the workstreams established in response to the pandemic and to monitor the impacts across directorates.

Annual Governance Statement (continued)

Defining outcomes in terms of sustainable economic, social, and environmental benefits. Determining the interventions necessary to optimise the achievement of the intended outcomes

- 2.15 The Corporate Plan - Ambitious for Sutton 2018-2023 is available to residents, officers and members via the Sutton Council website. The Ambitious for Sutton Transformation Portfolio covers Adult, Children Social Care Transformation, Health and Social Care Integration, Opportunity Sutton, Inequalities, Climate Change, Affordable Housing, Asset Strategy, New Ways of Working and Digital Channel Shift.
- 2.16 The Ambitious for Sutton Plan 2020/22 was approved by the Strategy & Resources (S&R) Committee as part of the Commissioning and Financial Planning report in February 2020. The plan sets out the key activities that will be undertaken to achieve the Council's priorities and desired outcomes.
- 2.17 New areas of emphasis, agreed by S&R Committee for transformation going forward, cover:-
- 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.

- 2.18 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.
- 2.19 Sutton prepared a Local Outbreak Control Plan, which was signed off by the Director of Public Health, the Chief Executive and the Leader of the Council. It was submitted for formal approval by the Health and Wellbeing Board on 20 July 2020. A second version of Sutton's COVID-19 Outbreak Control Plan was developed in November 2020. The document and its appendices were updated regularly throughout the epidemic to reflect changes sourced from national and regional guidance.
- 2.20 The plan outlines steps in local preparedness to prevent, control and manage COVID-19 incidents and outbreaks, if and when they emerge. It describes our local whole-system response and it has been developed with a wide range of stakeholders and overseen by the Health and Wellbeing Board.

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- 2.21 The Council's commitment to openness and transparency to publish data is freely available in a variety of formats making it accessible to everyone. Data relating to the Borough are published on Data Sutton. The data are up to date local data and information to give an insight into the Borough and comparing it against national data.
- 2.22 To ensure that concerns or complaints from the public can be raised, the Council has an established formal complaints policy which sets out how complaints can be made, what should be expected and how to appeal. Arrangements are in place for Freedom of Information requests, Subject Access Requests, and publishing of data under the Transparency Agenda.
- 2.23 A new Google on-line officer declaration of interest form was launched in March 2020, with all staff required to complete and submit by 31 May 2020. However, due to the Covid pandemic, there were delays on completion and management reporting, which resulted in a relaunch in October 2020.
- 2.24 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

Annual Governance Statement (continued)

Audit (2019). An internal Public Sector Internal Audit Standards review for 2020/21 of the Internal Audit service concluded that the service is satisfactory and fit for purpose. A five-year external review was also undertaken in May 2018 and provided a compliance assurance.

- 2.25 A whistleblowing policy has been adopted to enable staff, partners and contractors to raise concerns of crime or maladministration confidentially. This has been designed to enable referrals to be made without fear of being identified. These arrangements are part of ensuring that effective safeguarding, counter-fraud and anti-corruption arrangements are developed and maintained in the Council. A review of the Council's Whistleblowing arrangements was undertaken in 2020/21, this included reviewing the internal process followed and a refreshed Whistleblowing policy and Anti Money Laundering Policy, was approved by the Audit and Governance Committee held on 18 June 2020.
- 2.26 A Regulation of Investigatory Powers Act (RIPA) inspection carried out in 2020/21, by the Investigatory Powers Commissioner's Office found that the Council's process was robust. A few recommendations were made, including reporting regularly to committee and refresher training for authorised officers. As a result, training was provided in January 2021 by the fraud and legal partnerships, and an RIPA update was provided to the Audit and Governance Committee.

Managing risks and performance through robust internal control and strong public financial management

- 2.27 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.
- 2.28 The Strategic Director of Resources is required to report to Council as part of the budget process on the robustness of the estimates and the adequacy of the proposed financial reserves. The Update to the Medium-Term Financial Plan for 2021/23 was presented to the Strategy and Resources Committee meeting held on 14th September 2020 and approved on the 8th February 2021.
- 2.29 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). A new Financial Management code was introduced by CIPFA which is effective from April 2022, but should be reflected by the Council from April 2021. Arrangements are in place to review the Council's arrangements during 2021/22. A review of the Council's Financial Regulations and Scheme of Delegations are also to be reviewed in 2021/22.

- 2.30 The financial impact on the Council was monitored throughout the year and reported regularly to the Strategy and Resources Committee. A monthly return detailing the impact to date and forecasts to the end of 2020/21 was submitted to the Government to help inform the national response and funding arrangements. Additional funding was provided in the form of non ring fenced grants to mitigate the financial impact on the Council, and ring fenced grants to deliver additional support and initiatives to residents and communities in addition to usual Council services. The Council has been able to claim one-off funding to offset some of the loss of income attributed to the pandemic e.g. loss of income from closed leisure facilities, loss of rental income and loss of parking income. Additional funding has been provided by the Government to local authorities to cover additional costs. These costs are being regularly monitored and reported to the Ministry of Housing, Communities and Local Government (MHCLG). Funding has also been provided for business and the voluntary sector.
- 2.31 The S&R Committee approved the following during 2020/21:-
- The Asset Strategy 2020-25 identified efficiencies in the use of Council Buildings that was presented to the October 2020 committee;
 - A review and update was carried out on Contract Standing Orders and minor changes agreed in the March 2021 Committee.

Annual Governance Statement (continued)

- 2.32 The Council has developed an ambitious and innovative commissioning programme over the last year including:
- Working with other boroughs as part of the South London Commissioning Programme on collaborative approaches to Children Looked after and SEN placements;
 - Leading the Pan London Social Impact Bond, providing evidence based interventions for those on the edge of care;
 - Developing joint commissioning arrangements with South West London CCG, including the development of a new programme of work around the 'Best Start in Life'; and Embedding clinical expertise within social work teams.
- 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 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). A revised Anti-Fraud and Corruption Strategy was approved by the Committee in 2019/20.
- 2.35 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 London Borough of Sutton policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.36 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 the Audit and Governance, and Strategy and Resources Committees. An Internal Audit review on the effectiveness of the Council's risk management arrangements was undertaken in 2019/20 and provided substantial assurance.
- 2.37 During 2020/21 risks were reviewed more frequently to ensure they captured and mitigated risks emerging through the pandemic and to prepare for the Brexit transition, for which there was a specific risk register. The risks arising from the pandemic and Brexit have been reviewed by the Council's emergency governance arrangements and the Council's day-to-day risk register were reported regularly to the virtual meetings of the Audit and Governance Committee.
- 2.38 Quarterly Information Security and Governance Board meetings are held to review policy, procedures, and breaches, with representatives from each department and key officers. Online Information Security training was rolled out to staff.

Annual Governance Statement (continued)

2.39 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 significance increased significantly during 2020/21 with the impact of Covid 19 and the volume of staff needing effective IT solutions that enabled them to work from home.

2.40 Business Continuity and Disaster Recovery Plans were reviewed and updated in 2020/21 as a result of the current Covid-19 pandemic. Business Impact Assessments (BIA) were updated in March 2020 and November 2020 (following changes to service delivery because of Covid-19).

Ensuring openness and comprehensive stakeholder engagement

2.41 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.

2.42 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. In 2020/21 these committees met once or twice during the year.

2.43 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.

2.44 The London Borough of Sutton also has a specific governance structure in place to develop, implement, embed and review equality, diversity and inclusion work.

- The Sutton Fairness Commission - In line with the Sutton Plan and LBS's focus on partnership working the Fairness Commission will be the main vehicle for external equality, diversity and inclusion activity. The Council will act as a critical friend for partners and will also receive input and feedback on its services, policies and commissioning processes via the Commission.

- The Equality, Diversity and Inclusion Steering Group - The Equality, Diversity and Inclusion Champions Steering Group oversees and informs the development and implementation of equality and diversity strategies, policies, and guidance; monitoring progress on the ground in achieving our aims and; reporting on a regular basis to ensure progress is being made, issues are raised and barriers are unblocked.

2.45 The Council undertakes surveys with a representative sample of its residents who provide the Council with feedback on important issues that helps to improve services as part of establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. 'A residents survey is undertaken every 2 year. The survey in July 2019 found "more than half (54%) of residents feel very or fairly well informed about how their Council Tax is spent, with exactly half (50%) saying they feel informed about the services and benefits provided by the Council".

2.46 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.

Annual Governance Statement (continued)

- 2.47 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.
- 2.48 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.
- 2.49 During 2020/21 a Local Governance Association (LGA) review was undertaken on the joint role of the Director of People (covering Children and Adult Services). Part of this review examined the relationship and engagement with partner organisations and boards, such as: Sutton Health and Care Partnership, Health and Wellbeing Board (HWB); Safer Sutton Partnership; Safeguarding Leadership Group; Local Safeguarding Children Partnership (LSCP); Sutton Safeguarding Adults Board (SSAB); Sutton Education Partnership; and SEND Continuous Improvement Board. This review concluded there is a shared vision across partners for Sutton, and relationships with partners are strong and effective.
- 2.50 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 South West London CCG (Clinical Commissioning Group) and Sutton Council have agreed to work together to "enable people to maintain their independence and health in the community".
- 2.51 Improving Healthcare Together Joint Health Scrutiny Committee (IHT JHSC) 4th June 2020, provided an update on consultations taken on the proposal to invest in both Epsom and St Helier hospitals and build a new specialist emergency care hospital which could be located at Epsom, St Helier or Sutton hospital.
- 2.52 Staff engagement - During 2020/21 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. During 2020/21, the Director of Public Health has presented COVID-19 staff engagement events including Q and A sessions.
- 2.53 The Council has a process in place to keep Trade Unions involved in staffing matters, through the Council and Employees Joint Committee.
- 2.54 Shared Service arrangements are in place in the following areas:- Highways, HR, Finance, IT, Customer Services, Regulatory Services, Pensions, Legal, Audit and Fraud. The governance arrangements are managed through a Shared Service Board (SSB) comprising senior officers from each of the Councils. The board meets 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, the SSB is also a forum through which further opportunities for shared services can be considered and where agreed, subject to further work through established committee governance.
- 2.55 In 2020/21 a report on the Council's Shared Services went to the Scrutiny Committee in December 2020, with revised SSB terms of reference. A report on the outcome of the Highways and Regulatory Shared Services review was reported to the Environment and Sustainable Transport Committee in January 2021 and a report on the Highways Shared Service Improvement plan was reported to the Scrutiny Committee in March 2021.
- 2.56 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.

Annual Governance Statement (continued)

Council owned companies

- 2.56 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.*
- 2.57 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.
- 2.58 The Sutton Shareholdings Board met three times during 2020/21, 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.
- 2.59 Six businesses have been registered with Companies House, where required accounts have been filed for the year ending March 2020. The following changes have been noted in 2020/21:
- 2.60 **Opportunity Sutton Ltd** 08529735. Non trading company. The appointment of Mark Norrell and Kathryn Carr as Directors was approved at the June 2020 Sutton Shareholdings Board meeting. Companies House has recorded that Kathryn Carr has resigned as a Director of Opportunity Sutton as at 31 March 2021. Opportunity Sutton has two subsidiary companies:
- Sutton Living Ltd
 - Sutton Decentralised Energy Network Ltd
- 2.61 **Sutton Living Ltd** 09897512. This is a local housing development company established by Sutton Council to increase the housing supply and choice of housing for residents.
- 2.62 **Sutton Decentralised Energy Network Ltd** 10022446 The Council's sustainable energy supplier that provides low-carbon energy to homes and businesses in Sutton. The Scrutiny Committee has included a review of the experience of SDEN's customers in their work plan for 2021/22.
- 2.63 **Encompass LATC Ltd** 10184775. Covers:- Homelessness and housing needs; Adult Social Care support brokerage; Shared Lives (Adult Social Care); and Financial administration for Direct Payments. During 2020/21 the Housing Economy and Business Committee (Dec 2020) agreed an extension of Encompass LATC Ltd for a further 3 years till June 2024. The following director was appointed on 19 May 2020: Mr. Luke Addams(-Fallon).
- 2.64 **Cognus Ltd 10276456**. Covers:- Educational Support Services. During 2020/21, the People Committee (Oct 2020) agreed an extension of Cognus Ltd to a further 3 years till Oct 2024. The following director appointments were terminated:- Krishna Yergol from 12 June 2020 and Nicholas Keith Birch Ireland from 15 September 2020: The following directors were appointed from 1 October 2020; Mr Bradley Peyton, Mr Ian Geary and Mr Kieran Holliday.
- 2.65 Following an independent review, approval was given by the People Committee on 16 January 2020 and the Strategy and Resources Committee on 10 February 2020 for Cognus to become a wholly-owned local authority trading company, a transfer of shares was carried out in January 2021. Notification has been sent to Companies House of the change to 100% ownership of Cognus by Sutton Council.
- 2.66 **London Cancer Hub (LCH) Co Ltd 10635978 non trading company**. The direct delivery of the next phase of development at the London Cancer Hub was approved in June 2020, with the Strategic Director of Resources given authority to award all contracts necessary to deliver the next phase of development at the London Cancer Hub. There are no plans to use the company structure at the current time.

Annual Governance Statement (continued)

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 2020/21 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 the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, by the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectors.

5. External assurance / inspections during 2020/21

- 5.1 The Council receives assurance through a range of external bodies such as:-
- A Test of Assurance was undertaken in January 2021 by the Local Government Association (LGA) on the combined role of the People Director for Children's and Adult Services. This review highlighted that the governance arrangements in place for the directorate and partners were robust to provide assurance that the statutory role covering children and adults were met.
 - Ernst and Young (EY) completed a review of the Highways Shared Service which was reported to the Environment and Sustainable Transport Committee held on 28 January 2021. The Shared Highways Service Improvement Plan was reported to Scrutiny in March 2021.
 - The opinion of the external auditors in their reports and annual letter to the Audit and Governance Committee.
 - Annual meetings with Ofsted in relation to Children's Social Care and Education. Independent Review by Ofsted, Care Quality Commission (CQC), Special Educational Needs and Disabilities (SEND) Local Area Revisit, Adult Social Care safeguarding peer review, CQC inspection of Short Term Assessment and Reablement Team (START) and Learning Disabilities Health clinical team, SEND reinspection: all inspections went well.

6. Assurance by Directors and Assistant Directors

- 6.1 A governance self assessment questionnaire was sent to Directors and Assistant Directors by Internal Audit to obtain their understanding of the 7 key areas below:-
- Risk and Business Continuity
 - Performance Management
 - Financial Management
 - Legal
 - HR
 - Commissioning and Procurement
 - Information Governance and Data Protection
- 6.2 Directors and Assistant Directors confirmed their understanding of the above governance requirements. No significant issues were identified.

7. Conclusion

- 7.1 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 2020/21. The Head of Internal Audit's opinion based on this work, is that the system of internal control is generally sound and effective.

Annual Governance Statement (continued)

Table 1 update on issues raised in 2020/21 action plan and progress to date

Key Issues	Progress during 2020/21
<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 2020/21, the Council started planning for recovery. This included short term, medium term and long term changes, with an assessment undertaken on services to restart, stop, retain or change. A workstream for business recovery was set up to review the impact on businesses in the short, medium, long term</p> <p>The Council is reviewing its Corporate Plan to ensure it reflects any revised priorities</p> <p>This action is continuing into 2021/22 as the government updates its guidance on easing out of lockdown and the recovery from the pandemic remains a key issue/risk for the Council.</p>
<p>2. Overseeing and managing the various delivery models (shared, outsourced, spun out) .</p>	<p>In 2020/21 revised governance arrangements have been put in place for LATCs through the Sutton Shareholdings Board, and new Strategic and Operational Shared Service Board for the services shared with RB Kingston. The effectiveness of these arrangements is being kept under review by the Monitoring Officer</p> <p>An assurance review is being uptaken in 2021/22 by the Internal Audit Service.</p> <p>This action has been rolled over into 2021/22 given the complexity and importance of the range of delivery vehicles in place.</p>
<p>3. Delivery of Health and Social Care integration.</p>	<p>Integration is integral to the NHS's Sustainability and Transformation Plan and a key priority for the delivery of the Sutton Plan.</p> <p>During 2020/21 partnership working intensified as local partners met weekly to work together on an agile response to the COVID pandemic. This included notable collaboration on: discharge pathways from hospital; support to care homes; testing programmes; communication to residents and most recently a tailored local vaccination programme.</p> <p>This work was overseen by the weekly Sutton System Leaders group with regular updates to the Health and Wellbeing Board.</p> <p>Moving forward into the recovery phase the Council is working closely with NHS partners on the new local governance arrangements around local integration following NHS reforms.</p> <p>This integration will be supplemented with an appropriate programme of organisational development for the new Sutton Integrated Care Place which now also includes the newly-formed Primary Care Networks as well as the local community and voluntary sector.</p>

Annual Governance Statement (continued)

Key Issues	Progress during 2020/21
<p>4. Increasing financial pressures.</p>	<p>A balanced budget for 2021/22 has been set and additional Covid funding announced for quarter 1. A budget readiness assessment has been completed to identify early any savings that may not be delivered in full, to highlight key risks and to identify any new or emerging pressures. This was reported to CMT in April and discussed to ensure areas highlighted red or amber could be tackled via DMTs. Overall a small level of red savings was identified and significant assurance over other savings indicates that the budget for 2021/22 is based on realistic assumptions.</p> <p>This action has been rolled over to the action plan for 2021/22 as there remains significant risk and uncertainty on both funding and also the impact of the pandemic on residents and businesses.</p>
<p>5. Impact of Brexit on the Council's ability to deliver services.</p>	<p>During 2020/21 the Council participated in London-wide planning and information-sharing arrangements to mitigate uncertainty. A programme of communication was undertaken, which included communicating with providers of goods and services, the public, voluntary and community partners as well as business. Residents were provided with information on how to register for the settled status.</p> <p>The Council has undertaken all actions on Brexit advised by the government.</p> <p>This action can be closed.</p>
<p>6. Continuing increase in Education Health Care Plans (EHCP) beyond our financial means creates significant budget pressures in DSG in a context of low general reserves.</p>	<p>High Needs Block Review work commenced in 2020/21, and will be a two-year process. The Intended outcomes are to:</p> <ul style="list-style-type: none"> ● Work collaboratively with schools/settings to jointly own and resolve issues through the Sutton Education Partnership ● Implement 'predictable' and 'exceptional' need model and the SENCO Cluster practice ● Support mainstream settings to address SEN Support needs effectively through reviewing and revising the formula for Notional Funding ● Clarify and improve funding mechanisms for specialist settings ● Improve our pathways to adulthood <p>This action can be closed and the DSG funding will be included in the Council's finance oversight</p>

Annual Governance Statement (continued)

Key Issues	Progress during 2020/21
<p>7. Internal Audit work during the year raised issues in relation to Starters and Leavers. This audit received limited assurance.</p> <p>Managers were not completing starters and leavers forms in a timely manner for agency and interim staff. This increased the risk of unauthorised access to system networks, unauthorised spending on leavers' procurement cards and the failure to return leavers' mobile phones.</p>	<p>The Leavers Form has been enhanced to prompt the return of any procurement cards from leavers. HR and IT have communicated to managers the importance of completing the Leavers Form on time.</p> <p>This action can be closed.</p>
<p>8. Internal Audit work during the year found a significant number of schools with concerns relating to deficit budgets and other control issues. There were five limited assurance audits. Three schools have a significant deficit balance at 2019/20 year end, (£117k, £249k, and £671k).</p>	<p>Deficit recovery plans are in place, or are due to be put in place, with detailed plans to repay advance payments, over the next 3 years.</p> <p>An Internal Audit review in 2020/21 provided a limited assurance. Increased monitoring required for those schools in deficit has been put in place.</p> <p>This action can now be closed.</p>

Annual Governance Statement (continued)

Table 2

Based on the review the following key issues for 2021/22 have been identified:

Key Issues	Action	Responsible Officer
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.	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.	Chief Executive
2. Overseeing and managing the various delivery models (shared, outsourced, spun out).	A review of the delivery arrangements to be undertaken in 2021/22 including the effectiveness of contract management. A review of the governance arrangements for LATC's has been included in the Internal Audit plan for 2021/22.	Assistant Director of Customer, Transformation and Strategy
3. Business Continuity Plans	Business Continuity Plans to be reviewed in 2021/22	Strategic Director of Environment, Housing and Neighbourhoods.
4 Increasing financial pressures.	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 non earmarked 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.	Strategic Director of Resources

Annual Governance Statement (continued)

Key Issues	Action	Responsible Officer
<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 set for 2021/22 on refreshed training for officers and templates.</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>Strategic Director of Resources</p>

7.2 Progress managing these issues will be monitored in-year and assessed as part of the next annual review. To be signed by the Chief Executive and Leader following approval by the Audit & Governance Committee on 29 July 2021.

Chief Executive:



Date: 12/08/2021

On Behalf of the Council

Leader:



Date: 03/08/2021

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.

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	MHCLG	Ministry of Housing, Communities and Local Government
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
DfE	Department for Education	RICS	Royal Institution of Chartered Surveyors
DSG	Dedicated Schools Grant	RCCO	Revenue Contribution to Capital Outlay
FTE	Full Time Equivalent	SHP	Sutton Housing Partnership
HRA	Housing Revenue Account	TFL	Transport for London
IAS	International Accounting Standard	TPA	Teachers' Pension Agency
I&E	Income and Expenditure	UCR	Usable Capital Receipts
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		