LONDON BOROUGH OF SUTTON

STATEMENT OF ACCOUNTS

2016/17

Gerald Almeroth CPFA
Strategic Director - Resources

CONTENTS

.

Section 1

Narrative Report

2016/17

1. Introduction

The Narrative Report provides a summary of the the key issues affecting the Council and its accounts.

It summarises the Council's financial performance for the year to the 31 March 2017, and its financial position at that date. The report provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position. The structure of the report is as below:

- External Audit
- Financial Performance against budget for the year
  - Revenue Expenditure
  - Capital Expenditure
- Financial Planning
- Main Changes to the Core Statements and significant transactions
  - Changes to Accounting Policies
  - Pension Liability
  - Provisions and contingencies
- Structure of the Statement of Accounts

2. External Audit

The Council's independent external auditor Grant Thornton UK LLP will report their findings from the audit of these accounts to the Audit Committee on 21 September 2017. Grant Thornton also prepares an Annual Audit Letter, which includes a Value For Money conclusion, and summarises their findings and recommendations on audit work undertaken during the year. The 2016/17 letter will be considered by the Strategy and Resources Committee in late 2017. When available, a copy can also be obtained from the Strategic Director – Resources or viewed on the Council's website.

3. Financial performance against budget for the year

Revenue expenditure

In March 2016 the Council set a net general fund expenditure budget for 2016/17 of £144.916m, which resulted in a Band D Council Tax for Sutton purposes of £1,210.03 and a total Band D Council Tax including the Greater London Authority precept of £1,486.03.

The General Fund revenue budget outturn reported to the Strategy and Resources Committee on 17 July 2017 reported a net overspend of £2.457m (1.7%) before carry forwards against a net revenue budget of £144.916m. Carry forwards of £125k unspent revenue budgets for public realm and neighbourhood were agreed to be funded from General Fund Balances.

This is summarised in the table opposite.

	Approved Budget	Actual Outturn Variance	Actual Outturn Variance
	£'000	£'000	%
Commissioning Directorates			
People			
- Adult Social Care, Children's Services & Wellbeing	112,928	4,736	4.2
- Public Health	10,322	(1)	(0.0)
- Public Health Grant	(10,328)	0	0.0
- DSG Delegated Budgets to Schools	104,860	2,259	2.2
- Dedicated Schools Grant	(104,860)	(2,259)	(2.2)
Environment, Housing & Regeneration	39,706	(463)	(1.2)
Sub-total	152,628	4,272	(2.8)
Corporate Core			
Chief Executive's	6,151	(212)	(3.4)
Resources	25,449	7	0.0
Non-service revenue budgets	(4,182)	(1,338)	32.0
Support cost recharges	(25,644)	(360)	1.4
Sub-total	1,774	(1,903)	(107.3)
Current Expenditure Position 2016/17	**154,402**	**2,369**	**1.5**
Core grants	(9,486)	235	(2.5)
Net Outturn 2016/17	**144,916**	**2,604**	**1.8**
Funding Sources			
- Revenue support grant	(24,751)	0	0.0
- Local business rates (Sutton share 30%)	(15,605)	0	0.0
- Top up grant (business rates)	(17,622)	(147)	0.8
- Council Tax	(85,391)	0	0.0
- Collection Fund Council tax surplus	(1,330)	0	0.0
- Collection Fund NNDR surplus	(217)	0	0.0
Total Funding	**(144,916)**	**(147)**	0.1
Total Income and Expenditure	**0**	**2,457**	

The General Fund outturn postion for People Services Directorate is an overspend of £4.735m (4.2%).

The overspend is predominately in Children's Safeguarding (£3.642m) due to continued pressure in the service. The most significant variations are:

- £1.087m relating to placement costs for looked after children (LAC). The overspend is mainly due to increased numbers, particularly in higher cost residential care;
- £0.611m relating to essential posts established during the year for a CSE practice lead and a Court Protection Officer that were not within the baseline establishment, recruitment and retention costs incurred in securing permanent staff, particularly for front line child protection teams, higher than budgeted agency costs and a planned reduction in budget that was not achieved;

- £0.647m relating to legal costs. This expenditure relates to care proceedings and the costs of assessments directed by the court. The number of care proceedings rose from 50 in 2015/16 to 70 in 2016/17 as a result of a court ruling on section 20 accommodation, a lack of effective early help alongside high levels of domestic violence, substance misuse and adult mental health issues contributing to the need to initiate proceedings in order to protect children;
- £0.270m relating to Leaving Care Placement Support costs. This expenditure relates to those young people who are still looked after but are allocated within the leaving care team. The local authority has a duty to keep these young people safe and support them. Expenditure has increased as a result of two factors; an increase in the number of young people with high needs including self harm needing to be placed in semi-independent accommodation and the additional cost of caring for about 10 unaccompanied asylum seeking children who became 18 years old. These young people reduce the availability of supported places which leads to more expensive options being used;
- £0.462m relating to Special Guardianship Orders, Adoption Allowances & Residence Orders. This overspend is due to an increasing number of children leaving the care of the local authority and being cared for by those other than their birth parents. It is positive that children have permanent placements and the costs awarded to carers by the court are less than foster placement costs; and
- £0.107m relating to Referral and Assessment - No Recourse to Public Funds (NRPF). The local authority has a duty to support families that have NRPF where they have children under the age of 18. There has been an increase (from 8 in 2015/16 to 12 in 2016/17) in families who have no recourse but a more important factor in driving the cost increase is the time taken to get the cases resolved by the Home Office. This is increasing so the cost accrues over a longer period.

Education and Early Intervention overspend is £1.810m. The most significant variations are:

- £1.079m relating to Special Educational Needs (SEN) transport. The number of passengers on SEN transport has increased, which is broadly in line with increases in the numbers of Education Health Care Plans (EHCPs) maintained by the authority. The number of routes has also increased over the same period;
- £0.388m relating to Quad Family Support Service. The overspend is predominantly due to the number of locum social workers currently employed which were above the budgeted staffing establishment due to the increase in caseloads that featured domestic violence, adult mental health and substance misuse; and
- £0.226m relating to Sutton Family Centre - No Recourse to Public Funds. These monies are spent on families where a child is considered destitute following their family having a human rights assessment; as highlighted above, there has been an increase in families who have no recourse and it is taking longer to get them resolved by the Home Office.

Adult Social Care is an overspend of £0.184m. This overspend was as a result of an increasing number of people requiring care and support at home and increases in the cost of residential placements due to people having more complex support needs. These overspends were partially offset by savings achieved in community based services, reassessment of high cost care packages and staffing vacancies.

Wellbeing Services outturn position is an underspend of £0.900m. This variance was due to early savings on prevention contracts due to lower than expected demand and further savings from a staffing restructure of Community Well-Being and Library Services.

The Public Health grant for 2016/17, £10.3m, was fully spent in accordance with the grant conditions resulting in a balanced budget.

The Dedicated Schools Grant is an overspend of £2.259m which will be partially funded from previous years balances. The DSG brought forward balance as at 1 April 2016 was £1.524m. There is a deficit balance as at 31 March 2017 to be carried forward to 2017/18 of £0.735m. The overspend is predominantly due to pressures on SEN services (£2m) including increased pupil numbers and higher placement costs at specialist colleges (including for 19-25 year olds).

The financial outturn position for 2016/17 for the Environment, Housing & Regeneration Directorate is an underspend of £0.463m. The most significant variations are:

- An overspend on Bed and Breakfast costs (£0.632m). During 2016/17 households in emergency accommodation have averaged between 200 to 220 per month compared to budgeted number of 150 per month. This reflects a lack of temporary accommodation supply and the impact of universal credit on rent collection. This overspend has been partially offset by the early achievement of planned savings in Housing support costs (£0.252m);
- An underspend on waste disposal costs (£0.392m) due to reduced volumes of waste arisings and fluctuating prices received for recyclates; and
- An underspend in Regulatory Services (£0.261m) as a result of staffing vacancies following the start of the shared service and an underspend on Neighbourhoods and Local Committees (£0.208m) due to a number of public realm projects not completing this year.

The outturn position for the Chief Executives is an underspend of £0.212m. The main variation is an underspend on the Smarter Council programme budget (£0.144m) which is due to the use of internal staffing resources to support some major projects rather than buying in external capacity, a reduction in support needed on some projects and some other staffing vacancies during the year.

The outturn position for the Resources Directorate is a net overspend of £7k. The main variations are on housing benefit administration (£0.3m) mainly due to the successful application for Government grants, a credit on rent allowances (£0.717m) due to customer overpayments now moved to sundry debtors, overachievement of income from the Investment Property Portfolio (£0.160m); offset by an overspend on Childrens and

Adult Social Care Business Support (£0.220m) due to the late completion of a staffing restructure, an overspend on ICT services due to unachieved savings during the year on the telephony and shared service contracts (£0.250m) and additional service infrastructure costs for the telephone system and mobile phone calls (£0.291m). Further work is being done to review the overall costs of telephony for the Council in the new year.

The outturn position for Non Service Revenue Accounts is an underspend of £1.337m. This is mainly due to net underspends on interest payable/receivable due to deferring borrowing decisions (0.880m) and unspent contingency against additional Care Act related costs held in non-service budgets (£0.4m). In addition there is a net underspend of £0.360m due to support service actual costs being lower than budgeted recharges.

Capital Expenditure 2016/17

The year end spend is £106.82m compared to a current capital programme budget of £102.86m. There is a net projected overspend of £3.97m or 3.9%. About £1.84m is the net impact of movements between years with expenditure planned for 2017/18 being brought forward into 2016/17. The balance reflects new spend in 2016/17 funded by new sources including S106 money, application of leaseholder contributions and HRA revenue funding to housing capital projects, schools' contributions and additional borrowing to finance commercial property investment.

The table below summarises the position for each Directorate as at 31 March 2017.

Capital Programme 2016/17	Approved Budget 2016/17	Outturn 2016/17	Variation
EXPENDITURE	£'000	£'000	£'000
Environment, Housing & Regeneration	41,645	46,965	5,320
People	25,805	24,720	(1,085)
Resources	34,624	34,339	(285)
Chief Executive's	783	799	16
Total Expenditure	**102,857**	**106,823**	**3,966**

During the year the Council implemented a number of key capital projects. These included major improvements to the Council's housing stock to meet Decent Homes standards, procuring to build new council housing on the sites of Richmond Green, Ludlow Lodge and Fellows Road, investments to increase the number of primary, secondary and SEN school places, investing in IT and accommodation changes, as well as rolling programmes to improve highways, pavements and street lighting.

The reasons for the main capital variations are as follows:

Environment, Housing & Regeneration Directorate

- Re-phasing of £2.959m of the costs for LA New Build at Richmond Green, Ludlow Lodge and Fellows Road to 2016/17 following final contract being agreed.
- Re-phasing of £3.565m of the South London Waste Partnership (SLWP) Vehicles which were purchased in 2016/17 in advance.
- Public Realm budgets not fully allocated, or committed during the year totalled £0.356m. These projects will be delivered in 2017/18.

- The cost of the first phase of land for the London Cancer Hub at the Sutton Hospital site was purchased in 2016/17 and met from new borrowing of £14.690m.

People Directorate

- Re-phasing of £1.512m of the school expansions budget from 2016/17 mainly at Cheam Park Farm Junior, Manor Park Primary, Barrow Hedges, Secondary School Expansions for NS3 project and Sherwood Park School.

Resources and Chief Executives

- Re-phasing of various ICT projects of £0.309m due to delays in the desktop refresh project, delays in upgrading for IT Infrastructure project and delay in replacement of planning and building control system.
- Re-phasing of £0.229m from 2016/17 due to re-profiling some work within the digital programme.
- The cost of the ICT for SLWP of £0.271m partly brought forward from 2017/18.

4. Financial Planning

For 2017/18, the Council had to meet a budget gap of £9.891m. The Council's report on Commissioning and Financial Planning 2017/18 to 2019/20, reported to the Strategy and Resources Committee on 20 February 2017 and approved at Full Council on 6 March 2017, detailed how this gap was met and also updated the medium term position to 2019/20 (see link on page 10). The budget gap for 2018/19 is currently estimated at £3.589m and £2.229m for 2019/20 after planned use of reserves and, in addition to savings of £11.461m already agreed for 2018/19 and 2019/20 as part of the 2016/17 and 2017/18 budget processes.

Councils are required to agree a budget that allows for a level of balances that provides a prudent reserve against possible eventualities and assurance that the future finances of the Council remain on a sound footing. The existing Council policy is that a general reserve of at least 5% on the net General Fund expenditure (excluding the schools budget) is necessary to provide a sound minimum level of prudence. In 2012 Full Council agreed, in the light of identified financial risks and the potential for turbulence in the following period, to increase reserves wherever the financial plans permit in order to maintain the maximum amount of flexibility in the future.

It is not lawful for local authorities to set deficit budgets (funded by borrowing) and so reserves are key to ensuring that the Council can meet its obligations when it needs to. Over the future planning period the Council faces significant reductions in funding alongside continuing demographic pressure on key services. Although the identification and delivery of savings options to close the funding gap is continuing, time is needed to redesign and implement the transformational change to services that is necessary to achieve the required savings.

In 2016 the Council agreed to make a planned contribution from reserves of £1.309m in 2016/17 and £2m in each of the following two years, and the latest financial planning report proposed to maintain this profiled use of reserves. There may be a need to use additional reserves to fund higher growth pressures in 2017/18, and it is proposed that this is funded from the risk reserve, which was set up for this intention. The level of General Fund balances is planned to remain at a prudent level at the end of 2019/20 at £7.443m, representing 5.4% of the projected net revenue budget.

A full copy of the Commissioning and Financial Planning 2017/18 to 2019/20 report, including details of the Capital Programme 2017/18 and capital programme resources, can be found on the Council's website, Agenda item 86b.

5. Main changes to the core statements and significant transactions

Accounting policies

There have been no significant changes in accounting policies for 2016/17.
The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) - Highways Network Asset, which would require Highways Network Assets to be recognised as a single asset and reported seperately on the Balance Sheet at depreciated replacement cost, was due to take effect from 1 April 2016. CIPFA/LASAAC issued a statement on 10 March 2017 confirming that it had been decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities.

Pension liability

The Council has net pension liabilities of £420m 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 valuation was in 2016 and reported a funding level of 80%. The Council has a deficit recovery plan in place to make additional contributions into the Pension Fund over a 19 year period in line with the Funding Strategy Statement. Further information on the Pension Fund can be found in note 29 of the main accounts and in the Pension Fund Accounts.

Provisions and contingencies

Details of provisions can be found in the notes to the core financial statement, note 20.

6. The main statements in this document are:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Housing Revenue Account (HRA)
- Collection Fund
- Pension Fund Accounts
- Statement of Responsibilities for the Statement of Accounts
- Annual Governance Statement

The purpose and relationship between the different statements are explained on the title page for each statement.

Section 2

Core Financial Statements

2016/17

This page is intentionally left blank

.

Comprehensive Income & 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 2016/17, rather than the amount to be funded from taxation. Authorities 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.

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2017

Restated 2015/16					2016/17		
Expenditure	Income	Net Expenditure		Notes	Expenditure	Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
5,202	136	5,066	**Chief Executive's**		5,477	280	5,197
52,853	13,994	38,859	**Environment, Housing and Regeneration**		53,115	13,662	39,453
297,620	156,975	140,645	**Peoples Services**		287,757	155,624	132,133
109,261	86,621	22,640	**Resources**		98,880	73,348	25,532
			Housing Revenue Account				
28,958	39,101	(10,143)	- Main HRA Revenue Account	*	27,505	38,479	(10,974)
(30,097)	0	(30,097)	- Revaluation loss/(gain) - Dwellings	9	(50,062)	0	(50,062)
(653)	1,395	(2,048)	**Non Service Revenue Accounts**		5,436	1,373	4,063
463,144	**298,222**	**164,922**	**Cost of services**	7a	**428,108**	**282,766**	**145,342**
		27,106	**Other Operating Expenditure**	11	74,259	534	73,725
		16,441	**Financing and Investment Income and Expenditure**	12	22,017	4,032	17,985
		(200,605)	**Taxation & Non-Specific Grant Income**	13	0	184,783	(184,783)
		7,864	**(Surplus)/deficit on provision of services**		**524,384**	**472,115**	**52,269**
		(21,419)	Net (surplus) arising on revaluation of Property, Plant and Equipment Assets	19a			(7,419)
		(46,174)	Remeasurement of the net defined benefit liability on the pensions reserve	19c			83,622
		(67,593)	**Other comprehensive income and expenditure**				**76,203**
		(59,729)	**Total comprehensive income and expenditure (surplus)/deficit**				**128,472**

***** Includes £15.148 million management fee paid to Sutton Housing Partnership, a wholly owned subsidiary of the London Borough of Sutton

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 authority, analysed into 'usable reserves' (ie 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 authority'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.

Movement in Reserves Statement

	Memorandum		Usable Reserves							
	General Fund Balance * A £'000	Earmarked General Fund Reserves B £'000	Total General Fund Balance & Earmarked Reserves A+B £'000	Housing Revenue Account (HRA) £'000	Capital Grants & Contributions Unapplied £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	**Total Usable Reserves £'000**	**Non-usable Reserves £'000**	**Total Authority Reserves £'000**
2016/17										
Balance at 31 March 2016	21,681	31,183	52,864	2,440	9,843	1,635	19,395	**86,177**	**296,429**	**382,606**
Movement during 2016/17:										
Total Comprehensive Expenditure and Income	(103,635)	0	(103,635)	51,366	0	0	0	**(52,269)**	**(76,203)**	**(128,472)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	94,681	0	94,681	(46,198)	5,684	(938)	3,621	**56,850**	**(56,850)**	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**(8,954)**	**0**	**(8,954)**	**5,168**	**5,684**	**(938)**	**3,621**	**4,581**	**(133,053)**	**(128,472)**
Transfers to / (from) Earmarked Reserves	(266)	(1,016)	(1,282)	(5,791)	(259)	0	0	**(7,332)**	**7,332**	**0**
Increase / (Decrease) in Year	**(9,220)**	**(1,016)**	**(10,236)**	**(623)**	**5,425**	**(938)**	**3,621**	**(2,751)**	**(125,721)**	**(128,472)**
Balance at 31 March 2017	**12,461**	**30,167**	**42,628**	**1,817**	**15,268**	**697**	**23,016**	**83,426**	**170,708**	**254,134**

* (General Fund Balance at 31 March 2017 = General Fund £8,114k, schools £4,347k

	General Fund Balance * A £'000	Earmarked General Fund Reserves B £'000	Total General Fund Balance & Earmarked Reserves A+B £'000	Housing Revenue Account (HRA) £'000	Capital Grants & Contributions Unapplied £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Non-usable Reserves £'000	Total Authority Reserves £'000
2015/16 Comparative										
Balance at 31 March 2015	24,587	34,814	59,401	6,370	19,147	0	20,563	**105,481**	**217,396**	**322,877**
Movement during 2015/16:										
Total Comprehensive Expenditure and Income	(46,422)	0	(46,422)	38,558	0	0	0	**(7,864)**	**67,593**	**59,729**
Adjustments between accounting basis and funding basis under regulations (Note 10)	40,333	0	40,333	(34,063)	(9,304)	1,635	(1,168)	**(2,567)**	**2,567**	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**(6,089)**	**0**	**(6,089)**	**4,495**	**(9,304)**	**1,635**	**(1,168)**	**(10,431)**	**70,160**	**59,729**
Transfers to / (from) Earmarked Reserves	3,183	(3,631)	(448)	(8,425)	0	0	0	**(8,873)**	**8,873**	**0**
Increase / (Decrease) in Year	**(2,906)**	**(3,631)**	**(6,537)**	**(3,930)**	**(9,304)**	**1,635**	**(1,168)**	**(19,304)**	**79,033**	**59,729**
Balance at 31 March 2016	**21,681**	**31,183**	**52,864**	**2,440**	**9,843**	**1,635**	**19,395**	**86,177**	**296,429**	**382,606**

* (General Fund Balance at 31 March 2016 = General Fund £12,752k, schools £8,929k

An additional column showing total General Fund Balances including Earmarked Reserves has been added to comply with changes to The Code regarding presentation requirements.

Balance Sheet

This sets out the financial position of the Council as at 31 March 2017 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 authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 is those that the authority 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’.

Balance Sheet as at 31 March 2017

31 March 2016 £'000		Notes	31 March 2017 £'000	31 March 2017 £'000
	Non-Current Assets			
	Property, Plant and Equipment	14		
365,655	- Council Dwellings			417,729
451,773	- Other Land and Buildings			369,740
11,477	- Vehicles, Plant, Furniture and Equipment			11,096
28,531	- Infrastructure Assets			27,685
2,407	- Community Assets			2,442
12,670	- Assets Under Construction			15,618
2,232	- Surplus Assets			16,183
874,745	Sub Total			860,493
27,148	Investment Properties	15		59,267
100	Long Term Investments	31a		100
2,213	Long Term Debtors	31a		1,985
904,206	**Total Non-Current Assets**			**921,845**
	Current Assets			
65,260	Short Term Investments	31a	24,916	
0	Assets Held for Sale	16	835	
206	Inventories		207	
39,098	Debtors	21	40,858	
(1,071)	Cash and Cash Equivalents	23	937	
103,493	**Total Current Assets**			**67,753**
	Less Current Liabilities			
16,767	Short Term Borrowing	31a	1,320	
2,315	Capital Grants Receipt in Advance		3,131	
60,816	Creditors	22	63,093	
79,898	**Total Current Liabilities**			**67,544**
	Less Non-Current Liabilities			
6,989	Provisions	20	7,403	
208,721	Long Term Borrowings	31a	240,471	
329,485	Liability Related to Defined Benefit Pension Scheme	29c	420,046	
545,195	**Total Non-Current Liabilities**			**667,920**
382,606	**Net Assets**			**254,134**
	Non-usable Reserves			
182,650	Revaluation Reserve	19a	159,873	
446,377	Capital Adjustment Account	19b	434,429	
(329,485)	Pensions Reserve	19c	(420,046)	
(992)	Financial Instruments Adjustment Account		(926)	
109	Deferred Capital Receipts/Income		111	
1,356	Collection Fund Adjustment Account		365	
(3,586)	Accumulated Absences Account		(3,098)	
296,429				**170,708**
	Usable Reserves			
9,843	Capital Grants & Contributions Unapplied	18	15,268	
19,395	Capital Receipts Reserve	18	23,016	
1,635	Major Repairs Reserve	18	697	
2,440	Housing Revenue Account	18	1,817	
21,681	General Reserves – General Fund & Schools	18	12,461	
31,183	Earmarked Reserves	18	30,167	
86,177				**83,426**
382,606	**Total Reserves**			**254,134**

Cash Flow Statement

This shows the changes in cash and cash equivalents of the authority during the reporting period. It shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

Cash Flow Statement

2015/16 £'000			Notes	2016/17 £'000
(7,864)		**Net surplus or (deficit) on the provision of services**		**(52,269)**
51,785		Adjust net surplus or deficit on the provision of services for non cash movements	24	76,661
(52,607)		Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(34,821)
(8,686)		**Net cash inflow/(outflow) from operating activities**		**(10,429)**
(54,335)		Purchase of property, plant and equipment, investment property and intangible assets		(83,488)
(478,465)		Purchase of short term and long term investments		(441,050)
9,181		Proceeds from the sale of property, plant and equipment, investment property and intangible assets		9,646
474,850		Proceeds from short term and long term investments		481,150
42,586		Other receipts from investing activities		30,231
(6,183)		**Net cash inflow/(outflow) from investing activities**		**(3,511)**
10,800		Cash receipts of short and long term borrowing		32,000
(4,000)		Repayment of short term and long term borrowing		(15,800)
1,438		Other payments for financing activities		(252)
8,238		**Net cash inflow/(outflow) from financing activities**		**15,948**
(6,631)		**Net increase/(decrease) in cash and cash equivalents**		**2,008**
		Represented by:		
5,560	a	Cash and cash equivalents at the beginning of the reporting period	20	(1,071)
(1,071)	b	Cash and cash equivalents at the end of the reporting period	20	937
(6,631)		**Net increase/(decrease) in cash and cash equivalents (b - a)**		2,008

Section 3

Notes to the core financial statements

1. Basis for the preparation of the accounts

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, 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.

The notes to the core financial statements have been presented in the order of importance to the reader of the accounts.

2. Accounting Standards issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued, but not yet adopted by the Code.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) - Highways Network Asset, which would require Highways Network Assets to be recognised as a single asset and reported seperately on the Balance Sheet at depreciated replacement cost, was due to take effect from 1 April 2016. CIPFA/LASAAC issued a statement on 10 March 2017 confirming that it had been decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities.

In addition there are a number of minor amendments to the International Financial Reporting Standards but these are not expected to have any material impact on the Council.

3. Events after the Balance Sheet date

There were no material events after the end of the financial year which need to be reported.

4. Critical Judgements in Applying Accounting Policies

Funding - In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is that although there is a high degree of uncertainty about future levels of funding for local government the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Group Accounts - The group boundaries have been estimated using the criteria associated with the Code of Practice. In line with the Code, the Council has not identified any companies within the group boundary that would require it to complete Group Accounts on grounds of materiality. This will continue to be reviewed annually.

Accounting for Schools - The Council recognises school assets for Community Schools on its balance sheet. The Council does not recognise assets relating to Academies, Voluntary Aided, or Foundation schools on the balance sheet as it is of the opinion that these assets are not controlled by the Council.

When schools convert to Academy status the assets of the school are recognised as a disposal from the Council's balance sheet for no consideration on the date on which the school converts to Academy status, not on the date the conversion is announced.

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 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.

The items in the Authority's Balance Sheet at 31 March 2017 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependant 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. Our accounting policy is to depreciate assets on their brought forward values at the 1 April and any affects of in-year revaluations are not taken into account until the year following the revaluation. 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £750k for every year that useful lives had to be reduced. 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. The effect of any over or under estimation on the revaluation of property, plant and equipment cannot be quantified until an asset is disposed.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension fund liability for the London Borough of Sutton pension fund can be measured. For example a 0.1 increase in the discount rate assumption would result in an approximate reduction of £16m in the Council's pension liability; a one year increase in member life expectancy would increase the liability by approximately £35m and a 0.1% increase in the salary increase rate would increase the liability by approximately £2m.
Debtors	At 31 March 2017, the Authority had a balance of sundry debtors for £38.630m. A review of significant balances suggested that an impairment of doubtful debts of 28% (£10.774m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase of 1% of the amount of impairment of doubtful debts would require an additional £0.386m to set aside as an allowance.
NNDR Provision for Appeals	Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses. The Council has made a provision for NNDR Appeals based upon best estimates, however it is not certain that such a provision would be sufficient.	If successful appeal rates, i.e. the % of lodged appeals that are successful, were to increase by 1% this would increase the cost of appeals by approximately £0.092m.

6. Prior Period Restatement of Service Expenditure and Income

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the authority's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). This note shows how the net expenditure and income has been restated.

Net Expenditure	**As reported in the Comprehensive Income and Expenditure Statement 2015/16**	**Adjustments between SERCOP classifications and internal reporting classifications**	**As restated 2015/16**	
SERCOP Service line	**£'000**	**£'000**	**£'000**	**Directorate**
Central Services to the Public	5,667	-601	5,066	Chief Executives
	0	22,640	22,640	Resources
Cultural & Related Services	10,292	-10,292	0	
Environmental & Regulatory Services	13,943	24,916	38,859	Environment, Housing & Regeneration
Planning Services	2,625	-2,625	0	
Children's & Education	84,778	55,867	140,645	Peoples Services
Highways & Transport	17,337	-17,337	0	
General Fund Housing Services	10,490	-10,490	0	
Housing Revenue Account	-40,296	56	-40,240	- Housing Revenue Account
Adult Social Care	54,375	-54,375	0	
Public Health	1,675	-1,675	0	
Corporate & Democratic Core	9,241	-11,289	-2,048	Non Service Revenue Accounts
Non Distributed Costs	-5,230	5,230	0	
Cost of Services	164,897	25	164,922	

Gross Expenditure	**As reported in the Comprehensive Income and Expenditure Statement 2015/16**	**Adjustments between SERCOP classifications and internal reporting classifications**	**As restated 2015/16**	
SERCOP Service line	**£'000**	**£'000**	**£'000**	**Directorate**
Central Services to the Public	6,964	-1,762	5,202	Chief Executives
	0	109,261	109,261	Resources
Cultural & Related Services	12,952	-12,952	0	
Environmental & Regulatory Services	18,581	34,272	52,853	Environment, Housing & Regeneration
Planning Services	4,854	-4,854	0	
Children's & Education	210,485	87,135	297,620	Peoples Services
Highways & Transport	22,840	-22,840	0	
General Fund Housing Services	94,747	-94,727	20	
Housing Revenue Account	-1,195	56	-1,139	Housing Revenue Account
Adult Social Care	74,342	-74,342	0	
Public Health	11,026	-11,026	0	
Corporate & Democratic Core	9,241	-9,894	-653	Non Service Revenue Accounts
Non Distributed Costs	-5,230	5,230	0	
Cost of Services	459,607	3,557	463,164	

Gross Income	As reported in the Comprehensive Income and Expenditure Statement 2015/16	Adjustments between SERCOP classifications and internal reporting classifications	As restated 2015/16	
SERCOP Service line	**£'000**	**£'000**	**£'000**	**Directorate**
Central Services to the Public	-1,297	1,161	-136	Chief Executives
	0	-86,621	-86,621	Resources
Cultural & Related Services	-2,660	2,660	0	
Environmental & Regulatory Services	-4,638	-9,356	-13,994	Environment, Housing & Regeneration
Planning Services	-2,229	2,229	0	
Children's & Education	-125,707	-31,268	-156,975	Peoples Services
Highways & Transport	-5,503	5,503	0	
General Fund Housing Services	-84,237	84,237	0	
Housing Revenue Account	-39,101	0	-39,101	Housing Revenue Account
Adult Social Care	-19,967	19,967	0	
Public Health	-9,351	9,351	0	
Corporate & Democratic Core	0	-1,395	-1,395	Non Service Revenue Accounts
Non Distributed Costs	0	0	0	
Cost of Services	-294,690	-3,532	-298,222	

7a. 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.

	2016/17				
	As reported for resource management	Adjustments to arrive at the 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
Chief Executive's	5,641	(220)	5,421	(224)	5,197
Environment, Housing & Regeneration	35,125	0	35,125	4,328	39,453
Peoples Services	107,918	4,582	112,500	19,633	132,133
Resources	23,927	992	24,919	613	25,532
Housing Revenue Account	(10,954)	0	(10,954)	(50,082)	(61,036)
Non Service Revenue Accounts	4,988	0	4,988	(925)	4,063
Net Cost of Services	**166,645**	**5,354**	**171,999**	**(26,657)**	**145,342**
Other Operating Expenditure	1,062	220	1,282	72,443	73,725
Financing and Investment Income	6,668	(992)	5,676	12,309	17,985
Taxation and Special Grants	(154,313)	0	(154,313)	(30,470)	(184,783)
Statement of Movement on General Fund Balances	(14,802)	1,017	(13,785)	13,785	0
(Surplus) or Deficit	**5,260**	**5,599**	**10,859**	**41,410**	**52,269**

Opening General Fund and HRA Balance	(55,304)
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	10,859
Closing General Fund and HRA Balance at 31 March*	(44,445)

* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement.

	2015/16 Comparative figures				
	As reported for resource management	Adjustments to arrive at the 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
Chief Executive's	5,268	(158)	5,110	(44)	5,066
Environment, Housing & Regeneration	33,839	0	33,839	5,020	38,859
Peoples Services	113,467	332	113,799	26,846	140,645
Resources	20,316	2,239	22,555	85	22,640
Housing Revenue Account	(10,195)	0	(10,195)	(30,045)	(40,240)
Non Service Revenue Accounts	3,636	0	3,636	(5,686)	(2,050)
Net Cost of Services	**166,331**	**2,413**	**168,744**	**(3,824)**	**164,920**
Other Operating Expenditure	20,898	158	21,056	6,050	27,106
Financing and Investment Income	7,020	(2,239)	4,781	11,660	16,441
Taxation and Special Grants	(199,839)	0	(199,839)	(766)	(200,605)
Statement of Movement on General Fund Balances	9,752	5,973	15,725	(15,725)	0
(Surplus) or Deficit	**4,162**	**6,305**	**10,467**	**(2,605)**	**7,862**

Opening General Fund and HRA Balance	(65,771)
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	10,467
Closing General Fund and HRA Balance at 31 March*	(55,304)

* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement.

7b. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

2016/17

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	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
Chief Executive's	(220)	0	(220)	0	(246)	22	(224)
Environment, Housing & Regeneration	0	0	0	5,075	(704)	(43)	4,328
People	0	4,582	4,582	22,006	(1,850)	(523)	19,633
Resources	992	0	992	1,349	(792)	56	613
Housing Revenue Account	0	0	0	(50,062)	(20)	0	(50,082)
Non Service Revenue Accounts	0	0	0	0	(1,003)	78	(925)
Net Cost of Services			5,354				(26,657)
Other Operating Expenditure	220	0	220	72,443	0	0	72,443
Financing and Investment Income	(992)	0	(992)	754	11,555	0	12,309
Taxation and Special Grants	0	0	0	(31,461)	0	991	(30,470)
SMGFB*	0	1,017	1,017	21,022	0	(7,237)	13,785
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services			5,599				41,410

2015/16 Comparative Figures

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	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
Chief Executive's	(158)	0	(158)	(59)	6	9	(44)
Environment, Housing & Regeneration	2,239	0	2,239	4,960	90	(30)	5,020
People	0	332	332	26,768	180	(102)	26,846
Resources	0	0	0	77	16	(9)	84
Housing Revenue Account	0	0	0	(30,098)	3	53	(30,042)
Non Service Revenue Accounts	0	0	0	1,492	(8,136)	956	(5,688)
Net Cost of Services	2,081	332	2,413	3,140	(7,841)	877	(3,824)
Other Operating Expenditure	158	0	158	(168)	0	6,219	6,051
Financing and Investment Income	(2,239)	0	(2,239)	(121)	11,780	0	11,659
Taxation and Special Grants	0	0	0	480	0	(1,246)	(766)
SMGFB*	0	5,973	5,973	(15,764)	0	39	(15,725)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services			6,305				(2,605)

* Statement of Movement on General Fund Balances

7c. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

2015/16		2016/17
£'000		£'000
	Expenditure	
158,593	Employee expenses	142,750
291,642	Other operating expenses	273,818
24,690	Depreciation, amortisation and impairment	26,254
7,947	Interest payments	7,305
754	Precepts and levies	961
822	Payments to Housing Capital Receipts Pool	855
26,657	Gain or loss on Disposal of assets	72,441
511,105	**Total expenditure**	**524,384**
	Income	
(84,597)	Fees, charges and other service income	(86,393)
(1,128)	Surplus on trading undertakings not in the Net Cost of Services	(534)
(927)	Interest and investment income	(636)
(97,477)	Income from Council Tax and Business Rates	(101,553)
(319,112)	Government grants and contributions	(282,999)
(503,241)	**Total income**	**(472,115)**
7,864	**(Surplus) or Deficit on the Provision of Services**	**52,269**

8. Officers Remuneration and Exit Packages

The following 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 staff who are individually disclosed over leaf.

2015/16			2016/17	
Schools	**Non-Schools**	Remuneration Band	**Schools**	**Non-Schools**
Number of Employees		£	Number of Employees	
50	28	50,000 - 54,999	24	33
14	25	55,000 - 59,999	21	14
15	8	60,000 - 64,999	16	14
10	12	65,000 - 69,999	7	8
11	14	70,000 - 74,999	9	6
7	6	75,000 - 79,999	7	8
3	3	80,000 - 84,999	3	5
3	1	85,000 - 89,999	2	0
0	3	90,000 - 94,999	2	3
0	7	95,000 - 99,999	0	6
2	0	100,000 - 104,999	2	0
1	0	105,000 - 109,999	1	0
0	0	110,000 - 114,999	0	0
0	1	115,000 - 119,999	0	0
0	0	120,000 - 124,999	0	0
1	3	125,000 - 129,999	0	3
0	2	130,000 - 134,999	0	1
0	0	135,000 - 139,999	0	0
0	0	140,000 - 144,999	0	0
0	0	145,000 - 149,999	0	0
0	0	150,000 - 154,999	0	0
0	0	155,000 - 159,999	0	0
0	0	160,000 - 164,999	0	0
0	2	165,000 - 169,999	0	1
0	0	170,000 - 174,999	0	0
117	**115**	**Total**	**94**	**102**

Senior Officers Emoluments where the salary is £150,000 or more per year

2015/16 Salary, fees and allowances	2015/16 Employers pension contributions	2015/16 Total	Chief Officers	Note	2016/17 Salary, fees and allowances	2016/17 Employers pension contributions	2016/17 Total
£	£	£			£	£	£
167,355	29,120	196,475	Chief Executive – Niall Bolger		169,029	0	169,029

Senior Officers Emoluments where the salary is between £50,000 and £150,000 per year.

2015/16 Salary, fees and allowances	2015/16 Employers pension contributions	2015/16 Total	Chief Officers	Note	2016/17 Salary, fees and allowances	2016/17 Employers pension contributions	2016/17 Total
£	£	£			£	£	£
3,368	586	3,954	Strategic Director – Adult Social Services and Housing	1	0	0	0
129,528	22,538	152,066	Strategic Director – Environment, Housing and Regeneration		130,824	22,763	153,587
129,208	22,538	151,746	Strategic Director - People		127,944	22,763	150,707
128,672	0	128,672	Strategic Director – Resources		129,180	15,176	144,356
94,775	16,707	111,482	Executive Head of Customers, Commissioning and Governance		96,484	17,306	113,790
94,910	13,569	108,479	Director of Public Health		93,916	13,430	107,346

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

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).

Note 1: In 2015/16 the post of Strategic Director Adult Social Services and Housing was deleted following a restructuring exercise and so the figures are for April 2015 only.

Exit Packages

The following table gives numbers and costs of exit packages paid to employees leaving the organisation in bands of £20k up to £100k, and thereafter in bands of £50k.

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	
£	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16** £	**2016/17** £
0 - 20,000	22	32	22	17	44	49	319,920	371,637
20,001 - 40,000	9	3	23	14	32	17	831,656	488,858
40,001 - 60,000	0	3	2	1	2	4	107,297	205,555
60,001 - 80,000	0	0	0	1	0	1	0	67,874
80,001 - 100,000	0	0	0	0	0	0	0	0
100,001 - 150,000	0	0	0	0	0	0	0	0
Total	**31**	**38**	**47**	**33**	**78**	**71**	**1,258,873**	**1,133,924**

9. Members Allowances

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

2015/16 £'000		**2016/17 £'000**
897	Allowances	914
0	Expenses	2
897	**Total**	**916**

10. Adjustment 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 Authority 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. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority 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 (or the deficit of resources that the Council is required to recover) at the end of the financial year. (For housing authorities - however, the balance is not available to be applied to funding HRA services).

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 the 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 the 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.

	Usable Reserves					
2016/17	General Fund Balance £'000	Housing Revenue Account £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	**Non-usable Reserves** £'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:						
Pensions costs (transferred to (or from) the Pensions Reserve)	6,897	42				(6,939)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(66)					66
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	991					(991)
Holiday pay (transferred to the Accumulated Absences Reserve)	(488)					488
Charges for depreciation and impairment of non-current assets	25,336	7,570				(32,906)
Revaluation loss/(gain) on Property Plant and Equipment	6,190	(50,064)				43,874
Movements in the market value of Investment Properties	(527)	0				527
Amortisation of intangible assets	1,618	0				(1,618)
Revenue expenditure funded from capital under statute	23,346	0				(23,346)
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	**63,297**	**(42,452)**	**0**	**0**	**0**	**(20,845)**
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	78,309	3,762				(82,071)

	Usable Reserves					
2016/17	General Fund Balance £'000	Housing Revenue Account £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	**Non-usable Reserves** £'000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9,628)	0			9,628	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account	(4,223)	0				4,223
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(981)	0				981
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	855				(855)	0
Posting of HRA resources from revenue to the Major Repairs Reserve		(7,508)		7,508		0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(32,949)	0	32,949			0
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	**31,383**	**(3,746)**	**32,949**	**7,508**	**8,773**	**(76,867)**
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance new capital expenditure					(5,152)	5,152
Use of the Major Repairs Reserve to finance new capital expenditure				(8,446)		8,446
Application of grants to capital financing transferred to the Capital Adjustment Account			(27,265)			27,265
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	**0**	**0**	**(27,265)**	**(8,446)**	**(5,152)**	**40,863**
Total Adjustments	**94,680**	**(46,198)**	**5,684**	**(938)**	**3,621**	**(56,849)**

2015/16 Comparative Figures	Usable Reserves General Fund Balance £'000	Housing Revenue Account £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Non-usable Reserves £'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:						
Pensions costs (transferred to (or from) the Pensions Reserve)	3,825	113				(3,938)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(65)					65
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(359)					359
Holiday pay (transferred to the Accumulated Absences Reserve)	(100)					100
Charges for depreciation and impairment of non-current assets	20,323	7,349				(27,672)
Revaluation loss/(gain) on Property Plant and Equipment	7,538	(30,097)				22,559
Movements in the market value of Investment Properties	(121)	0				121
Amortisation of intangible assets	577	0				(577)
Revenue expenditure funded from capital under statute	26,348	0				(26,348)
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	**57,966**	**(22,635)**	**0**	**0**	**0**	**(35,331)**
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	32,370	3,476				(35,846)

2015/16 Comparative Figures	Usable Reserves: General Fund Balance £'000	Usable Reserves: Housing Revenue Account £'000	Usable Reserves: Capital Grants Unapplied £'000	Usable Reserves: Major Repairs Reserve £'000	Usable Reserves: Capital Receipts Reserve £'000	**Non-usable Reserves £'000**
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,633)	(7,555)			9,188	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account	(4,434)	0				4,434
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,336)	0				1,336
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve	822				(822)	0
Posting of HRA resources from revenue to the Major Repairs Reserve		(7,349)		7,349		0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(43,422)	0	43,422			0
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	**(17,633)**	**(11,428)**	**43,422**	**7,349**	**8,366**	**(30,076)**
ADJUSTMENTS TO CAPITAL RESOURCES						
Application of grants to capital financing transferred to the Capital Adjustment Account			(52,726)			52,726
Use of the Capital Receipts Reserve to finance new capital expenditure					(9,534)	9,534
Use of the Major Repairs Reserve to finance new capital expenditure				(5,714)		5,714
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	**0**	**0**	**(52,726)**	**(5,714)**	**(9,534)**	**67,974**
Total Adjustments	**40,333**	**(34,063)**	**(9,304)**	**1,635**	**(1,168)**	**2,567**

11. Other Operating Expenditure

2015/16 £'000		2016/17 £'000
754	Levies paid to Other Local Public Authorities	961
822	Payment to the Government Housing Capital Receipts Pool	855
26,657	Losses/(Profit) on the disposal of non-current assets	72,443
(1,128)	Deficit/(Surplus) on Trading Undertakings not included in Net Cost of Services	(534)
27,105	**TOTAL**	**73,725**

5 schools with a net book value of £76.532m converted to academy status in 2016/17 and were disposed of for no consideration.

12. Financing and Investment Income and Expenditure

2015/16 £'000		2016/17 £'000
7,947	Interest payable and similar charges	7,305
11,780	Net interest on the net defined benefit pension scheme liability	11,555
(927)	Interest receivable and similar income	(636)
(2,359)	Income and expenditure in relation to investment properties and changes in their fair value	(239)
16,441	**TOTAL**	**17,985**

13. Taxation, Government Grants and Contributions

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

2015/16		2016/17	
£'000		**£'000**	**£'000**
	Credited to Taxation and Non Specific Grant Income		
81,489	Council Tax Income	86,310	
15,988	Business Rates Retention Scheme	15,243	
97,477			**101,553**
17,476	Business Rates Retention Scheme Top Up Grant	17,768	
	Non ringfenced government grants		
33,796	- Revenue Support Grant	24,751	
2,158	- Education Services Grant	1,858	
1,009	- Housing Benefit and Council Tax Admin Grant	965	
3,252	- New Homes Bonus	4,094	
1,017	- Adult Social Care New Burdens	0	
0	- Transition Grant	1,343	
1,116	- Section 31 Business Rate Grant	935	
361	- Other	56	
60,185			**51,770**
	Capital Grants and Contributions		
21,569	- Education Grants	25,369	
12,582	- Decent Homes Grant	0	
1,469	- Mayors Grant (GLA)	1,774	
1,754	- Housing Associations	107	
1,908	- Section 106 Contributions	1,855	
206	- Leaseholder Contributions	1,170	
3,455	- Other Capital Grants and Contributions	1,185	
42,943			**31,460**
200,605	**Sub-total**		**184,783**

2015/16		2016/17	
£'000		£'000	£'000
	Revenue Grants included in Cost of Services		
109,541	- Dedicated Schools Grant	104,915	
6,346	- Education Funding Agency funding	3,259	
9,286	- Public Health Grant	10,328	
19,437	- Housing Rent Rebate Subsidy	15,719	
0	- Housing Rent Rebate Subsidy - outside HRA	1,259	
62,227	- Housing Rent Allowances	52,715	
4,561	- Pupil Premium (schools)	4,068	
0	- Universal Infants Free School Meals	2,091	
4,576	- Other	3,691	
215,974			**198,045**
	REFCUS* Grants included in Cost of Services		
677	- Disabled Facilities	1,271	
252	- Education Grants	453	
929			**1,724**
417,508	**Total**		**384,552**

* Revenue Expenditure Funded from Capital Under Statute

14. Property, Plant and Equipment

Movement on balances

Movements in 2016/17	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment
Gross Book Value	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	**373,004**	**479,085**	**19,953**	**59,682**	**2,669**	**12,670**	**2,669**	**949,732**
- Adjustments between depreciation and gross book value on the revaluation of assets	(7,349)	(13,220)	0	0	0	0	0	(20,569)
Sub total	**365,655**	**465,865**	**19,953**	**59,682**	**2,669**	**12,670**	**2,669**	**929,163**
- Additions	13,537	4,887	4,328	3,683	35	9,848	14,690	51,008
- Revaluation decreases recognised in the Revaluation Reserve	0	(19,618)	0	0	0	0	0	(19,618)
- Revaluation increases recognised in the Revaluation Reserve	0	27,037	0	0	0	0	0	27,037
- Revaluation decreases recognised in the surplus/deficit on the provision of services	(10,153)	(6,719)	0	0	0	0	(690)	(17,562)
- Revaluation increases recognised in the surplus/deficit on the provision of services	60,219	1,217	0	0	0	0	0	61,436
- Derecognition - disposal	(4,021)	(82,416)	(324)	(1,248)	0	(809)	0	(88,818)
- Reclassifications	0	6,091	0	0	0	(6,091)	0	0
- Assets reclassified (to)/from Held for Sale	0	(835)	0	0	0	0	0	(835)
At 31 March 2017	**425,237**	**395,509**	**23,957**	**62,117**	**2,704**	**15,618**	**16,669**	**941,811**
Accumulated Depreciation and Impairment								
At 1 April 2016	**(7,349)**	**(27,312)**	**(8,476)**	**(31,151)**	**(262)**	**0**	**(437)**	**(74,987)**
- Adjustments between depreciation and gross book value on the revaluation of assets	7,349	13,220	0	0	0	0	0	20,569
Sub total	**0**	**(14,092)**	**(8,476)**	**(31,151)**	**(262)**	**0**	**(437)**	**(54,418)**
- Depreciation Charge:						0		
- Depreciation written out to the surplus/deficit on the provision of services	(7,508)	(17,066)	(4,702)	(3,581)	0	0	(49)	(32,906)
- Derecognition - disposal	0	5,389	317	300	0	0	0	6,006
- Derecognition - other	0	0	0	0	0	0	0	0
At 31 March 2017	**(7,508)**	**(25,769)**	**(12,861)**	**(34,432)**	**(262)**	**0**	**(486)**	**(81,318)**
Net Book Value								
At 31 March 2016	**365,655**	**451,773**	**11,477**	**28,531**	**2,407**	**12,670**	**2,232**	**874,745**
At 31 March 2017	**417,729**	**369,740**	**11,096**	**27,685**	**2,442**	**15,618**	**16,183**	**860,493**

Comparative Movements in 2015/16	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment
Gross Book Value	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2015	**327,572**	**466,463**	**16,473**	**55,638**	**2,242**	**11,923**	**2,669**	**882,980**
- Adjustments between depreciation and gross book value on the revaluation of assets	(8,786)	(1,508)	0	0	0	0	0	(10,294)
Sub total	**318,786**	**464,955**	**16,473**	**55,638**	**2,242**	**11,923**	**2,669**	**872,686**
- Additions	27,597	6,669	3,480	4,044	427	9,623	0	51,840
- Revaluation decreases recognised in the Revaluation Reserve	0	(9,586)	0	0	0	0	0	(9,586)
- Revaluation increases recognised in the Revaluation Reserve	0	31,005	0	0	0	0	0	31,005
- Revaluation decreases recognised in the surplus/deficit on the provision of services	(20,698)	(12,382)	0	0	0	0	0	(33,080)
- Revaluation increases recognised in the surplus/deficit on the provision of services	50,795	4,844	0	0	0	0	0	55,639
- Derecognition - disposal	(3,476)	(28,638)	0	0	0	(4,765)	0	(36,879)
- Reclassifications	0	22,218	0	0	0	(4,111)	0	18,107
- Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
At 31 March 2016	**373,004**	**479,085**	**19,953**	**59,682**	**2,669**	**12,670**	**2,669**	**949,732**
Accumulated Depreciation and Impairment								
At 1 April 2015	**(8,786)**	**(14,054)**	**(7,571)**	**(27,813)**	**(262)**	**0**	**(388)**	**(58,874)**
- Adjustments between depreciation and gross book value on the revaluation of assets	8,786	1,508	0	0	0	0	0	10,294
Sub total	**0**	**(12,546)**	**(7,571)**	**(27,813)**	**(262)**	**0**	**(388)**	**(48,580)**
- Depreciation Charge:						0		
- Depreciation written out to the surplus/deficit on the provision of services	(7,349)	(16,031)	(905)	(3,338)	0	0	(49)	(27,672)
- Derecognition - disposal	0	1,265	0	0	0	0	0	1,265
- Derecognition - other	0	0	0	0	0	0	0	0
At 31 March 2016	**(7,349)**	**(27,312)**	**(8,476)**	**(31,151)**	**(262)**	**0**	**(437)**	**(74,987)**
Net Book Value								
At 31 March 2015	**318,786**	**452,409**	**8,902**	**27,825**	**1,980**	**11,923**	**2,281**	**824,106**
At 31 March 2016	**365,655**	**451,773**	**11,477**	**28,531**	**2,407**	**12,670**	**2,232**	**874,745**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council dwellings - the depreciation is based on the componentisation of housing stock, £7.508m;
- Other Land and Buildings – Buildings element - 50 years; Services element i.e. heating, electricity, water etc - 20 years; Land - not depreciated;
- Vehicles, plant, furniture and equipment - 4 to 16 years;
- Infrastructure – opening gross book value is depreciated at 6%;
- 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, and;
- Surplus Assets – calculated as per its previous operational classification.

Capital Commitments

At 31 March 2017, 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 2016/17 and future years which are budgeted to cost £205.0m in total. Similar commitments at 31 March 2016 were £182.0m. The major commitments are:-

	Expenditure 1 April 2014 to 31 March 2017	Planned Expenditure to 31 March 2021	Estimated Total Cost
	£'000	£'000	£'000
School Expansions	77,451	44,283	121,734
Local Authority New Build	7,578	18,500	26,078
Digital Programme	992	4,374	5,366
Parking Ticket Machine Replacement	509	416	925
Beddington Park Heritage Lottery Fund	430	3,111	3,541
Whitehall Heritage Lottery Fund	379	1,703	2,082
Refurbishment of Libraries	3	530	533

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment (PP&E) required to be measured at fair value is revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period. All valuations were carried out internally. The latest valuation was carried out as at 1 April 2016, with the exception of Council Dwellings which was carried out as at 31 March 2017.

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 year and a number of specified PP&E will be valued each year. Public offices are also revalued each year.

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

Council dwellings have been included on the basis of the lower of net current replacement cost and net realisable value. Council dwellings reflect vacant possession value (£1,671 million) adjusted to account for their status as social housing. For 2016/17 the social housing factor for London remains at 25% which results in a vacant possession value adjusted for the social housing factor of £417.729 million.

Infrastructure and community assets have been included at historical cost.

The authority is not aware of any material change in the value of assets that have not been revalued in the year.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Carried at historical cost	0	0	11,096	27,685	2,442	15,618	0	56,841
Valued at fair value as at:								
31-Mar-17	417,729	253,688	0	0	0	0	14,000	685,417
31-Mar-16	0	15,377	0	0	0	0	0	15,377
31-Mar-15	0	79,133	0	0	0	0	121	79,254
31-Mar-14	0	3,711	0	0	0	0	0	3,711
31-Mar-13	0	285	0	0	0	0	0	285
31-Mar-12	0	17,546	0	0	0	0	2,062	19,608
Total Cost or Valuation	**417,729**	**369,740**	**11,096**	**27,685**	**2,442**	**15,618**	**16,183**	**860,493**

Surplus Assets

Surplus assets held by the Authority at 31 March 2017 are as follows:

31 March 2016 £'000		31 March 2017 £'000
0	Land at Former Sutton Hospital site	14,000
2,107	Franklin House, Shaw Way	2,062
98	Public convenience, The Green, Sutton	95
27	Public Convenience, corner of Robertsbridge Road & Wrythe Lane	26
2,232	**Total Surplus Assets**	**16,183**

Heritage Assets

General

Heritage Assets are not being reported as a distinct class of asset within Property, Plant and Equipment as the values involved are considered to be immaterial.

Nature and Significance of Assets Owned

The value of Heritage Assets not reported as a distinct class is immaterial when measured against the values being disclosed on the face of the financial statements. The Council's portfolio of Heritage Assets is unchanged in 2016/17 as no acquisitions or disposals took place. The nature and significance of these assets are detailed below.

Land and Buildings

a) Museums

Honeywood £1.743 million and Whitehall £1.791 million.

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. Whitehall closed for refurbishment on 11 April 2016 and will reopen in Summer 2018.

Honeywood, the borough's main museum, is a historically significant building with origins in the 17th Century. The core of the building includes several flint and chalk chequer board 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.

The value of both museums are included in the Movement on Balances table and account for less than 0.5% of the value of Land and Buildings shown on the face of the financial statements.

Little Holland House - Value £382,000

Little Holland House is an Edwardian house built by Frank Dickinson in the Arts and Crafts style. The building is currently closed for refurbishment and due to re-open to the public in September 2017. 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. The generator 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, however it is unlikely to be material.

Art Collection

The art collection includes about 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 Council also received donations including paintings during the year.

The collection also including 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 cent) and Fred Yates (d.2008).

The collection has not been formally valued. A few items have an approximate value only. The items donated in year are not considered to be material in value. 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 of local people, national figures, buildings - many of which have been lost, 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.

15. 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 the proceeds of disposal.

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

2015/16		2016/17
£'000		**£'000**
45,366	Balance at the start of the year	27,148
(18,107)	Reclassifications	0
0	Additions	31,659
(232)	Disposals	(67)
121	Net gains/(losses) from fair value adjustments (Revaluations and Impairments)	527
27,148	**Balance at the end of the year**	**59,267**

Investment property is property (land or a building) held by the owner to earn rental income or for capital appreciation or both. A review of the investment property portfolio took place in 2015/16 and £18.107m of assets were reclassified from investment property to other land and buildings as they were considered to be held for economic development, not for their rental income or capital appreciation.

In November 2016 the Authority purchased Oxford House, the headquarters of Oxfam UK, from Aviva Investors Pension Property for £30m. The Council will receive annual rental income from the occupier.

16. Assets Held for Sale

Assets Held for Sale as at 31 March 2017 are as follows:

2015/16		2016/17
£'000		**£'000**
0	The Lodge, Honeywood Walk	600
0	Stonecourt Main Building, North Street	235
0		835

17. 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:

2015/16 £'000		2016/17 £'000
276,871	**Opening Capital Financing Requirement**	**272,912**
	Capital Investment	
51,840	- Property, Plant and Equipment	82,667
577	- Intangible Assets	1,618
26,361	- Revenue Expenditure Funded from Capital Under Statute	22,537
	Sources of Finance	
(9,534)	- Capital Receipts	(5,152)
(52,726)	- Government grants and other contributions	(27,254)
	- Sums set aside from revenue	
(16,043)	- Direct revenue contributions	(16,766)
(4,434)	- MRP / Loans fund principal	(4,223)
272,912	**Closing Capital Financing Requirement**	**326,339**
	Explanation of movements in year	
(3,959)	- Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	53,427
(3,959)	**Increase/(Decrease) in Capital Financing Requirement**	**53,427**

18. Transfers to/from 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 2016/17:

	Balance at 1 April 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
General Fund Balances	14,268	(1,623)	107	12,752	(4,638)	0	8,114
DSG Balances	2,582	(1,058)	0	1,524	(2,259)	0	(735)
Balances held by schools under a scheme of delegation	7,737	(2,584)	2,252	7,405	(3,350)	1,027	5,082
Sub total	**24,587**	**(5,265)**	**2,359**	**21,681**	**(10,247)**	**1,027**	**12,461**
Earmarked Reserves:-							
- Insurance Fund	4,585	(14)	942	5,513	0	185	5,698
- Revenue Reserve for financing capital expenditure	545	(86)	932	1,391	(1,404)	875	862
- General Pooled Reserve	1,763	(1,327)	1,770	2,206	(1,310)	0	896
- Renewals and Repairs Fund	254	0	0	254	0	0	254
- Catering Reserves	615	(265)	34	384	(6)	10	388
- Invest to Save Reserve	729	(116)	100	713	(57)	100	756
- Sustainable Investment Fund	305	0	0	305	(1)	0	304
- Revenue Grants Unapplied	7,463	(5,210)	1,471	3,724	(1,851)	1,094	2,967
- Redundancy Costs	3,787	(1,301)	0	2,486	0	0	2,486
- Strategic Priorities Investment Reserve	29	(512)	918	435	(324)	164	275
- Extreme Weather Reserve	252	0	0	252	0	0	252
- Freedom Pass Equalisation	400	(400)	0	0	0	0	0
- Treasury Management & Capital Programme	1,160	0	770	1,930	(24)	0	1,906
- Crisis Loans and Grants	628	(217)	265	676	(29)	0	647
- Risk Reserve	10,386	(1,434)	440	9,392	(142)	510	9,760
- Opportunity Sutton Reserve	714	(421)	219	512	(30)	0	482
- Business Change	690	(681)	0	9	(271)	1,343	1,081
- Commercial Property Investment Reserve	509	(349)	56	216	(159)	311	368
- Planning Income Reserve	0	0	785	785	0	0	785
Sub total	**34,814**	**(12,333)**	**8,702**	**31,183**	**(5,608)**	**4,592**	**30,167**
HRA:							
Housing Revenue Account	5,813	(3,918)	0	1,895	(670)	0	1,225
Heating Reserve	515	(24)	4	495	0	45	540
Freeholders Contributions	42	0	8	50	0	2	52
Sub total	**6,370**	**(3,942)**	**12**	**2,440**	**(670)**	**47**	**1,817**
Capital Grants & Contributions Unapplied	19,147	(52,726)	43,422	9,843	(27,265)	32,690	15,268
Capital Receipts Reserve	20,563	(9,534)	8,366	19,395	(6,007)	9,628	23,016
Major Repairs Reserve	0	(14,358)	15,993	1,635	(8,446)	7,508	697
Total	**105,481**	**(98,158)**	**78,854**	**86,177**	**(58,243)**	**55,492**	**83,426**

Additional information on reserves

General Fund balance

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the adequacy of the proposed reserves during the budget making process.

The agreed policy is that a general reserve of at least 5% of net General Fund expenditure (excluding schools) is necessary to provide a minimum sound level of prudence.

The current balance of £8.114m equates to 5.6% of net General Fund expenditure (excluding the schools balances).

Earmarked Reserves

- The Insurance Fund provides cover for certain uninsured losses, including:-
  - the first £150,000 of third party and employee claims;
  - the first £100,000 of property losses

  The Fund also provides for risk management initiatives across the Council.
- The Revenue Reserve for Financing Capital Expenditure has been established for the purpose of financing capital expenditure in future years.
- The General Pooled Reserve is in place to act as a way of holding approved carry forwards to be released in the following financial year.
- The Renewals and Repairs Fund is maintained primarily for Information Technology investment.
- The Catering Reserves comprise two separate accounts:
  - Catering Reserve Account (£134,666) representing the accumulated surplus from the Schools and Welfare Trading Account, and;
  - School Meals Delegated Funds (£253,702) representing the surplus made by schools within the Catering DSO and which is ringfenced for future use by schools.
- The Invest to Save Reserve was originally established to provide upfront investment to schemes and projects where the funding can be demonstrated to lead to improved outcomes/efficiencies for Council services.
- Sustainable Investment Fund has been established to finance energy and carbon reduction measures where financial payback will be within 3 to 5 years.
- The Revenue Grants Unapplied reserve is in place to record grants received in year for revenue purposes but for which the expenditure will occur in future years.

- The Redundancy Costs Reserve has been established for future redundancy costs anticipated from the continuing drive to secure cost reductions in light of central government grant reductions to local government.
- The Strategic Priorities Investment Reserve will be allocated in accordance with members future strategic priorities.
- Extreme Weather Reserve has been created to deal with additional expenditure arising from extreme weather conditions such as emergency highway repairs.
- Freedom Pass Equalisation Reserve has been used to smooth costs arising from changes in the way concessionary fares costs are allocated across boroughs.
- The Treasury Management and Capital Programme Reserve was established to support the capital programme in the future.
- The Crisis Loans and Grants Reserve has been established to hold unused grant funding for future use now that direct grant funding for the scheme has been withdrawn.
- The Risk Reserve has been created to mitigate the financial risk of demographic growth and services with demand volatility such as adult social care services and numbers of looked after children, as well as meeting other specific unavoidable cost risk issues.
- The Opportunity Sutton Reserve has been set aside to support the Opportunity Sutton Programme. This is the Borough's flagship Economic Growth Programme that aims to deliver sustainable economic growth throughout the Borough.
- The Business Change Reserve was approved by the Strategy and Resources Committee at its meeting on 11 February 2013 and has been set aside to meet the implementation costs of the Smarter Council change programme and other key business change projects.
- The Commercial Property Investment Reserve is used to hold an amount received as part of the Cantium House purchase for rent-free periods in current tenancy agreements. This will be held in this reserve and released in future years to offset potential void periods from these tenancies.
- The Planning Income Reserve will be used to smooth fluctuations in planning income between years.

Housing Revenue Account

- The HRA Reserve balance carried forward at 31 March 2017 is £1,224,657 (£1,894,810 at 31 March 2016).

- The Heating Reserve of £541k holds the net balance of tenants' charges and recoveries for heating and hot water. It will be used to help smooth future volatility.

- The Freeholders Contribution to Capital Works Reserve of £51k holds the net balance of freeholders contributions to improvements works.

19. Non-usable Reserves

31 March 2016 £'000	Reserve / Balance	31 March 2017 £'000
182,650	(a) Revaluation Reserve	159,873
446,377	(b) Capital Adjustment Account	434,429
(329,485)	(c) Pensions Reserve	(420,046)
(992)	Financial Instruments Adjustment Account	(926)
109	Deferred Capital Receipts	111
1,356	Collection Fund Adjustment Account	365
(3,586)	Accumulated Absences Account	(3,098)
296,429	**Total**	**170,708**

Details of the most significant movements are detailed in the following tables:

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.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2015/16		2016/17	
£'000		£'000	
179,763	**Balance at 1 April**		**182,650**
31,005	Upward revaluation of assets	27,037	
(9,586)	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	(19,618)	
21,419	Surplus on revaluation of non current assets not posted to the surplus/(deficit) on the provision of services	7,419	
(4,976)	Difference between fair value depreciation and historical cost depreciation	(4,920)	
(13,556)	Accumulated losses on assets sold or scrapped	(25,276)	
(18,532)	Amount written off to the Capital Adjustment Account	(30,196)	
182,650	**Balance at 31 March**		**159,873**

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.

2015/16	Capital Adjustment Account	2016/17	
£'000		**£'000**	**£'000**
412,988	**Balance at 1 April**		**446,377**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(27,672)	- Charge for depreciation and impairment of non-current assets	(32,906)	
22,559	- Revaluation (losses)/gains on Property, Plant and Equipment	43,874	
(577)	- Amortisation of intangible assets	(1,618)	
(26,361)	- Revenue expenditure funded from capital under statute	(23,346)	
(35,846)	- 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	(82,071)	
(67,897)			(96,067)
4,976	Difference between fair value depreciation and historical cost depreciation		4,920
13,556	Accumulated losses on assets sold or scrapped		25,276
(49,365)	Net written out amount of the cost of non-current assets consumed in the year		(65,871)
	Capital financing applied in the year:		
9,534	- Use of the Capital Receipts Reserve to finance new capital expenditure	5,152	
5,714	- Use of the Major Repairs Reserve to finance new capital expenditure	8,446	
43,426	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	25,192	
9,300	- Application of grants to capital financing from the Capital Grants Unapplied Account	2,073	
4,434	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	4,223	
8,889	- Funded from Revenue Reserves	7,329	
1,336	- Capital expenditure charged against the General Fund and HRA balances	981	
82,633			53,396
121	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		527
446,377	**Balance at 31 March**		**434,429**

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.

2015/16 £'000		2016/17 £'000
(371,721)	**Balance at 1 April**	**(329,485)**
46,174	Remeasurement of the net defined benefit liability	(83,622)
(22,063)	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	(23,582)
18,125	Employers pension contributions	16,643
(329,485)	**Balance at 31 March**	**(420,046)**

20. Provisions

Provisions have been established for the following purposes:

	Balance b/fwd 1 April 2016	Additional provisions made in 2016/17	Amounts used in 2016/17	Unused amounts reversed in 2016/17	Balance c/fwd 31 March 2017
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Non-Current Provisions					
a) NNDR Appeals	714	2,016	(2,220)	0	510
b) Insurance Claims	2,183	0	(45)	0	2,138
c) Potential Employee Litigation	210	0	0	0	210
d) Disputed Social Care Supported Living Costs	1,821	794	(130)	0	2,485
e) External Insurance	714	365	(289)	0	790
f) Land Charges	77	0	(37)	0	40
g) Substance Misuse costs of re-commissioning	70	0	0	(70)	0
h) Water and Sewerage Claims	1,200	0	0	0	1,200
i) General Adult Social Care	0	30	0	0	30
	6,989	**3,205**	**(2,721)**	**(70)**	**7,403**

a) The provision for appeals is to cover potential appeal losses and backdated appeal costs (i.e. court costs) in respect of the Collection Fund at 31 March 2017. The total provision is £1.700m and is shared 50% Department of Communities and Local Government (£0.850m), 30% London Borough of Sutton (£0.510m) and 20% Greater London Authority (£0.340m).

b) The Council maintains an insurance provision for claims which are likely or certain to be settled but the timing and amount of which cannot be determined accurately but can be reliably estimated. This has been established to meet claims not covered by our external insurer, including the first £150,000 of third party and employee claims and the first £100,000 of property losses. The year end provision is evaluated at £2.138m.

c) A provision of £210k was included in the 2015/16 accounts to cover several employment related matters which could involve the Council incurring costs. This provision remained the same for 2016/17.

d) A provision of £1,821k was included to cover potential costs of clients in supported living placements where identification of the ordinary residence is in dispute. £130k of this provision was used in 2016/17 and additional provisions were made to increase this provision to £2,485k due to a higher number of potential clients in 2016/17.

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. In November 2012, following several years of deteriorating financials with a significant and growing deficit, the Directors announced that they were triggering the Scheme of Arrangement. In a letter dated April 2013, the scheme administrator referred to a financial model suggesting that a levy of 9.5-28% would be required to achieve a projected solvent run-off. The initial levy was set at 15%. In January 2017, the scheme administrator extended the range for the levy to 15-34% and set the revised levy at 25%

   Following a new actuarial assessment in May 2017, it was recommended that the Council hold a provision based on a 34% final levy (£1,058k) and an estimate of the Council's share of the ongoing liabilities (£454k). The sum of these is £1,512k, however, £722k (the levy contribution to date) has already been paid, leaving an outstanding provision of £790k.

f) A provision was established in 2012/13 to cover the potential cost of reimbursement to personal search companies of fees levied by local authorities for property searches Land Charges. This was reassessed during 2014/15 and the potential liability increased by £40k to £235k. In 2015/16 £165k and in 2016/17 £37k was paid out of this provision. The provision now stands at £40k following the latest assessment.

g) A provision of £70k established to cover potential pension costs under TUPE arrangements following the recommissioning of the Substance Misuse Treatment System is no longer considered necessary and has been released in 2016/17.

h) 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. 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. Whilst the value of individual claims may be relatively small, collectively, due to the number of properties the Council manages, the potential liability has been assessed at up to £1.2m.

i) A provision of £30k has been set up for potential pay out to care agencies for sleep in care which is now covered by minimum wage legislation regardless of whether a carer was actually asleep or awake.

21. 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 2016 £'000	Gross Debtors	At 31 March 2017 £'000
10,905	Central Government bodies	9,125
2,578	Other Local Authorities	2,466
1,077	NHS bodies	1,411
14,560	Sub total public sector bodies	13,002
2,936	HRA Tenants	4,217
23,604	Other entities and individuals	27,335
7,137	Local Tax payers	7,078
33,677	Sub total sundry debtors	38,630
48,237	**Total**	**51,632**

The following provisions have been included in the accounts for potential bad debts at 31 March.

At 31 March 2016 £'000	Bad Debt Provision	At 31 March 2017 £'000
(1,267)	HRA Tenants	(1,435)
(4,446)	Other entities and individuals	(6,309)
(3,426)	Local Tax payers	(3,030)
(9,139)	**Total**	**(10,774)**

The following table shows debtors at 31 March net of the bad debt provision.

At 31 March 2016 £'000	Net Debtors	At 31 March 2017 £'000
10,905	Central Government bodies	9,125
2,578	Other Local Authorities	2,466
1,077	NHS bodies	1,411
1,669	HRA Tenants	2,782
19,158	Other entities and individuals	21,026
3,711	Local Tax payers	4,048
39,098	**Total**	**40,858**

22. 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 2016		At 31 March 2017
£'000		**£'000**
11,124	Central Government bodies	12,465
9,066	Other Local Authorities	14,293
3,439	NHS bodies	2,558
37,187	Other entities and individuals	33,777
60,816	**Total**	**63,093**

23. Cash and cash equivalents

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

At 31 March 2016		At 31 March 2017
£'000		**£'000**
63	Cash held by the authority	33
(1,134)	Bank current accounts	904
(1,071)	**Total**	**937**

24. Cash Flow Statement – Reconciliation of net surplus/ (deficit) on the provision of services to net cash flows from operating activities.

2015/16		2016/17
£'000		**£'000**
(7,864)	Net surplus / (deficit) on the Provision of Services	**(52,269)**
	Adjust net surplus or deficit for the provision of services for non-cash movements	
4,992	Depreciation, impairments and revaluation losses/(Gains)	(11,495)
577	Amortisation	1,618
8,591	Increase / (Decrease) in creditors	6,225
1,197	(Increase) / Decrease in debtors	(5,523)
75	(Increase) / Decrease in inventories	(1)
3,938	Pension Liability	6,938
(3,431)	Contributions to / (from) provisions	(3,172)
35,846	Carrying amount of non-current assets sold	82,071
51,785		**76,661**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(43,422)	Capital Grants credited to surplus or deficit on the provision of services	(25,193)
(9,185)	Proceeds from the sale of property plant and equipment, investments property and intangible assets	(9,628)
(52,607)		**(34,821)**
(8,686)	**Total**	**(10,429)**

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2015/16		2016/17
£’000		**£’000**
926	Interest received	880
3,555	Interest paid	(22,648)
4,481	**Total**	**(21,768)**

26. External Audit Costs

2015/16		2016/17
£'000		£'000
94	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	94
13	Fees payable to Grant Thornton for the certification of grant claims and returns	15
107		**109**

27. Education Services – Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department Education (DfE), the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2015. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2016/17 are as follows:-

	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2016/17 before Academy recoupment			177,551
Less Academy figure recouped for 2016/17			72,558
Total DSG after Academy recoupment for 2016/17			104,993
Plus: brought forward from 2015/16			1,525
Less: carry forward to 2017/18 agreed in advance	0	0	1,525
Agreed initial budgeted distribution in 2016/17	27,630	77,363	104,993
In year adjustments	(78)	0	(78)
Final budget distribution for 2016/17	27,552	77,363	104,915
Less actual central expenditure	29,788		29,788
Less actual ISB deployed to schools		77,387	77,387
Carry forward to 2017/18 (deficit)	(2,236)	(24)	(735)

In 2016/17, the Council received net DSG funding of £104.915 million, after academy recoupment. This includes an in year adjustment for Early Years funding for 2015/16 and 2016/17 of £78k. This has been credited against the Education service revenue account.

DfE regulations require that the over-spend of £0.735 million be carried forward to 2017/18 and will be a first call on the next years School Budget.

28. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have limited another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, 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. housing benefit). Details of transactions with government departments are set out in note 13 to the Core Financial Statements.

To comply with this requirement the Strategic Director - Resources has issued a declaration form with guidance notes to members and senior officers.

Set out below are details of declarations which are material to these accounts.

Other Local Authorities

The Authority is a partner in the South London Waste Partnership, a Joint Committee established in September 2007 to secure waste treatment and disposal services for the London Boroughs of Croydon, Merton, Royal Borough of Kingston upon Thames and Sutton. The Royal Borough of Kingston upon Thames is the lead Borough for procurement and payments totalling £6 million, included in the comprehensive income and expenditure account were paid to the Royal Borough of Kingston Upon Thames as lead authority.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is £914,000.
One member received direct payments of £34,752 for four self contained flats leased back to the Council under the Empty Homes Scheme. One member is the Vice Chair of Sutton Town Twinning and one the Trustee of Wandle Valley Regional Park, both of which received grants from the London Borough of Sutton in 2016/17.

The Pension Fund had an average balance of £12.7 million of surplus cash deposited with the Council during 2016/17. The Council charged the Fund £332,057 for expenses incurred in administering the Fund.

Opportunity Sutton - Mary Morrissey, Strategic Director Environment, Housing and Regeneration, Phil Butlin, Executive Head of Finance, and Ade Adebayo, Executive Head of Asset Planning, Management and Capital are company directors of Opportunity Sutton Ltd. There were no trading activities for Opportunity Sutton Ltd during 2016/17.

Opportunity Sutton has two sub companies, Sutton Living Ltd and Sutton Decentralised Energy Network Ltd which are detailed below:

Sutton Living Ltd - Simon Latham, Executive Head of Housing and Regeneration and Sue Hogg, Head of Business Advice and Support are company directors of Sutton Living Ltd. There were no trading activities during 2016/17.

Sutton Decentralised Energy Network Ltd - Amanda Cherrington, Head of Economic, Renewal and Regeneration, Lyndsey Gamble, Head of Financial Stratergy and Planning and Simon Woodward, SDEN Project Manager, Enviroment, Housing and Regeneration are company directors of Sutton Decentralised Energy Network Ltd. There were no trading activities during 2016/17.

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.

In 2016/17 the turnover of SHP amounted to £16.861 million and net liabilities (including the pension deficit) were valued at £8.023 million. The Council is liable to contribute to the debts and liabilities of the organisation if it is wound up, to the value of £1.

An audited copy of SHP's 2016/17 accounts can be obtained from Stephen Leitch, Head of Finance, Sutton Housing Partnership, Sutton Gate, 1 Carshalton Road, Sutton SM1 4LE. The accounts are also available on SHP's website, www.suttonhousingpartnership.org.uk

Encompass LATC Ltd - Nick Ireland, Executive Head of Adult Social Care, Simon Latham, Executive Head of Housing and Regeneration and Michael Mackie, Head of Business, Data and Reporting are company directors of Encompass LATC Ltd. There were trading activities during 2016/17 of £2.2m.

Sutton Education Services Ltd - Abigail Macklin, Commissioning and Business Insight Manager was a company director of Sutton Education Services Ltd until her resignation in March 2017. There were trading activities during 2016/17 of £2.3m.

29. Defined Benefit Pension Schemes

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 contributes to the scheme at a rate of 16.5% of members' pensionable salaries. In 2016/17 the employers contribution amounted to £5.782 million and the employees contribution was £3.325 million (employers £6.047 million and employees £3.689 million in 2015/16).

  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 in 2016/17 totalled £0.5 million (£0.5 million in 2015/16).

- 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 2016. 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 2017 as set out below. Pension Fund regulations require full 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 2019 and this 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:

2015/16 £'000	Comprehensive Income and Expenditure Statement	2016/17 £'000
	Service cost comprising:	
18,419	- Current Service Cost	13,030
1,425	- Past Service Cost	1,313
(10,035)	- (Gain)/loss from settlements	(2,694)
9,809		**11,649**
11,780	Net interest expense	11,555
474	Administration expenses	378
22,063	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**23,582**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
5,110	- Return on plan assets (excluding the amount included in the net interest expense)	(57,469)
0	- Actuarial (gains) and losses arising on changes in demographic assumptions	33,598
(50,148)	- Actuarial (gains) and losses arising on changes in financial assumptions	182,261
(1,136)	- Other	(64,180)
(24,111)	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**	**117,792**
	Movement in Reserves Statement:	
(22,063)	- Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	(23,582)
	Actual amount charged against the General Fund balance for pensions in the year:	
18,125	- Employers' Contributions Payable to Scheme	16,643

c) Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2015/16 £'000		2016/17 £'000
749,579	Present value of defined benefit obligation	**908,702**
(420,094)	Fair value of plan assets	(488,656)
329,485	Net Liability arising from defined benefit obligation	**420,046**

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 1 April 2016.

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

2015/16		2016/17
%		%
2.3	Rate of Inflation	2.7
4.1	Rate of Increase in Salaries	4.2
2.3	Rate of Increase in Pensions	2.7
3.3	Rate of Return on Assets	3.6
3.6	Rate for Discounting Scheme Liabilities	2.7
25	Take-Up of Option to Convert Annual Pension into Retirement Lump Sum	25
Years		**Years**
21.8	Longevity at 65 for Current Pensioners - Men	24.4
25.1	Longevity at 65 for Current Pensioners - Women	26.0
23.8	Longevity at 65 for Future Pensioners - Men	26.6
27.1	Longevity at 65 for Future Pensioners - Women	28.3

The expected return on assets by investment category and the assumed investment structure of the Fund are as follows:-

2015/16		2016/17
%		%
3.3	Equities	3.6
3.3	Bonds	3.6
3.3	Property	3.6
3.3	Cash	3.6
3.3	**Total Fund**	**3.6**

2015/16		2016/17
% of Fund		**% of Fund**
2	Cash	3
59	Equities	61
21	Bonds	18
7	Property	6
2	Infrastructure	3
9	Other	9
100	**Total Fund**	**100**

The total fund long term return is the average return across all investments based on the structure properties.

The application of these factors produced an estimated return on assets of £17.6 million for 2016/17. The Council's actual return was approximately £88.0 million.

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

2015/16		2016/17
£'000		**£'000**
796,826	**Balance at 1 April**	**749,579**
	Movements in period	
18,419	- Current Service Cost	13,030
25,515	- Interest Cost	26,449
4,152	- Contributions by Members	3,334
0	- Actuarial (gains)/losses arising from changes in demographic assumptions	33,598
(50,148)	- Actuarial (gains)/losses arising from changes in financial assumptions	182,261
(1,136)	- Experience gain on defined benefit obligation	(64,180)
1,425	- Past Service Cost	1,313
(28,984)	- Benefits Paid	(21,113)
(16,490)	- Liabilities extinguished on settlements	(15,569)
749,579	**Balance at 31 March**	**908,702**

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

2015/16		2016/17
£'000		£'000
425,105	**Balance at 1 April**	**420,094**
	Movements in period	
13,735	- Interest income	14,894
	- Remeasurement gain/loss:	
(5,110)	- The return on plan assets, excluding the amount included in the net interest expense	57,469
0	- Other actuarial gains/(losses)	10,588
15,550	- Contributions from employer	(23,860)
4,152	- Contributions from employees into the scheme	3,334
(26,883)	- Benefits Paid	19,012
(6,455)	- Other	(12,875)
420,094	**Balance at 31 March**	**488,656**

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.

g) Local Government Scheme assets comprised:

Asset values shown in the tables below are based on estimated values and asset allocations as at 31 December 2016. These values have been used by the Council's actuaries for the purpose of IAS19 reporting, but do not represent the actual asset values as at 31 March 2017. Actual asset values at 31 March 2017 are shown in the Pension Fund Accounts.

2015/16		2016/17
£'000		£'000
9,242	Cash and Cash Equivalents	13,682
248,276	Equities	300,035
88,640	Bonds	89,425
30,667	Property	30,297
7,982	Infrastructure	12,216
35,287	Other	43,001
420,094		**488,656**

Further details of the assets are shown below for 2016/17, 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.

	2016/17		
	£'000 Quoted	£'000 Unquoted	£'000 Total
Cash and cash equivalents	13,682	0	13,682
Equities			
- UK	81,117	0	81,117
- Overseas	218,918	0	218,918
Bonds			
Fixed Interest Government Securities			
- UK	20,035	0	20,035
- Overseas	3,421	0	3,421
Index Linked Government Securities			
- UK	37,138	0	37,138
- Overseas	0	0	0
Corporate Bonds			
- UK	9,773	0	9,773
- Overseas	19,058	0	19,058
Property	0	30,297	30,297
Infrastructure	0	12,216	12,216
Other	40,558	2,443	43,001
	443,700	**44,956**	**488,656**

h) Scheme History

	31 March 2013	31 March 2014	31 March 2015	31 March 2016	31 March 2017
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	651,087	696,597	796,826	749,579	908,702
Fair Value of Assets	(395,631)	(396,372)	(425,105)	(420,094)	(488,656)
Deficit	255,456	300,225	371,721	329,485	420,046

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net liability of £420.0 million (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 nineteen year recovery period, as assessed by the Council's actuary.

i) Exceptional increase in liability

The IAS19 figures have been updated to take into account the results of the 2016 actuarial valuation which revealed an improvement in the overall funding level of the Fund. The whole Fund deficit reduced from £215million as at 31 March 2013 to £129million as at 31 March 2016 which equated to an improvement in funding level from 67% funded to 80% funded. Some of this improvement was due to actual market movements being better than assumed at the 2013 actuarial valuation. For example, actual asset returns have been better than assumed over the past three years, in particular 2016/17 has seen some very strong asset performance. In addition, actual year-on-year inflation has been lower than assumed at the 2013 actuarial valuation which has resulted in lower increases to benefits than assumed each year and a lower value placed on the total liabilities.

However, the Pension Fund’s net liability increased during the year by 27.5% on the IAS19 basis, and this is mainly due to the effect on the IAS19 liabilities of a significant decrease in real bond yields, which places a much higher value on the liabilities. This has been offset partly by the strong asset returns over the year and low inflation as mentioned above but the effect of the change in bond yields has been more significant and overall this has resulted in a large increase in the net liability.

j) History of Experience Gains and Losses

The related experience gains and losses for 31 March 2017 and earlier years are as follows:-

	31 March 2013	31 March 2014	31 March 2015	31 March 2016	31 March 2017
	%	%	%	%	%
On assets as % of Fair Value	8	(4)	4	(1)	12
On liabilities as % of Present Value	(5)	2	(2)	1	(6)

30. Contingent Assets

The Council has submitted a claim to the High Court of Justice on 19 March 2013 against Her Majesty's Revenue and Customs to reclaim Landfill Tax paid on deliveries of waste to various landfill site operators which was used by the operators of the landfill sites for engineering purposes and for the purposes of producing gas and electricity generation. The Council considers that as some of the waste was used for engineering and electricity and gas generation purposes it should not constitute as a disposal chargeable to landfill tax, and therefore landfill tax should not have been paid for this material.

31. Financial Instruments

Items a) and b) form supporting notes to figures shown in the balance sheet. The revised reporting format has been used to conform with the Code of Practice on Local Authority Accounting in the UK.

a) Financial Instruments Balances

Accounting regulations require financial instruments (investments and borrowing) shown on the balance sheet to be further analysed into various defined categories. The investments and borrowing disclosed in the balance sheet are made up of the following categories of 'financial instruments'.

	Long Term		Current	
	31 March 2016	**31 March 2017**	**31 March 2016**	**31 March 2017**
	£'000	**£'000**	**£'000**	**£'000**
Investments				
Loans and receivable at amortised cost				
Loans & receivables principal amount	0	0	65,000	24,900
Municipal Bond Agency	100	100	0	0
Accrued Interest	0	0	260	16
Total Investments	**100**	**100**	**65,260**	**24,916**
Debtors				
Loans and receivables	2,213	1,985	0	0
Financial assets carried at contract amounts	0	0	41,681	41,921
Total Debtors	**2,213**	**1,985**	**41,681**	**41,921**
Cash and cash equivalents	**0**	**0**	**(1,071)**	**937**
Borrowings				
Financial liabilities carried at amortised cost				
Financial liabilities principal amount	208,721	240,471	15,800	250
Accrued Interest	0	0	967	1,070
Total Borrowings	**208,721**	**240,471**	**16,767**	**1,320**
Creditors				
Financial liabilities carried at contract amount	0	0	48,398	54,416
Total Creditors	**0**	**0**	**48,398**	**54,416**

Notes:

1. During 2016/17 the Council took three new loans from the Public Works Loan Board, comprising a loan for £15.0 million taken in December 2016 and two loans totalling £17.0 million taken in March 2017. One loan totalling £5.0 million matured in July 2016 and was repaid.

2. The Councils long term borrowing total of £240.721 million includes a Public Works Loan Board loan of £141.126 million to fund the HRA settlement payment to central government. This loan was taken at 3.5% in 2012. The annual cost of servicing the loans is funded by the ceasing of the previous annual subsidy payments to central government.
3. Borrowings include four Lenders Option, Borrowers Option (LOBO) Market Loans totalling £25.3 million with maturity dates between 2042 and 2077 three of which have entered their secondary period. This gives the lender the option to increase the interest rate. At pre-defined intervals the Council as borrower would then have the option to decline the increase and repay without penalty or accept the increase. The lender has not exercised this option to date on these three loans.
4. The average weighted interest rate of the Council's total borrowing as at 31 March 2017 was 3.76%.
5. The Council's short term borrowing total of £0.250 million represents one PWLB loan maturing in September 2017. Temporary borrowing of £10.8 million outstanding at 31 March 2016 was repaid during April 2016.
6. The Code of Practice requires authorities to include the accrued interest associated to both borrowing and investments with the carrying amount on the balance sheet. In accordance with proper accounting practice, the Council has shown accrued interest separately in current assets/liabilities where the payments/receipts are due within one year.
7. The Council had no material soft loans as at 31 March 2017.

b) Financial Instruments Adjustment Account

No debt restructuring was carried out in 2016/17 so there are no debt restructuring adjustments to this account to report.

c) Gains and Losses on Financial Instruments

The table below shows interest paid on existing borrowing in year (interest expense) and interest received on investments (interest income).

	Financial Liabilities	**Financial Assets**		
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Fair value through I&E
	£'000	**£'000**	**£'000**	**£'000**
Interest expense	(8,095)	0	0	0
Interest income	0	345	0	0
Net gain / (loss) for the year	**(8,095)**	**345**	**0**	**0**

Fair Value and Reporting on Risks Arising From Financial Instruments

The Council must provide additional disclosure information on the fair value and risks arising from financial instruments. This information does not support or change figures included in the Balance Sheet or Comprehensive Income and Expenditure Statement. It illustrates the impact for a number of instruments used to assess and measure risk.

d) Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables 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 Public Works Loan Board and other loans payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- for loans receivable prevailing benchmark market rates have been used 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, and;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

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 2016 are also provided for comparison.

Fair Value of Liabilities Carried at Amortised Cost

	31 March 2016		31 March 2017	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**
Temporary Borrowing	10,800	10,800	0	0
PWLB - maturity	189,065	210,287	216,173	256,436
LOBOs	25,623	30,478	25,619	36,138
Financial liabilities	**225,488**	**251,565**	**241,792**	**292,574**

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 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £256.4m 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 £216.2m would be valued at £256.4m. But, 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 £304.4m.

Fair Value of Assets Carried at Amortised Cost

	31 March 2016		**31 March 2017**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**
Call and notice accounts	30,107	30,107	24,912	24,912
Fixed term deposits with banks and building societies	35,061	35,097	0	0
Financial assets	**65,168**	**65,204**	**24,912**	**24,912**
Long Term Debtors	**2,213**	**2,213**	**1,985**	**1,985**

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 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.

e) 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. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Council in March 2017 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.

The Council's maximum exposure to credit risk over the last five years has been based on

- historical experience of default, and
- historical experience adjusted for market conditions as at 31 March 2017

Both of these measures have calculated the Council's future risk (excluding impaired investments) as zero.

The maximum credit limit for individual institutions was not exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

The maturity analysis of investments is as follows:-

31 March 2016 £'000		31 March 2017 £'000
25,056	Less than three months	9,900
40,112	Three to six months	15,000
0	Six months to one year	0
0	More than one year	0
65,168	**Total**	**24,900**

The maturity analysis of customers (debtors) is as follows:

31 March 2016 £'000		31 March 2017 £'000
39,098	Less than three months	40,858
0	Three to six months	0
0	Six months to one year	0
2,213	More than one year	1,985
41,311	**Total**	**42,843**

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 in the future 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):

Analysis of Liquidity Risk

On 31 March 2016	Loans Outstanding	On 31 March 2017
£'000		£'000
188,421	Public Work Loans Board	215,421
25,300	Market debt	25,300
10,800	Temporary Loans	0
224,521	**Total**	**240,721**
15,800	Less than 1 year	250
250	Between 1 and 2 years	250
345	Between 2 and 5 years	95
4,500	Between 5 and 10 years	4,500
203,626	More than 10 years	235,626
224,521	**Total**	**240,721**

The figures in the table above exclude accrued interest on these loans.

In the category of more than 10 years there are £25.3 million of LOBOs and a PWLB loan of £141.126 million to fund the HRA Settlement payment to central government.

Three out of four LOBOs are now in their secondary period, which provides an option for them to be called before maturity date. Any risks associated with re-financing these loans will be managed as part of the Treasury Management Strategy.

Market Risk

Interest rate risk

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

- investments and borrowing at variable rates - the interest income credited (investments) or charged (borrowing) to the Income and Expenditure Account would increase, and;
- investments and borrowing at fixed rates - the fair value of the assets and borrowing will fall.

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. The spreading of loan maturity dates is explained above. 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, Capita, 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. However following a change in the way in which the PWLB calculates premiums and discounts such opportunities are now more limited as costs are higher.

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.

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Analysis of Risk

	£'000
Increase in interest payable on variable rate borrowings	153
Increase in interest receivable on variable rate investments	(513)
Increase in government grant receivable for financing costs	0
Impact Surplus or Deficit on the Provision of Services	(360)
Share of overall impact debited to the HRA	
Decrease in fair value of fixed rate investment assets	(210)
Impact on Other Comprehensive Income and Expenditure	0
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)	(48,146)

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

Price Risk

The Authority does not generally invest in equity shares or marketable bonds but does hold an equity stake in the newly formed Municipal Bonds Agency (Local Capital Finance Company). This investment is a policy investment, rather than a treasury management investment and is not material. The Investment is disclosed in the Council's Balance Sheet at cost, as a long-term investment.

32. The London Borough of Sutton Better Care Fund (Pooled Budgets with Sutton Clinical Commissioning Group)

The Council (host authority) has entered into a Pooled Budget arrangement with Sutton Clinical Commissioning Group for the provision of Adult Social Care services within the London Borough of Sutton area.

At 31 March 2017 the 2016/17 outturn position was a £1,109k underspend which will be carried forward for funding in 2017/18.

At 31 March 2016 £'000		At 31 March 2017 £'000
	Funding:	
0	Underspend brought forward from previous year	443
4,432	London Borough of Sutton	4,235
7,911	Sutton Clinical Commissioning Group	8,331
3,379	Joint	3,379
15,722	Total Funding	16,388
	Expenditure:	
4,259	London Borough of Sutton	3,569
8,026	Sutton Clinical Commissioning Group	8,331
2,994	Joint	3,379
15,279	Total Expenditure	15,279
443	**Total underspend to be carried forward**	**1,109**

This page is intentionally left blank

Section 4

Other Financial Statements

.

This page is intentionally left blank

Housing Revenue Account

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.

HRA Income and Expenditure Account for the Year Ended 31 March 2017

2015/16		Notes	2016/17
£'000			£'000
	Expenditure		
15,228	Sutton Housing Partnership management fee		15,148
3,240	Other operating costs		2,040
2,717	Rents, rates, taxes and other charges		2,478
7,408	Depreciation of fixed assets	8	7,570
	Impairment costs:	9	
(30,097)	- revaluations and disposals		(50,062)
250	Increase in bad debt provision		317
(1,254)	**Total Expenditure**		**(22,509)**
	Income		
33,591	Gross rent from Council dwellings		32,992
746	Gross non dwellings rent		771
4,525	Charges for services and facilities		4,453
239	Contributions towards expenditure		263
39,101	**Total Income**		**38,479**
(40,355)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		(60,988)
63	HRA services share of Corporate and Democratic Core		63
(40,292)	**Net Cost of HRA Services**		**(60,925)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement.		
5,745	Interest payable and similar charges		5,744
(43)	Interest and investment income		(12)
(4,079)	(Profit)/Loss on disposal of non current assets		3,760
111	Pensions interest cost and expected return on pension assets		62
(38,558)	**Deficit/(Surplus) for the Year on HRA Services**		**(51,371)**

Statement of Movement on the Housing Revenue Account Balance

2015/16		2016/17
£'000		**£'000**
5,813	**Balance on the Statutory HRA at the end of the previous year**	**1,895**
38,558	Surplus/ (Deficit) on the HRA Income and Expenditure Account for the year	51,371
	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	
284	- Net Charges made for Retirement Benefits in Accordance with FRS17	132
(4,079)	- (Profit)/Loss on disposal of non current assets	3,760
(30,097)	- Impairment Costs and Disposals	(50,062)
	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	
(171)	- Employers Contributions Payable to the Pension Fund	(90)
4,495	**Net (decrease)/increase before transfers to or from reserves**	**5,111**
(8,426)	Transfer to the Major Repairs Reserve	(5,828)
0	Transfer (to)/from Heating Reserve Freeholders Contributions	(5)
21	Transfer (to)/from Heating Reserve	46
(8)	Transfer to Hostel Services Reserve	6
1,895	**Balance on the Statutory HRA Reserve Carried Forward**	**1,225**
5	Freeholders Contributions to Capital Works	0
494	Heating Reserve – Accumulated Surplus	540
46	Hostel Services Reserve - Accumulated Surplus	52
2,440	**Total HRA Balances and Reserves**	**1,817**

Notes to the Housing Revenue Account

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 property repairs and maintenance, are shown in the HRA Income and Expenditure account under the heading "Sutton Housing Partnership Management Fee".

2. Balance Carried Forward

The HRA Reserve balance carried forward at 31 March 2017 of £1,224,657 (£1,894,810 at 31 March 2016) is considered a prudent level. In addition the HRA carries a Heating Reserve of £540,151 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 Hillcroome Road / Harrow Road properties are held in reserve against future expenditure.

3. Housing Stock

At 31 March 2017 the Council owned and managed 5,886 tenanted dwellings plus it manages a further 1,492 leasehold properties. The Council also owned a proportion of 12 equity share/shared ownership dwellings, being the equivalent of 6.75 fully-owned dwellings.

Analysis of HRA Dwellings at 31 March 2017

Total 2015/16		Bedsits	Flats	Houses	Total 2016/17
5,999	**Dwellings at 1 April**	**187**	**2,950**	**2,801**	**5,938**
(2)	Demolitions / Transfers	(1)	0	0	(1)
(59)	Right-to-Buy Sales	(1)	(21)	(29)	(51)
0	Net Changes through Change of Use or Refurbishment	0	0	0	0
5,938	**Dwellings at 31 March**	**185**	**2,929**	**2,772**	**5,886**

4. Stock Valuation

A full revaluation of the Council’s housing stock was completed during 2016/17 as a result of the requirements of the Local Government Transparancy Code 2015. Disposals to 31 March 2017 have been accounted for in the valuation. The following valuations are included in the Council's balance sheet:

Balance Sheet Valuation of HRA Assets

As at 31 March 2016		As at 31 March 2017
£’000	Operational Assets:	**£’000**
365,655	- Dwellings	417,729
4,035	- Other Land and Buildings	4,107
369,690	**Total**	**421,836**

This valuation reflects the use of HRA dwellings as tenanted stock. The vacant possession value on the balance sheet at 31 March 2017 is £1,671 million (£1,463 million at 31 March 2016). The balance sheet valuation (£417.729 million 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.

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.

2015/16		2016/17
£'000		**£'000**
0	Balance at 1 April	1,635
7,349	Major Repairs Allowance (MRA) received	7,508
59	Depreciation on non-dwellings	64
(5,714)	MRA used on capital projects	(8,446)
(59)	Transfer to Statement of Movement on HRA balance	(64)
1,635	**Balance Carried Forward at 31 March**	**697**

6. HRA Capital Financing

2015/16		2016/17
£'000		**£'000**
27,610	HRA Capital Expenditure	**21,536**
	Financed by :	
479	Loan/Borrowing	4,254
12,582	Government Grants	0
5,714	Major Repairs Reserve	8,446
8,524	Revenue Contributions	5,828
89	Right to Buy receipts	2,763
222	Other	245
27,610	**Total**	**21,536**

7. HRA Capital Receipts

2015/16		2016/17
£'000		**£'000**
7,382	Right to Buy Sales	8,621
173	Other Disposals	21
3	Mortgage Repayments	1
7,558	**Total**	**8,643**

8. Depreciation

The Council's depreciation policy is to write down asset values over their estimated life, on a straight line basis. For Council dwellings the policy under the previous government subsidy system was to provide for depreciation at an amount equal to the Major Repairs Allowance (MRA). From April 2012, when the subsidy system ceased, the policy has been to provide at an amount equivalent to the uprated MRA allowance used in the self financing settlement for the allowed transitional period while a component based system is developed. On this basis depreciation equates to £7.6 million. Assuming an average life of 50 years for Council dwellings, depreciation, excluding land values, would amount to some £5.0 million. This difference is not considered material to the overall valuation of the Council's housing stock.

2015/16	Depeciation	2016/17
£'000		£'000
	Operational Assets:	
7,349	Dwellings	7,508
59	Other Land and Buildings	62
7,408	**Total**	**7,570**

9. Impairment

Reverse Impairment charges totalling £50.062 million have been made during 2016/17. This charge is a result of the following:

- A reduction of £10.153 million after applying the social housing factor to the cost of capital works (£13.538 million) during the year, offset by an increase of £60.215 million as a result of the revaluation of Council Dwellings.

The impairment charges do not impact on the HRA balance and have been written back in the Statement of Movement on the HRA balance.

10. 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 in the Statement of Movement on the HRA balance.

11. Rent and Service Charge Arrears

Rent and service charge arrears at 31 March 2017 totalled £1,907,172 compared to £1,523,026 at 31 March 2016. As a proportion of gross rent and service income, this represents 5.1% (4.0% in 2015/16).

Total provision for uncollectable rent and service debt totalled £1,448,456 at 31 March 2017 compared to £1,280,750 at 31 March 2016.

As at 31 March 2016		**As at 31 March 2017**
£'000		**£'000**
1,512	Current Tenant Arrears	1,764
670	Former Tenant Arrears	902
2,182	**Total**	**2,666**
(659)	Accounts in credit	(759)
1,523	**Net Arrears**	**1,907**

These arrears include charges due from tenants for rent, heating and hot water, garages and other tenancy related charges.

The following provision has been included in the accounts for potential bad debts at 31 March.

As at 31 March 2016		**As at 31 March 2017**
£'000		**£'000**
(1,281)	Tenants rent and heating charges	(1,448)
(1,281)	**Total**	**(1,448)**

12. 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. 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. Whilst the value of individual claims may be relatively small, collectively, due to the number of properties the Council manages, the potential liability has been assessed at up to £1.2m.

This page is intentionally left blank

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 2016/17

2015/16 £'000		2016/17 £'000
	Income	
102,591	Council Tax collectable	105,984
51,428	Income Collectable from Business Ratepayers (Note 3)	50,280
1,330	Income Collectable in respect of Business Rate Supplement	1,252
0	Transition payment from DCLG* in respect of Business Rates	970
155,349	**Total Income**	**158,486**
	Expenditure	
	Council Tax Precepts & Demands (Note 4)	
81,130	- London Borough of Sutton	85,391
19,208	- Greater London Authority - General	18,912
1,360	- Olympics	565
	Business Rates Precepts Shares and Collection Costs:	
25,261	- DCLG Payment	26,109
10,104	- GLA Payment	10,443
15,157	- London Borough of Sutton Payment	15,665
245	- Costs of Collection	200
	Cross Rail Precept Share and Cost of Collection:	
1,427	- Payment to GLA	1,248
5	- Costs of Collection	4
	Charges to Collection Fund (Council Tax):	
159	- Write-off Uncollectable Debt	557
296	- Increase/(Decrease) in Provision for Bad and Doubtful Debts	(572)
	Charges to Collection Fund (Business Rates):	
674	- Write-off Uncollectable Debt	327
(112)	- Increase/(Decrease) in Provision for Bad and Doubtful Debts	13
(3,390)	- Changes in Provision for Appeals	(679)
1,344	- Transition Payment to DCLG	0
0	- Sundry Creditor - Customer owed crossrail funds	42
	Contributions Prior Year (Deficit)/Surplus:	
3,366	- Council Tax Distribution	1,679
(6,104)	- Business Rates Distribution	723
150,130	**Total Expenditure**	**160,627**
5,219	**Total Income Less Expenditure**	**(2,141)**
5,045	Council Tax Fund Balance 1 April	2,117
(2,928)	Council Tax Surplus/ (Deficit) for the Year	(548)
2,117	Balance at 31 March	1,569
(9,597)	NNDR Fund Balance 1 April	(1,450)
8,147	NNDR Surplus/ (Deficit) for the Year	(1,593)
(1,450)	Balance at 31 March	(3,043)
667	**Surplus/(Deficit) Carried Forward 31 March**	**(1,474)**
	Distribution of Council Tax part of Fund Balance:	
1,689	- London Borough of Sutton	1,278
428	- Greater London Authority	291
	Distribution of NNDR part of Fund Balance:	
(435)	- London Borough of Sutton	(913)
(290)	- Greater London Authority	(609)
(725)	- DCLG	(1,521)
667	**Total Allocation of Fund Balance**	**(1,474)**

* DCLG - Department of Communities and Local Government

1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, in this case for London Borough of Sutton. The revenue account shows the transactions into the Fund by way of Council Tax and National Non-Domestic Rates (NNDR) and how the amount collected has been distributed to preceptors and the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent years. Deficits likewise are proportionately charged to the relevant precepting bodies in the following years.

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 (£1,486.03 in 2016/17, London Borough of Sutton £1,210.03 and GLA £276.00) by the ratio applicable to the property.

In 2013/14, the local government finance regime was revised and Council Tax Benefit is no longer funded by Central Government. This has been replaced by a Council Tax Reduction Scheme which is administered by the authority.

Under the new scheme the Council Tax Base is affected by the new Council Tax Reduction Scheme which treats council tax support as a discount to Council Tax. After taking account of the impact of the Council’s proposed Council Tax Reduction Scheme and technical changes to other discounts the Council Tax Base was set by the Strategic Director – Resources, under delegated authority, at 70,569.2 Band D equivalents, compared to 69,723.2 in 2015/16.

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:-

Valuation Office estimated market value as at April 1991	Band	Estimated Number of Taxable Properties After Effect of Discounts	Ratio	Band D Equivalent Dwellings	
Less Than £40,000	A	692.0	6/9	461.3	
£40,000 - £52,000	B	6,117.1	7/9	4,757.7	
£52,000 - £68,000	C	23,543.1	8/9	20,927.2	
£68,000 - £88,000	D	22,004.7	9/9	22,004.7	
£88,000 - £120,000	E	11,549.6	11/9	14,116.1	
£120,000 - £160,000	F	6,532.9	13/9	9,436.4	
£160,000 - £320,000	G	3,489.8	15/9	5,816.3	
£320,000 or more	H	238.0	18/9	476.0	
		74,167.2		77,995.7	
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.				6,713.7	
				71,282.0	
Adjustment for estimated collection rate.				712.82	1.00%
		Council Tax Base		70,569.2	99.00%
		Band D council tax charge		£1,486.03	
		Total Precept raised (Note 4)		£104,867,919	

3. Income From Business Ratepayers

The Council collects non domestic rates for its area which are based on local rateable values multiplied by a uniform rate set nationally by Central Government.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils some incentive to encourage business growth, but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. The NNDR is shared in the following proportions, Central Government 50%, London Borough of Sutton 30% and the GLA 20%.

The business rates shares payable for 2016/17 were estimated before the start of the financial year as £26.470m to Central Government, £16.082m to London Borough of Sutton and £10,588m to the GLA. These sums have been paid in 2016/17 and charged to the collection fund in year.

The total income collectable from business rate payers in 2016/17 was £50.280m (£51.428m in 2015/16).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by Valuation Office Agency and hence business rates outstanding as at 31 March 2017.   As such, authorities are required to make a provision for these amounts.   Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2016/17 has been calculated at £0.679 million. This leaves a total end of year provision for appeals balance of £1.700 million of which the London Borough of Sutton's share is £0.510 million.

The total non domestic rateable value at 31 March 2017 in Sutton was £124.647 million (£125.574 million at 31 March 2016).   The Government advises local authorities of the two business rate multipliers annually.   For 2016/17 these were:

- Small business non-domestic rating multiplier - 48.4p per £ (48.0p per £ in 2015/16)
- Non-domestic rating multiplier - 49.7p per £ (49.3p per £ in 2015/16)

The projected yield produced by multiplying the total non-domestic rateable value at year end and the NNDR multiplier for the year produces a significantly different figure to the NNDR income disclosed on the face of the statement. The significant difference is due to various adjustments around discounts, reliefs and exemptions (e.g. small property relief).

4. Precepts and Demands

2015/16 £'000		2016/17 £'000
81,130	London Borough of Sutton	85,391
20,568	Greater London Authority	19,477
101,698	**Total**	**104,868**

In addition to the £104.868 million above, the estimated surplus on the Collection Fund at 31 March 2016 of £1.679 million was shared between the Council and the GLA in 2016/17, £1.330 million and £0.349 million respectively.

This page is intentionally left blank

Section 5

Pension Fund Accounts

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

Sutton Pension Fund Accounts for the Year Ended 31 March 2017

Fund Account

2015/16 £'000		Notes	2016/17 £'000
	Contributions and Benefits		
	Contributions Receivable:		
23,188	From Employers	2	24,608
5,889	From Employees or Scheme Members	2	5,661
1,510	Transfers In	4	3,847
30,587	**Sub-Total Income**		**34,116**
	Benefits Payable:		
19,667	Pensions		20,435
4,233	Lump Sum Retirement Grants		3,464
496	Lump Sum Death Benefits		631
24,396	Sub-Total Benefits Payable	3	24,530
	Payments to and on account of Leavers:		
53	Refund of Contributions		74
8,181	Transfers Out	4	1,914
3,192	Management expenses	6f	3,263
35,822	**Sub-Total Expenses**		**29,781**
(5,235)	**Net Addition from Dealings with Scheme Members**		**4,335**
	Return on Investments		
3,473	Investment Income	6d	4,435
(20)	Taxes on Income	6e	(15)
2,172	Increase/(Decrease) in Market Value of Investments		102,281
5,625	**Net Return on Investments**		**106,701**
390	**Net Increase/(Decrease) in Fund During Year**		**111,036**
506,731	Opening Net Assets of the Scheme		507,121
507,121	**Total Net Assets at 31 March**		**618,157**
	Net Assets Statement		
	Investment Assets:		
311,384	Equities		391,235
29,217	Fixed Interest Securities - Public Sector		36,767
57,623	- Other		56,729
37,755	Index Linked Securities - Public Sector		49,080
35,239	Property		50,113
10,108	Infrastructure		14,915
8,348	Other		7,900
3,778	Loans to businesses	6b	1,639
493,452	**Sub-Total Securities**	6b	**608,378**
1,312	Cash		872
117	Debtors		127
494,881	**Total Investment Assets**	6c	**609,377**
	Current Assets		
12,065	Cash in Hand		7,705
1,829	Debtors		4,605
(1,654)	Current Liabilities		(3,530)
507,121	**Total Net Assets at 31 March**		**618,157**

1. Membership

The London Borough of Sutton Pension Fund ('the fund') is part of the Local Government Pension Scheme and is administered by London Borough of Sutton. The council is the reporting entity for this pension fund.

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

It is a contributory defined benefit pension scheme administered by London Borough of Sutton to provide pensions and other benefits for pensionable employees of London Borough of Sutton and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

Organisations participating in the London Borough of Sutton Pension Fund are as follows:

Scheduled Bodies:
- Carshalton College
- Sutton Housing Partnership
- Academy Schools (27)

Admitted Bodies:
- Bandon Hill Joint Cemetery Committee
- Citizens Advice Bureaux - Sutton Borough
- ThamesReach
- The former Sutton and District Water Company (no current contributors)
- Sports and Leisure Management
- Community Options (Heritage Care)
- Community Drug Service
- Compas Catering (Overton Grange Academy)
- Eldercare
- Mitie (facilities management)
- Cygnet (Schools ICT)
- Vinci Park
- Nviro (Wallington High School for Girls Academy)
- Caterlink (primary school catering)
- Orchard Hill College
- Orchard Childcare
- Encompass (LATC)
- Sutton Education Service (LATC)
- H21 Dementia Voice (no current contributors)

- Housing 21 (no current contributors)
- Connick Tree Care (no current contributors)
- Sutton Theatres Trust (no current contributors)

As at 31 March, membership of the fund comprised

31 March 2016		31 March 2017
No.		No.
4,923	Employees & Council Members	5,326
3,518	Pensioners and dependants	3,634
4,207	Former Employees - deferred benefits	4,300
12,648	**Total**	**13,260**

Active members include additional records for each pensionable post held by a member of the scheme and undecided leavers yet to be processed.

2. Contributions to the Fund

The Scheme's current members make contributions to the Fund by deductions from earnings. From 1 April 2014 with the introduction of the LGPS 2014 Career Average Revalued Earnings (CARE) scheme, revised contribution banding rates of between 5.5% and 12.5% applied. These are assessed on a monthly basis based on the members' (annualised) actual pensionable pay in each pay period.

Following the 2013 actuarial valuation, the employers' stabilised contribution rate for the Sutton Pool was set at 22.5% of employees' earnings (17.4% future service rate and a deficit contribution equal to £3.318m in 2014/15, £4.139m in 2015/16 and £5.024m in 2016/17).

Academy schools were separately assessed as individual scheme employers with employer contributions for the majority in the range 25% to 32%. However, these academies' rates were stabilised at 1% over the Sutton Pool, for 2016/17 this was set at 25.5% (24.5% in 2015/16).

For the other Scheduled Bodies the employers' rates of contribution were:

- Carshalton College – 20.2% plus £347k cash deficit contribution
- Sutton Housing Partnership – 22.3% plus £168k cash deficit contribution

For Admitted Bodies the employers' rates of contribution were:

- Bandon Hill Joint Cemetery Committee – 30.6%
- Citizens Advice Bureaux – 21.0% plus £45k cash deficit contribution
- ThamesReach – 21.6%
- Sports and Leisure Management – 20.0%
- Community Options – 23.9%
- Community Drug Service – 25.5%
- Compass Catering – 21.8%
- Eldercare – 18.0%

- Mitie – 23.7%
- Cygnet (Schools ICT) – 24.0%
- Vinci Park – 28.6%
- Nviro (Wallington High School for Girls Academy) – 23.7%
- Caterlink (primary school catering) - 24.5%
- Orchard Hill College - 27.2%
- Orchard Childcare - 24.8%
- Encompass (LATC) - 26.9%
- Sutton Education Services (LATC) - 26.9%

Contributions to the Pension Fund were as follows:-

2015/16		2016/17
£'000		£'000
	Employers' Contributions	
15,666	London Borough of Sutton including schools	15,005
3,978	Academy schools	4,523
798	London Borough of Sutton - recovery of early retirement costs	1,006
762	Deficit Funding Contributions (SHP & Carshalton College)	795
	Scheduled Bodies	
252	- Carshalton College	235
776	- Sutton Housing Partnership	787
956	Admitted Bodies	2,257
23,188		**24,608**
	From Employees or Scheme Members	
4,249	London Borough of Sutton including schools	3,656
1,025	Academy schools	1,097
	Scheduled Bodies	
85	- Carshalton College	76
259	- Sutton Housing Partnership	279
271	Admitted Bodies	553
5,889		**5,661**

3. Analysis of Benefits Payable

2015/16		2016/17
£'000		£'000
22,329	London Borough of Sutton including schools	22,437
474	London Borough of Sutton - Academy schools	527
	Scheduled Bodies	
431	- Carshalton College	425
728	- Sutton Housing Partnership	815
434	Admitted Bodies	326
24,396	**Total Benefits Payable**	**24,530**

4. Transfers

This represents the transfer of pension liabilities to and from the London Borough of Sutton's Pension Fund.

	2015/16		2016/17	
	Transfers Out	Transfers In	Transfers Out	Transfers In
	£'000	£'000	£'000	£'000
Bulk transfers	7,357	0	0	0
Individual transfers	824	1,510	1,914	3,847
	8,181	1,510	1,914	3,847

The above 2015/16 bulk transfers out were in respect of ICT staff transferred to the Royal Borough of Kingston, and Carshalton College staff transferred to the Royal Borough of Kingston in respect of the Kingston and Sutton Educational Partnership.

5. Accounting Policies

The accounts summarise the transactions of the fund and report on the net assets avaliable to pay pension benefits as at 31 March 2017. They do not take account of the liabilities to pay pensions and other benefits after 31 March 2017. The actuarial present value of promised retirement benefits, valued on an International Accounting Standards (IAS) basis, is disclosed in Note 9 of these accounts.

The financial statements have been prepared on a going concern basis and in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which is based upon International Financial Reporting Standards (IFRS). In particular:

a) Fair Value - Basis of Valuation

The basis of each class of investment assset is set out below. All assets have been valued using fair value techniques which represent the best price available at 31/03/17.

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 or mid 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 occuring between reporting date and 31/03/17
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 occuring between reporting date and 31/03/17

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, 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 2017.

	Assessed valuation range (+/-)	Value at 31 March 2017	Value on increase	Value on decrease
		£'000	**£'000**	**£'000**
Pooled investments - UK & overseas property funds	14.2%	48,552	55,446	41,658
Pooled investments - infrastructure fund	15.9%	14,915	17,286	12,543
Pooled investments - UK companies financing fund	10.1%	1,639	1,804	1,473
Investment of share capital in the London CIV	18.4%	150	178	122
Total		**65,256**	**74,714**	**55,796**

b) Non investment assets/liabilities

The accounts include some non-investment debtors and creditors. These are measured at amortised cost.

c) Investment income

i) Interest Income

Interest income is recognised in the accounts on an accruals basis and is based on an average rate of interest applicable to pooled cash that the Pension Fund has invested with money market funds and call accounts, alongside the Councils' general cash investments and the addition of interest earned in a separate Pension Fund Bank Account. Interest is calculated using the effective interest rate of the financial instruments that the cash is invested with.

ii) Dividend Income

Dividend income is recognised by the equity fund managers when the shares are quoted ex-dividend. At this point the income is accrued by the equity fund managers. The income is actually received on the official pay date of the dividend and at this time it is added into the daily Net Asset Value.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised on the date they are issued and accrued at the end of the year if not received at that time.

iv) Movement in net market value of investments

Changes in net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

d) Investment management expenses

All investment management fees are accounted for on an accruals basis.

Fund manager, custodian and investment consultants fees are all agreed at the time of contractural arrangements. All fund manager fees are based on net asset values of the assets held, which can increase or reduce as the values change. One equity fund manager incorporates a performance related element to their fee structure. This applies when they have outperformed the relevant benchmark by more than 0.25%, in which case an additional fee of 20% of the performance value is payable.

Investment consultant fees are included in management expenses.

e) The transfer of liabilities arise when staff move to and from the scheme.

Transfer values are accounted for on a cash basis as the amount payable or receivable by the scheme is not determined until payment is actually made and accepted by the recipient.

f) Fund manager assets denominated in non-sterling currencies are translated to Sterling by the asset custodian using its foreign exchange rates for the balance sheet dates. For reporting purposes the custodian revalues all foreign currency holdings back to Sterling on a daily basis using the WM/Reuters 4 p.m. rate. Where applicable, foreign exchange transactions are executed by the investment manager using their own execution policy. During the year there were 3 foreign currency exchange’s executed on the transition account. All these transactions purchased Sterling, US Dollars or Euro’s. Any pending foreign exchange transactions are accounted for as such in the custodian holdings and transaction reports.

g) Assumptions made about the future and other major sources of estimation uncertainty:

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about these assumptions.	The effects on the net pension fund liability for the London Borough of Sutton pension fund can be measured. For example a 0.1% increase in the discount rate assumption would result in an approximate reduction of £16m in the Council's pension liability; a one year increase in member life expectancy would increase the liability by approximately £35m and a 0.1% increase in the salary increase rate would increase the liability by approximately £2m.
Unquoted investments	Some investments, such as pooled infrastructure, pooled property and company financing funds are valued using bases which are not quoted and therefore there is a degree of estimation involved in the valuation.	The total of investments which are valued on an unquoted basis is £65.3m. There is a risk that these investments may be under or over-stated in the accounts.

6. Fund Management

a) Allocation of Assets

The Sutton Fund is mandated to eleven different fund managers;

Pooled Global & UK Equity Funds;
Legal & General (L&G)
Newton Investment Management (Newton)
Harding Loevner
Schroder

UK Pooled Property Funds;
Aviva Investors
BlackRock
Invesco

Pooled Absolute Return Funds;
Baillie Gifford
Pyrford

Bonds;
M&G

Alternative Funds;
M&G UK Companies Financing Fund
Partners Group (infrastructure)

A strategic target benchmark allocation of 42% of the total fund value is to be invested in global equities managed in separate, equal sized portfolios by Newton, Harding Loevner and Schroders. 13% of the fund is to be invested in UK equities by L&G and 15% of the fund is to be split equally in absolute return pooled vehicles managed by Baillie Gifford and Pyrford. 20% of the fund is targeted in bonds by M&G, however there is a long term strategic target to bonds of 15% and 5% to infrastructure with Partners Group. 10% of the fund is to be invested in property, split between BlackRock, AVIVA and Invesco.

The Council is also invested in M&G UK Companies Financing Fund.

Fees negotiated with fund managers for their services are on a sliding scale related to the overall value of funds managed, and may include a performance element.

The market value of assets held by the fund managers at 31 March 2017 totalled £608.378 million split as follows:

	£m	% of Investment Assets
M & G Bonds	93.369	15.3%
Newton	96.635	15.9%
Schroders	96.500	15.9%
Harding Loevner	98.105	16.1%
Legal & General	71.268	11.7%
Baillie Gifford	44.426	7.3%
Pyrford	42.819	7.0%
Blackrock	21.544	3.5%
AVIVA	12.277	2.0%
Invesco	14.731	2.5%
Partners Group	14.915	2.5%
M&G Financing Fund	1.639	0.3%
London Collective Investment Vehicle	0.150	0.0%
Total	**608.378**	**100.0%**

Fund’s assets are held in unitised form. Excluding equities, the largest unitised holding is M&G's Alpha Opportunities Fund, representing 7.9% of net assets. There is no other individual holding of more than 5%.

b) Analysis of Investments

31 March 2016		31 March 2017
£m		£m
	Equities:	
84.9	UK Quoted	102.0
226.5	Overseas Quoted	289.2
	Fixed Interest Securities:	
	- UK	
16.5	Public sector quoted	27.3
21.0	Corporate quoted	27.2
	- Overseas	
12.7	Public sector quoted	9.5
36.5	Corporate quoted	29.5
	Index linked securities:	
36.9	UK Public sector quoted	45.3
1.0	Overseas Public sector quoted	3.8
	Property:	
	- UK	
22.9	Property fund quoted:	37.9
	- Overseas	
12.3	Property Unit Trust unquoted	12.3
	Loans to business:	
3.8	Unit Trust unquoted	1.6
	Other:	
8.2	Quoted	7.7
10.3	Unquoted - Private Equity Infrastructure	15.1
493.5		**608.4**
	Pooled funds - additional analysis:	
	- UK	
	Equities:	
73.6	Unit Trusts	79.0
11.4	Other pooled equities	23.0
	Fixed Interest Securities:	
37.5	Fixed income bonds	54.5
	Index Linked Securities:	
36.9	Indexed linked bond	45.3
	Property:	
21.5	Unit Trust	36.3
1.5	Other	1.6
	Loans to business:	
3.8	Unit Trust	1.6
	- Overseas	
	Equities:	
135.5	Unit Trust	88.8
90.9	Other pooled equities	200.5
	Fixed Interest Securities:	
50.1	Other	42.7
	Property:	
12.3	Unit Trust	12.3
	Other:	
18.5	Other pooled investments	22.8
493.5		**608.4**

The Other category includes infrastructure, absolute return and insurance linked securities.

c) Investment Movement Summary

Investment Movement Summary 2016/17	Value at 1 April 2016	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31 March 2017
	£m	£m	£m	£m	£m
Equities	306.4	13.0	(17.3)	85.0	387.1
Bonds	129.1	28.1	(27.3)	15.1	145.0
Property	35.0	15.0	(0.1)	0.1	50.0
	470.5	56.1	(44.7)	100.2	582.1
Loans to:					
Businesses	3.7	0.0	(2.1)		1.6
Other	19.2	3.7	(0.3)	2.1	24.7
Total Investment Assets	**493.4**	**59.8**	**(47.1)**	**102.3**	**608.4**
Other investment balances:					
Cash & Cash Equivalents	1.3				0.9
Debtors	0.1				0.1
Total Assets	**494.8**				**609.4**

Comparative Movements in 2015/16	Value at 1 April 2015	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31 March 2016
	£m	£m	£m	£m	£m
Equities	308.3	11.9	(12.3)	(1.5)	306.4
Bonds	128.2	19.3	(18.3)	(0.1)	129.1
Property	33.1	1.4	(1.5)	2.0	35.0
	469.6	32.6	(32.1)	0.4	470.5
Loans to:					
Businesses	4.7	0.2	(1.2)	0.0	3.7
Other	14.8	11.4	(8.8)	1.8	19.2
Total Investment Assets	**489.1**	**44.2**	**(42.1)**	**2.2**	**493.4**
Other investment balances:					
Cash & Cash Equivalents	1.5				1.3
Debtors	0.4				0.1
Total Assets	**491.0**				**494.8**

There are no transaction costs included in the cost of purchases and in sale proceeds.

d) Investment Income (Gross)

31 March 2016 £'000		31 March 2017 £'000
221	Equities	459
1,426	Bonds	1,366
1,008	Property	1,415
2,655		3,240
218	Loans to Business	150
600	Other	1,045
3,473	Total Investment Income	4,435

e) Taxes on Income

31 March 2016 £'000		31 March 2017 £'000
20	UK Income Tax - Property	15
20		15

f) Management Expenses

31 March 2016 £'000		31 March 2017 £'000
433	Administrative costs	384
2,658	Investment management expenses	2,773
101	Oversight and governance costs	106
3,192		3,263

This analysis of the costs of managing the Pension Fund during the year has been prepared in accordance with CIPFA guidance.

The investment management expenses above includes £106k (£306k 2015/16) in respect of performance-related fees paid/payable to an investment fund manager, £2,621k (£2,316k 2015/16) in respect of fund manager fees and £46k (£36k 2015/16) in respect of custody fees.

7. Non-adjusting Post Balance Sheet Event

Information may come to light after the balance sheet date which would cast doubt on the valuation of particular assets or classes of assets at the balance sheet date.

8. Actuarial Position

Pension Fund regulations require actuarial valuations to be prepared every three years. Hymans Robertson, the Council's actuary (until 2014) carried out an actuarial valuation of the London Borough of Sutton Pension Fund as at 31 March 2016. The valuation showed that Fund assets, which at 31 March 2016 were valued at £503 million, were sufficient to meet 80% of the liabilities (i.e. the present value of promised retirement benefits accrued up to that date).

For 2017/18 to 2019/20 the stabilised contributions paid were 17.2% of employees' earnings plus deficit contributions of £5,376,000 in 2017/18, £5,752,000 in 2018/19 and £6,154,000 in 2019/20 respectively. The stabilised approach, as assessed by the Council's actuary, is structured to make good the deficit over a 19 year period.

Actuarial Assumptions

In the actuarial valuation, the Actuary has used assumptions about the factors affecting the Fund's finances in the future. Broadly, these assumptions fall into two categories - demographic and financial.

Demographic assumptions typically forecast when exactly benefits will come into payment and what form these will take. For example, when members will retire and how long they will then survive and whether a dependant's pension will be paid.

Financial assumptions typically try to anticipate the size of these benefits. For example how large members' salaries (final and career average) will be at retirement and how their pensions will increase over time. In addition, the financial assumptions also help the Actuary to estimate how all these benefits will cost the Fund in today's money.

Details of the Actuary's recommended assumptions are set out below.

Financial Assumptions

A summary of the main financial assumptions adopted for the 2016 valuation of members' benefits is shown below.

Financial assumptions	2016	2013
Discount rate	5.2%	4.6%
Salary increases*	3.9%	4.3%
Price inflation (CPI)/Pension increases	2.4%	2.5%

* Plus an allowance for promotional pay increases

Longevity

The main demographic assumption to which the valuation results are most sensitive is that relating to the longevity of the Fund's members. The Actuary has adopted assumptions which give the following sample average future life expectancies for members:

Assumed life expectancy at age 65	Actives & Deferreds		Current Pensioners	
	Males	Females	Males	Females
2016 valuation	26.5 years	28.2 years	24.3 years	25.9 years

* based on active and deferred members aged 45 at the valuation date

9. Actuarial Present Value of Promised Retirement Benefits (IAS 26)

IAS 26 requires the 'actuarial present value of promised retirement benefits' to be disclosed. For this purpose and in accordance with the code, the most recent valuation, based on IAS 19, was used rather than the assumptions and methodology used for funding purposes.

The Actuary has calculated the actuarial present value of promised retirement benefits to be £1,073 million as at 31 March 2017 (£855 million as at 31 March 2016). The Council is required to provide a description of the significant actuarial assumptions made and the methods used in the calculation. This is detailed below.

a) Method

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The Actuary estimates this liability at 31 March 2017 comprises £369 million in respect of employee members, £281m million in respect of deferred pensioners and £423 million in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the Actuary is satisfied that the aggregate liability is a reasonable estimate of the actuarial present value of benefits promised. The Actuary has not made any allowance for unfunded benefits.

b) Assumptions

The assumptions used are those adopted for the Sutton Council's (the administering authority's) IAS19 report as required by the Code of Practice. These are given below. The Actuary estimates that the impact of the change of assumptions to 31 March 2017 is to increase the actuarial present value by £217 million and increase the actuarial demographic by £34 million.

(i) Financial Assumptions

The Actuary's recommended financial assumptions are summarised below:

Year ended	31 March 2016 % p.a.	31 March 2017 % p.a.
Inflation/Pension Increase Rate	2.4%	2.7%
Salary Increase Rate	4.2%	4.2%
Discount Rate	3.7%	2.7%

(ii) Longevity Assumption

The life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI_2015 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	24.4 years	26.0 years
Future Pensioners*	26.6 years	28.3 years

* Future pensioners are assumed to be currently aged 45

Please note that the assumptions have changed since the previous IAS 26 disclosure for the Fund.

(iii) Commutation Assumption

An allowance is included for future retirements to elect to take 25% of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax free cash for post-April 2008 service.

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from the London Borough of Sutton, administering authority to the Fund.

The next formal actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

10. Additional Voluntary Contributions

In accordance with regulation 4 (2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093), additional voluntary contributions are not included in the Pension Fund Accounts. AVC’s are managed independently by a specialist AVC fund provider, and are invested separately from the fund in the form of personal accounts securing additional benefits on a money purchase basis, for those members electing to pay additional voluntary contributions. Members participating in this arrangement each received an annual statement made up to 31 May 2017 confirming the amounts held to their account and the movements in the year. Note this is an externally provided scheme and valuations are given at the scheme date which is 31 May 2017 and confirming the amounts held to their accounts and the movements in the year.

11. Disclosure of Related Party Transactions

Sutton Council is a designated administering authority and is responsible for the administration of the scheme for the London Borough of Sutton employees (and certain admitted bodies), excluding teachers who have their own specific scheme. Sutton Council discharges this responsibility through a formal decision making committee known as the Pension Committee. Decisions can also be taken by the Strategic Director - Resources under delegated authority following Pension Committee meetings.

The scheme is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence dealings with the scheme and its assets. Disclosure of these transactions allows readers to assess the extent to which the reported financial position and results may have been affected by the existence of and dealings with related parties.

To comply with this requirement the London Borough of Sutton's Strategic Director - Resources has issued a declaration form with guidance notes to members and senior officers. There have been no declarations made which are material to the pension fund accounts.

The Pension Fund had an average balance of £12.7 million of surplus cash deposited with the Council during 2016/17. The Council charged the Fund £332.1k for expenses incurred in administering the Fund. The Council is also the single largest employer of members of the pension fund and contributed £20.534 million to the fund (£20.442 million in 2015/16).

Key Management Personnel

The key management personnel of the fund are the Section 151 Officer, the Head of Pension Service and the Head of Financial Strategy and Planning. Total remuneration payable to key management personnel is shown below:

31 March 2016		31 March 2017
£'000		£'000
244	Short-term benefits	244
21	Post-employment benefits	36
265	**Total**	**280**

12. Financial Instruments

a) Classification of Financial Instruments

Accounting policies require different classes of financial instruments to be analysed into various defined categories. The following table analyses the carrying amounts of financial assets and liabilities.

	Designated at fair value through profit and loss		Loans and receivables		Financial liabilities at amortised cost	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Financial Assets						
Fixed Interest Securities	86,840	93,496	0	0	0	0
Index Linked Securities	37,755	49,080	0	0	0	0
Equities	311,384	391,235	0	0	0	0
Pooled property investments	35,239	50,113	0	0	0	0
Private Equity/Infrastructure	10,108	14,915	0	0	0	0
Other*	8,347	7,900	0	0	0	0
Investment Cash	0	0	1,312	872	0	0
Other investment balances	3,778	1,639	0	0	0	0
Investment Debtors	0	0	117	127	0	0
	493,451	**608,378**	**1,429**	**999**	**0**	**0**
Cash in hand	0	0	12,064	7,705	0	0
Debtors	0	0	1,829	4,605	0	0
	493,451	**608,378**	**15,322**	**13,309**	**0**	**0**
Financial Liabilities						
Creditors	0	0	0	0	(1,653)	(3,530)
	0	**0**	**0**	**0**	**(1,653)**	**(3,530)**
	493,451	**608,378**	**15,322**	**13,309**	**(1,653)**	**(3,530)**

Current assets, which are separate to investment assets have been additionally disclosed.
Other* includes absolute return, commodities, insurance linked securities and investment in the London Collective Investment Vehicle.

b) Net Gains and Losses on Financial Instruments

	2015/16 £'000	2016/17 £'000
Financial Assets		
Fair value through profit and loss	2,387	102,247
Loans and receivables	24	34
Financial liabilities measured at amortised cost	0	0
Financial liabilities		
Fair value through profit and loss	0	0
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Total	**2,411**	**102,281**

c) Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying values of the financial assets and liabilities by class of instrument compared with their fair values.

	Carrying Value		Fair Value	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Financial Assets				
Fair value through profit and loss	493,451	608,378	493,451	608,378
Loans and receivables	1,429	999	1,429	999
Total financial assets	**494,880**	**609,377**	**494,880**	**609,377**
Financial Liabilities				
Fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	0	0	0	0
Total financial liabilities	**0**	**0**	**0**	**0**

The following table summarises the carrying values of the non-investment financial assets and liabilities by class of instrument compared with their fair values.

	Carrying Value		Fair Value	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Non-investment Financial Assets				
Cash in hand	12,064	7,705	12,064	7,705
Debtors	1,829	4,605	1,829	4,605
Total non-investment financial assets	**13,893**	**12,310**	**13,893**	**12,310**
Non-investment Financial Liabilities				
Creditors	(1,653)	(3,530)	(1,653)	(3,530)
Total non-investment financial liabilities	**(1,653)**	**(3,530)**	**(1,653)**	**(3,530)**

d) Valuation of Financial Instruments Carried at Fair Value

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.

Level 2
Quoted prices are not available and valuation 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.

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
Values at 31 March 2017	**Level 1**	**Level 2**	**Level 3**	
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Equities	111,753	279,482	0	391,235
Securities	29,172	113,404	0	142,576
Property	0	1,561	48,552	50,113
Private Equity/Infrastructure	0	0	14,915	14,915
Loans to businesses	0	0	1,639	1,639
Other*	0	7,750	150	7,900
Financial assets at fair value through profit and loss	**140,925**	**402,197**	**65,256**	**608,378**

Other* includes absolute return, commodities and insurance linked securities and investment in the London Collective Investment Vehicle.

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
Values at 31 March 2016	**Level 1**	**Level 2**	**Level 3**	
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Equities	253,157	58,226	0	311,383
Securities	124,595	0	0	124,595
Property	1,450	21,534	12,255	35,239
Private Equity/Infrastructure	0	0	10,108	10,108
Loans to businesses	0	0	3,778	3,778
Other*	8,198	0	150	8,348
Financial assets at fair value through profit and loss	**387,400**	**79,760**	**26,291**	**493,451**

Other* includes absolute return, special opportunities, infrastructure, commodities and insurance linked securities and dividend futures.

Reconciliation of Fair Value Measurements Within Level 3

Period 2016/17	**Market value 1 April 2016**	**Transfers into Level 3**	**Transfers out of Level 3**	**Purchases at Cost**	**Sales Proceeds**	**Change in Market Value**	**Value at 31/03/2017**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Property	12,255	21,534	0	15,000	(86)	(151)	48,552
Private Equity / Infrastructure	10,108	0	0	3,690	(230)	1,347	14,915
Loans to businesses	3,778	0	0	0	(2,183)	44	1,639
London Collective Investment Vehicle	150	0	0	0	0	0	150
Total	**26,291**	**21,534**	**0**	**18,690**	**(2,499)**	**1,240**	**65,256**

Transfers into level 3 are represented by the transfer of BlackRock from level 2 to level 3. This change was provided by BlackRock following a periodic review of their classifications.

Level 3 Investment Movement Summary 2015/16	**Value at 31 March 15**	Purchases at Cost	Sales Proceeds	Change in Market Value	**Value at 31 March 16**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Property	11,586	0	(119)	788	12,255
Private Equity/Infrastructure	5,916	3,271	(945)	1,866	10,108
Loans to businesses	4,713	0	(1,171)	236	3,778
London Collective Investment Vehicle	0	150	0	0	150
	22,215	**3,421**	**(2,235)**	**2,890**	**26,291**

13. Nature and Extent of Risks Arising from Financial Instruments

The Pension Fund's activities expose it to certain financial risks, which the Council seeks to minimise as far as possible. The risk management arrangements for the Pension Fund are addressed by its Funding Strategy Statement, which contains a risk management register. This shows the alignment between key risks, including financial and investment risks and control arrangements. The Fund's primary long term risk is that the fund's assets will fall short of its liabilities. In order to minimise this risk the Fund diversifies its investments to reduce its exposure to market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. These areas are addressed in turn below.

a) Market Risk

This is the risk that financial loss could arise as a result of changes in such measures as interest rates and stock market movements, due to fluctuations in share prices, exchange rates and credit spreads.

Price Risk

The Fund is also exposed to an element of risk in relation to movements in the price of its investments, which may go up and down and result in a loss against the amount invested. To mitigate against this, the Fund has a diverse portfolio with different asset classes, countries and market sectors. The portfolio is also managed by a range of different managers with varying management styles. Any fall in prices should therefore only affect part of the Fund and not the Fund as a whole.

Potential price changes have been determined based on the observed historical volatility of asset class returns. More risky assets, such as equities display greater potential volatility than bonds. Potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. This has been applied to the year end asset mix for 2016/17 and 2015/16 as shown in the tables overleaf. The estimated volatility of asset classes, such as global equities includes the impact of unhedged currency movements.

Asset Type	Value as at 31/03/2017	% Change	Value on increase	Value on decrease
	£000	%	£000	£000
Cash and cash equivalents	872	0.0	872	872
Investment portfolio assets:				
UK bonds	54,526	9.5	59,706	49,346
Overseas bonds	42,742	10.1	47,059	38,425
UK equities	101,994	15.8	118,109	85,879
Overseas equities	289,241	18.4	342,461	236,021
Index linked gilts	45,308	7.1	48,525	42,091
Property	50,113	14.2	57,229	42,997
Private equity/infrastructure	15,065	15.9	17,460	12,670
Absolute return	7,750	10.2	8,541	6,960
Corporate bonds	1,639	10.1	1,805	1,473
Other - Debtors	127	0.0	127	127
Total assets available to pay benefits	**609,377**		**701,894**	**516,861**

Asset Type	Value as at 31/03/2016	% Change	Value on increase	Value on decrease
	£000	%	£000	£000
Cash and cash equivalents	1,312	0.6	1,320	1,309
Investment portfolio assets:				
UK bonds	37,584	6.7	40,103	35,066
Overseas bonds	50,117	9.5	54,878	45,356
UK equities	84,940	17.1	99,465	70,415
Overseas equities	226,444	19.6	270,827	182,061
Index linked gilts	36,894	5.1	38,775	35,012
Property	35,239	14.7	40,419	30,059
Private equity/infrastructure	10,258	15.5	11,848	8,668
Absolute return	8,198	12.7	9,239	7,157
Corporate bonds	3,778	9.5	4,137	3,419
Other - Debtors	117	0.0	117	117
Total assets available to pay benefits	**494,881**		**571,128**	**418,639**

Other financial instruments, such as cash in hand are exposed to market risk and this is addressed under the Interest Rate Risk section within this note.

Currency Risk

The Pension Fund holds financial assets or liabilities denominated in foreign currencies. It is therefore exposed to an element of risk in relation to fluctuation of foreign exchange rates. This risk is mitigated by holding investments in a range of foreign currencies.

Following analysis of historical data in consultation with the fund investment advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 10% for 2016/17 and 10% for 2015/16. This is the one year expected standard deviation for an individual currency. This analysis assumes no diversification with other assets and in particular that interest rates remain constant.

A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows;

Currency Exposure - Asset Type	Value as at 31 March 2017	Change to net asets available to pay benefits 10%	-10%
	£000	£000	£000
Equities	289,241	318,165	260,317
Fixed interest securities	38,971	42,868	35,074
Index linked securities	3,771	4,148	3,394
Property	12,277	13,505	11,049
Private Equity/Infrastructure	15,065	16,571	13,558
Total assets available to pay benefits	**359,325**	**395,257**	**323,392**

Currency Exposure - Asset Type	Value as at 31 March 2016	Change to net asets available to pay benefits 10%	-10%
	£000	£000	£000
Equities	226,444	249,088	203,800
Fixed interest securities	49,256	54,182	44,330
Index linked securities	861	947	775
Property	12,255	13,481	11,030
Private Equity/Infrastructure	10,258	11,284	9,232
Total assets available to pay benefits	**299,074**	**328,982**	**269,167**

Interest Rate Risk

The Pension Fund invests in financial assets in order to obtain a return on investments for the benefit of The Fund. There is a risk that changing market interest rates will cause the fair value or future cash flows of a financial instrument to fluctuate. To mitigate this risk, the Fund invests in at least one investment fund which seeks to attain a fixed rate of return. The Council also monitors The Fund's exposure to interest rate risk on an ongoing basis.

The Fund's cash in hand is directly exposed to interest rate movements and as such it is possible to assess the affect that a change in interest rates would have on this. A 100 basis point movement in interest rates is deemed a suitable level of sensitivity to apply for an assessment of this risk. The analysis below assumes that all other variables remain constant and shows the effect in the year on the cash in hand if a +/- 100bps change is applied;

	Value as at 31 March 2017	Change in year if interest rates moved by 100bps	
		+100bps	-100bps
	£000	£000	£000
Cash in hand	7,705	77	(77)

b) Credit Risk

This is the risk that other parties may fail to pay amounts due to the Pension Fund. This can arise from deposits with financial institutions, for example a stock collapse or a due dividend failing to pay out. It can also arise through credit exposures to the Pension Fund's members and employers.

The Council actively engages with its investment managers to monitor performance on a regular basis and to ensure that risk management and reduction is part of their investment approach. Investment risk is spread across fund managers and by investment category. Note 6 b) sets out the market value of securities held by the fund managers at 31 March 2017.

The Fund also employs a custodian to ensure that all transactions are settled in an orderly fashion. Contractors in the scheme under Admission Agreements agree to the provision of a reviewable bond to save the risk of financial loss to the fund.

At 31 March 2017 the Council held £7.705m cash on behalf of the Pension Fund through its treasury management arrangements. £4.35m was held in a dedicated Pension Fund bank account and the remaining balance of £3.36m was invested with institutions on the Council's approved counterparty list, which is carefully monitored to manage exposure to credit risk.

The Council's treasury management arrangements ensure that no deposits are made with banks or financial institutions unless they are rated independently and meet the Council's credit criteria. The Council also sets limits that determine how much can be placed with any one institution and for how long. By investing in a range of banks and money market funds the Council ensures that investment risk is spread. The money market funds chosen by the Council are all AAA rated.

c) Liquidity Risk

This is the risk that the Pension Fund might not have funds available to meet payments when they become due.

The Council manages the Pension Fund's cash flow activities and carefully monitors this to ensure that cash is available when needed. The Council holds cash investments on behalf of the Pension Fund, which could be accessed on a same day basis if necessary. If the Fund found itself in a position where it didn't have enough funds to meet its commitments, it would be able to undertake borrowing on a temporary basis. The Fund's actuaries also establish the level of contributions needed to be paid in order to meet future liabilities. Currently contributions exceed benefits.

14. Audit Costs

An audit fee of £21,000 is payable to Grant Thornton UK LLP for external audit services used by the Pension Fund for the financial year 2016/17. This fee is unchanged from 2015/16.

15. Pension Fund Annual Report

These accounts will be included in the Pension Fund Annual Report which will also include the Council's Statement of Investment Principles, governance arrangements and other key information for the operation of the fund. A copy can be obtained from the Strategic Director - Resources, or viewed on the Council's website at www.sutton.gov.uk. A summarised annual report will also be available on the website with other information and details of pension performance.

This page is intentionally left blank

Section 6

Statutory Statements

.

This page is intentionally left blank

Statement of Responsibilities

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

.

This page is intentionally left blank

Statement of Responsibilites 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 safeguards 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 2017. 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 services.

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 2017 and its income and expenditure for the year.

Strategic Director - Resources
21 September 2017

I certify that the Statement of Accounts was approved by the Audit Committee on 21 September 2017.

Chair, Audit Committee

.

This page is intentionally left blank

Annual Governance Statement

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.

1. Introduction

1.1 Sutton Council's code of governance consists of a framework of arrangements, including a system of internal control, that:

- facilitates the exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management is sound; and
- includes effective arrangements for the management of risk.

1.2 Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016) guidance has been used for the preparation of this statement.

1.3 The governance framework has been in place for 2016/17 and up to the date of approval of the Statement of Accounts. Its key elements are summarised below along with supporting evidence.

2. Purpose of the Key elements of the governance framework

2.1 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 which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

2.2 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.

2.3 The review of the governance arrangements can conclude that they continue to be regarded as fit for purpose in accordance with the governance framework.

Principles

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	**Evidenced by:**
a) The Corporate Plan exemplifies the Council's strategic leadership by setting out the long term vision for Sutton as a place and a local authority in which all can take part and all can take pride. It includes the related policy priorities under the themes 'Open, Fair, Green and Smart'. b) The Smarter Council programme is the process for delivering efficiency savings, including service transformation through commissioning. It includes cross organisational and directorate specific projects. The People Plan supports delivery and meets responsibility to staff through skills development, behaviour change and productivity improvement, and aligned pay and rewards.	• The Sutton Plan • The Corporate Plan • The Constitution • Committee terms of reference • Codes of conduct • The Smarter Council Programme

c)	The Constitution sets out the decision making structure. Full Council is the ultimate governing body. Opposition membership of the Standing Committees, Regulatory Committees and Scrutiny Committees provides robust challenge. All of these committees are appointed on the basis of political proportionality. Decision-making is transparent. Decisions reports and committee minutes are published on sutton.gov.uk along with details of decisions made by officers under delegated authority.	• The People Plan • Standards Committee terms of reference • Audit Committee terms of reference
d)	The Constitution sets out the roles and responsibilities of members and senior employees. The role of the Corporate Management Team, including the statutory chief officers, such as the Head of the Paid Service, Monitoring Officer and Section 151 Officer, is to support members in the policy and decision-making process by providing assessments and advice to ensure that decision-making is rigorous.	• Whistleblowing policy
e)	There are codes of conduct and protocols for members and staff (updated April 2016) to ensure responsibilities are carried out with high standards of conduct and effective governance. These include the requirement to declare any potential declaration of interests. Staff appraisals ensure that behaviours are put into practice and identify training needs. Themed training helps to ensure that members have the skills they need to perform well in their committee roles.	
f)	The Standards Committee helps to promote and maintain high standards of conduct and probity for all members, assisting them to observe the Code of Conduct.	
g)	The Audit Committee has overall responsibility for ensuring controls are adequate and working effectively. A review of this committee's terms of reference was carried out in 2016, finding that it was effective but suggesting a few additional items are reported, e.g. progress on priority 1 follow ups.	
h)	The council has a whistleblowing policy, which has been reviewed and updated in April 2017, to ensure compliance with the Whistleblowing Commission Code of Practice. This is available on the intranet.	

Ensuring Openness and comprehensive stakeholder engagement		**Evidenced by:**
a)	The Council has an open culture. The decision making process is clear, meetings are held in public, committee dates, agenda and clear decisions are published.	• Agendas, minutes for all committees • Communication strategy
b)	The Council publishes the information required under the government's open data requirements on the council's open data webpage. This requires an update on the fraud investigation work.	• Communication Plan 2017
c)	The Council published its annual accounts and the external audit findings and overall conclusion on the accounts.	• Open Data published
d)	The Council Communication Strategy (2012) requires a review and update, which is scheduled for 2017.	• Joint Strategic Needs Assessment

e)	The constitution provides a summary and explanation of how the Council operates, including an outline of the rights of local residents, businesses, the voluntary sector and other public sector organisations to engage with and participate in the Council's democratic processes. This helps to ensure that the relationship between the Council and the public is clear so that each knows what to expect of the other.	• Partnership and consultation framework
f)	The Council has undertaken a Joint Strategic Needs Assessment (JSNA) as required by Section 116 of the Local Government and Public Involvement in Health Act (2007). The Health and Social Care Act 2012 amended that Act to introduce duties and powers for Health and Wellbeing Boards in relation to JSNAs and Joint Health and Wellbeing Strategies. Since April 2013, Local authorities and Clinical Commissioning Groups (CCGs) have an equal and joint duty to prepare JSNAs and Joint Health and Wellbeing Strategies through the Health and Wellbeing Board.	• Contract Standing Orders and Financial Regulations
g)	Sutton Compact (also known as Sutton Voice) is a long standing partnership agreement that sets out shared principles and guidelines for effective partnership working between government and the third sector. The Compact stands for better partnership working and creating better outcomes for individuals and local communities. The Sutton Compact was last refreshed in 2013.	

Defining outcomes in terms of sustainable economic, social, and environmental benefits		**Evidenced by:**
a)	The Corporate Plan exemplifies the Council's strategic leadership by setting out the long term vision for Sutton as a place and a local authority in which all can take part and all can take pride. It includes the related policy priorities under the themes 'Open, Fair, Green and Smart'.	• Corporate Plan • Smarter Council programme
b)	The Smarter Council programme is the process for delivering efficiency savings, including service transformation through commissioning. It includes cross organisational and directorate specific projects. The People Plan supports delivery and meets responsibility to staff through skills development, behaviour change and productivity improvement, and aligned pay and rewards.	• The People Plan • Medium Term Financial Strategy • Capital Programme
c)	Senior managers identify strategic risk by monitoring information flows relating to changes in the business environment, including changes in government policy, funding and demographics	• Treasury Management Strategy
d)	The annual financial planning process is used to review and update the Strategic Commissioning Plan that is used to deliver the Corporate Plan.	
e)	There is an aligned Medium Term Financial Strategy and Capital Programme. The approval of budget estimates authorises revenue spend. Capital spending requires further authorisation. There are virement limits for revenue and capital.	
f)	The aligned Treasury Management Strategy includes the Annual Investment Strategy that specifies the criteria (credit ratings and other risk thresholds) for selecting counterparties.	

Determining the interventions necessary to optimise the achievement of the intended outcomes		Evidenced by:
a)	The Strategic Commissioning Plan sets out the continuing need for service review and change. The 'Analyse' phase of the commissioning framework is the point at which all needs and issues are identified and assessed, including whether an Integrated Impact Assessment is required. The Commissioning Board provides challenge at Gateway points to ensure impacts of service changes on communities are properly assessed and where appropriate, mitigating actions taken. Change management risks are managed through programme and project risk management	• Strategic Commissioning Plan 2017-20 • Strategy and Resources Committee • Performance Review Boards • Risk Management Report
b)	The Strategy and Resources Committee receives regular reports that review performance against the priorities and deliverables in the Strategic Commissioning Plan and financial plans. These plans are an integral part of the performance management framework.	
c)	Progress is reported throughout the year to the Strategy and Resources Committee through the Performance and Finance Report. To ensure accountability to local people and institutional stakeholders the reports are published on sutton.gov.uk. A balanced scorecard approach is used that includes feedback from residents, including complaints, as well as indicators of corporate health.	
d)	Operational risk management is an integral part of performance management. Corporate and Directorate Performance Review Boards address underperformance and budget variations. CMT and DMT's review risks on a quarterly basis. A Risk Management Report is reviewed by the Audit Committee,annually.	

Developing the entity's capacity, including the capability of its leadership and the individuals within it		Evidenced by:
a)	Elected Members are responsible for the governance of the Council. The governance arrangements are enshrined in the Constitution, which sets out the delegated roles and responsibilities of members and senior employees. The constitution reviewed by Strategy and Resources Committee periodically who make recommendations to Full Council. Full Council have ultimate responsibility to approve the Constitution.	• Constitution Members • Development Program
b)	The role of the Corporate Management Team, including the statutory chief officers, such as the Head of the Paid Service, Monitoring Officer and Section 151 Officer, is to support members in the policy and decision-making process by providing assessments and advice to ensure that decision-making is rigorous	• Officers Annual Appraisals • Organisational development strategy
c)	The Council's financial management arrangements conform to the governance requirement of CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010)	
d)	A member's development program is in place, including induction training, Training in 2016/17 was also provided on 'Managing in a political environment'.	
e)	Officer training is provided on areas identified at their annual appraisals. Training is also available to staff on reporting to Committees.	

f)	In February 2017, members of the Strategy & Resources Committee agreed the Smaller Bigger Different organisational development strategy for Sutton Council. The OD strategy focuses on organisational change and development actions in four key areas Great place, Great partnerships, Great people, Great performance.

Managing risks and performance through robust internal controls and strong public financial management	Evidenced by:
a) Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. The principal documents include the Contract Standing Orders and Financial Regulations. b) Service managers are responsible for embedding assurance frameworks to monitor compliance with policies and procedures, where relevant, consistent with the expectations of statutory inspectors. To ensure that the Council does the right things, the right way, there is as an overarching quality assurance framework and specific arrangements in Children's Services and Adult Social Services. The Adult Social Services arrangements reflect the move towards commissioning services. c) South West London Audit Partnership provides the internal audit service to Sutton and four neighbouring councils. The partnership undertakes reviews of the risk management, control and governance process based upon a risk assessment that includes an anti-fraud component. The Internal Audit Charter defines Internal Audit's purpose, authority, responsibility and position within the Council and shows how it complies with the Public Sector Internal Audit Standards. d) Anti-Bribery, Anti-Money Laundering and Whistleblowing policies are in place across the Council. A counter fraud and investigation service is provided by the South West London Fraud Partnership. The partnership works to the Code of Practice on Managing the Risk of Fraud and Corruption and benchmarks performance to understand fraud risks and target resources.	• Risk strategy • Risk registers • Contract Standing Orders • Financial Regulations • Whistleblowing Policy • Anti-fraud policies

Implementing good practice in transparency, reporting and audit to deliver effective accountability	Evidenced by:
a) There is a robust framework for managing information to ensure legal compliance and access to NHS information. The Information and Security Governance Framework sets out management and accountability structures, governance processes, documented policies and procedures, and training arrangement b) The Council has put in place arrangements for complying with the transparency agenda. Some of the data on the internet requires updating e.g. fraud information last data is 2014/15.	• Open Data • Annual accounts • AGS • PI's on Priority one audit recommendations

c)	The Council has in place mandatory Information Security training for all staff and shared service partners.	• Information and Security
d)	Staff are required to report any breaches of data security and these are investigated and reviewed at the Information Security and Governance Board. The board are responsible for the maintenance and review of the framework for managing information. The Board reviews assurance reports and initiates resolution and learning for security breaches.	• Governance Framework
e)	Caldicott Guardians are responsible for protecting the confidentiality of patient and service-user information and enabling appropriate information-sharing.	
f)	The Council will be rolling out its Information Classification and Marking policy on Netconsent, during 2017/18. This will enable data to be labelled ensuring that the sensitivity of documents is clearly identifiable. This will reduce the risk of sensitive or confidential information being sent to the wrong place.	

3. Review of effectiveness of the governance framework

3.1 The review is informed by the work of members and managers who have responsibility for the maintenance and development of the governance framework, and by assessments undertaken by the Head of Internal Audit, external audit and other review agencies. The work is summarised below.

<u>Governance reviews undertaken in 2016/17</u>

- Task and Finish group - review of terms of reference of audit committee.
- Outside Bodies Review.
- Internal Audit review of grants to the voluntary sector.
- Governance - Level of meetings.
- Internal Audit review - Budget setting and monitoring.
- Internal Audit review - Gifts and hospitality.
- Internal Audit review - Declaration of interests (officers).
- Review of Whistleblowing policy.
- Internal Audit review - Shared service arrangements.
- Suttons community awards.
- Workplace Health & Safety Reports.
- Workforce development - Bigger, Smaller. Better.

- Integrated Impact Assessments.
- Performance and Finance Reports incl. corporate risks.
- Treasury Management Reports.
- Project Management Reports.
- Joint Health and Social Care Self-Assessment Report.
- Performance Reports, incl. Adult Social Care.
- Local Safeguarding Children's Board Annual Report and Serious Case Reviews.
- Safeguarding Adults Annual Report and Safeguarding Reviews.
- Annual Internal Audit Report and Fraud Referral Reports.
- External Audit Reports, incl. Grant Claims and Statement of Accounts.
- The Annual Review of the Audit Committee.
- Reports to the Information and Security Governance Board.
- Better Care Fund Update Reports.
- Commissioning framework 2016.
- Risk Management advisory work (Mazars).
- Healthwatch Sutton Annual Report.

3.2 The 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 2016/17. The Head of Internal Audit opinion based on this work, is that the system of internal control is generally sound and effective. Controls to manage principal risks are monitored by service managers. This includes services with statutory responsibilities for the safety of vulnerable people.

3.3 The governance framework is constantly evolving due to service and regulatory developments and reviews. Where appropriate, action plans have been developed in response to the developments and reviews summarised above. The latter include a limited number of activities where Internal Audit concluded that the expected high standards of control have not been achieved.

4. Governance Issues

4.1 Issues identified during the 2015/16 review are detailed below.

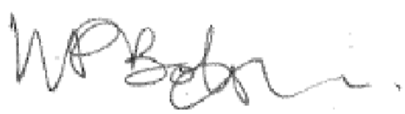
Issues for action in 2016/17	Actions
The identification and delivery of required savings to meet existing targets and projected future requirements remains challenging along with continuing demographic pressure on key services. On current assumptions there are significant further savings to be identified every year over the next four years. There is also a risk of slippage against delivery timescales for savings already identified.	The Smarter Council Programme remains the strategic approach to re-shaping the Council for the future in the light of the financial forecast and need for further savings. There are prudent reserves. If necessary further funding can be provided in-year to mitigate risks such as demand led pressures on children's social care.

4.2 The governance issues identified in the review of effectiveness for 2016/17 are summarised below.

Issues for for 2017/18	Actions
General Data Protection Regulations (GDPR) compliance to be in place by May 2018.	The Council is appointed a dedicated Data Protection Officer, jointly with Kingston council. A full review will be undertaken to ensure compliance with the GDPR is met.
Review of Governance arrangements for shared services.	A review of the governance arrangements for shared services is planned during 2017/18.
Review and update of communication policy.	A review of the communication policy will be undertaken in 2017/18.
Embedding risk management process.	The actions from Mazars advisory review will be considered and implemented during 2017/18.
Data Labelling.	The council will be rolling out an Information Classification and Marking policy, during 2017/18. This will enable data to be labelled ensuring that the sensitivity of documents is clearly identifiable. This will reduce the risk of sensitive or confidential information being sent to the wrong place.

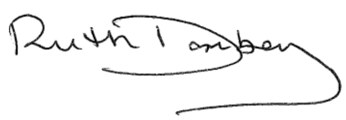
4.3 Progress managing these issues will be monitored in-year and assessed as part of the next annual review.

Chief Executive:



Date: 8 September 2017

Leader:



Date: 8 September 2017

On Behalf of the Council

This page is intentionally left blank

Auditors Opinion

2016/17

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

Opinion on the Authority financial statements

We have audited the financial statements of London Borough of Sutton (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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.

Respective responsibilities of the Strategic Director - Resources and auditor

As explained more fully in the Statement of Responsibilities, 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the “Code of Audit Practice”) and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director – Resources ; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement to identify material inconsistencies with the audited financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

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

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

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.

We are required under Section 20(1)(c) of the Act 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.

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

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Iain Murray

Iain Murray
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square
London
EC2P 2YU

27 September 2017

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

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of the London Borough of Sutton (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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.

Respective responsibilities of the Strategic Director - Resources and auditor

As explained more fully in the Statement of Responsibilities, the Strategic Director - Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director - Resources; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts and Annual Governance Statement and the Annual Report to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

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

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts and Annual Governance Statement and the Annual Report for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

Iain Murray

Iain Murray
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square
London
EC2P 2YU

27 September 2017

Section 7

Statement of Accounting Policies

1. Accounting Policies

a General Principles

The Statement of Accounts summarises the Authority’s transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority 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 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 Act.
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

The financial statements, other than cash flow information, have been prepared on an accruals basis. This means that activities are accounted for in the year that they take place, not simply when cash payments are made or received. For example:

- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made, and;
- revenue from the provision of services is recognised when the Authority provide the service rather than when payment is received.

Where income and expenditure have been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the balance sheet. Debtors and creditors are either actual amounts due at the end of the year or estimated amounts. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge is made to revenue for the estimated amount of income that might not be collected.

c Cash and Cash Equivalents

The Council has treated all of its cash invested within 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 cashflow purposes. The use of short dated instruments limits both counterparty risk and interest rate risk and reflects the current interest rate environment.

d Exceptional Items

When items of income and 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 on how significant the items are to an understanding of the authority's financial performance.

e Changes in Accounting Policies

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevent information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

f Charges to Revenue for Non-Current Assets

Service, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off, and;
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. 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 determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund balance [Minimum Revenue Provision], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

g Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. 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 estimated as 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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or a decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer for voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

h Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

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

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees within the service of the Authority, in accordance with the schemes' rules.

However, the national arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education 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 Local Government Pension Scheme is accounted for as a defined benefits scheme:

- the liabilities of the London Borough of Sutton pension fund attributable to the Authority 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 at the 18 year point 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 liabilities. Using this approach, the discount rate at 31 March 2017 was 2.7% pa.
- the assets of London Borough of Sutton pension fund attributable to the Authority are included in the Balance Sheet at bid value as required under IAS 19;
- the change in the net pensions liability is analysed into six 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 as part of Non Distributed Costs.
- 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 of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- re-measurement 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's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These changes are debited 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 Authority 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 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.

i Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is 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.

j Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority 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

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

k Reserves

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the adequacy of the proposed reserves during the budget making process.

The agreed policy is that a general reserve of at least 5% of net General Fund expenditure (excluding schools) is necessary to provide a minimum sound level of prudence.

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to count against the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in more detail in the relevant policies.

I Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify how or when the grants will be used.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried 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-ringfenced 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. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

m Tax Income (Council Tax and Non Domestic Rates (NDR)

Council Tax

Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be the accrued income for that year.

The collection of Council Tax is in substance an agency arrangement. The cash collected by the billing authority from Council Tax payers belongs proportionately to the billing authority (London Borough of Sutton) and the major preceptor (the GLA). There will therefore be a debtor/ creditor position between the billing authority and the GLA to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council taxpayers.

If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from council tax payers in the year, the billing authority will recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor will recognise a credit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

National Non-Domestic Rates

Until 31 March 2013 NNDR (Business Rates) was collected on an agency arrangement on behalf of the DCLG NNDR pool. Following the introduction of Business Rate Localisation in 2013/14 billing authorities are responsible for collecting and distributing the income from the business rates they collect. The London Borough of Sutton share is 30% with the remainder paid to precepting bodies. For London Borough of Sutton, the NNDR precepting bodies are Central Government (50% share) and the GLA (20% share).

n Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. On the majority of Council functions VAT is recoverable in full. VAT receivable is excluded from income.

o Support Services

Local authorities are required to report performance on the basis of how they are structured and how they operate, monitor and manage financial performance.

Local authorities are no longer required to report the cost of individual services in their Comprehensive Income and Expenditure Statement in accordance with Section 3 of the SeRCOP. Instead, where support services are a directorate in their own right, the Comprehensive Income and Expenditure Statement will display them separately in line with the Council's departmental management structure.

p Intangible Fixed Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. The Council's policy on capital expenditure which does not involve the creation of a fixed asset is to write the expenditure down to nil in the year it is incurred. This expenditure is charged to the relevant service revenue account.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes the amortisation is not permitted to have an impact on the General Fund balance. The amortisation is therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

q Interests in Companies and other Entities

The Authority has interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities. However the transactions are not considered material so group accounts do not need to be prepared. In the Authority's accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

r Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in 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.

s 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 heritage assets are considered to be immaterial.

Further details of Heritage Assets are disclosed in note 14 to the core financial statements.

t 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 – fair value, determined using the basis of existing use value for social housing (EUV-SH), and;
- surplus assets - fair value, determined by the measurement of the highest and best use value of the asset;
- all other assets – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increase 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 i.e. reduced in value. 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 (book value) 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), 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.

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 as detailed in the HRA business plan 2016/17 to 2045/46 and will rise from £7.566 million in 2016/17 to £14.910 million in 2045/46 ;
- 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.

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 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 (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure 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 (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to council housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority’s underlying need to borrow (the capital financing requirement). 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.

u Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the Borough are considered to be entities of the Council. Rather than produce group accounts the income, expenditure, current assets, current liabilities, reserves and cash flows of each school are recognised 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 arangement are passed to the School or Governing Bodies. As a result these schools are not recognised on the Balance Sheet.

v Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

w 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 Authority 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.

The Authority as Lessee

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

The Authority as Lessor

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

x Financial Instruments

i. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the re-purchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where re-purchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from, or added to, the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

ii. Financial Assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market, and;
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

y Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at cost less provisions for damage and obsolescence. Some minor stocks are not valued and are excluded. The departure from International Accounting Standard 2, which recommends that stock is valued at the lower of cost or net realisable value, has no material effect on the accounts.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

This page is intentionally left blank

Section 8

Glossary

An explanation of financial terms used in the Statement of Accounts.

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.

Actuary
An independent consultant who advises on the financial position of the pension fund.

Actuarial Valuation
A review carried out every three years, by the actuary, on the assets and liabilities of the pension fund. The actuary reports to the Council on the fund's financial position and recommended employers' contribution rates.

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.

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.

Collection Fund
A fund operated by the authority into which all receipts of Council Tax and National Non-Domestic Rates are paid. Payments are made from the fund to support the Council's general fund services and to the precepting authorities. The fund must be maintained separately from the Authority's General Fund.

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 supplied.

Depreciation
A measure of the cost of the economic benefits of a non-current asset consumed during the period.

Earmarked Reserves
Amounts 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.

Impairment
A reduction in the carrying value of a non-current asset below its carrying value (but not through econcomic 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.

National Non-Domestic Rates (NNDR)
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. The proportions for sharing NNDR are as follows: Central Government 50%, London Borough of Sutton 30% and the GLA 20%.

Non-Current Assets
Tangible assets that yield benefit to the local authority and the services it provides for a period of more than one year.

Precept
The charge made by one authority (e.g. Greater London Authority) on another authority (e.g. Sutton) to finance its net expenditure.

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.

Abbreviations used in the accounts

ALMO	Arms Length Management Organisation
AVC	Additional Voluntary Contribution
CCG	Clinical Commissioning Group
CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Department for Communities and Local Government
DfE	Department for Education
DSG	Dedicated Schools Grant
HRA	Housing Revenue Account
IAS	International Accounting Standard
I&E	Income and Expenditure
IFRS	International Financial Reporting Standard
IT	Information Technology
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LATC	Local Authority Trading Company
LOBO	"Lenders Option Borrowers Option" Loan
MRA	Major Repairs Allowance
MRP	Minimum Revenue Provision
NNDR	National and Non Domestic Rates
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded From Capital Under Statute
RICS	Royal Institution of Chartered Surveyors
SHP	Sutton Housing Partnership
TFL	Transport for London
TPA	Teachers' Pension Agency
UCR	Usable Capital Receipts