LONDON BOROUGH OF SUTTON

STATEMENT OF ACCOUNTS

2017/18

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Strategic Director - Resources

CONTENTS

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Section 1

Narrative Report

2017/18

1. Introduction

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

It summarises the Council's financial performance for the year to the 31 March 2018 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 and Governance Committee on 26 July 2018. 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 2017/18 letter will be considered by the Strategy and Resources Committee in late 2018. 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 2017 the Council set a net general fund expenditure budget for 2017/18 of £140.784m, which resulted in a Band D Council Tax for Sutton purposes of £1,258.31 and a total Band D Council Tax including the Greater London Authority precept of £1,538.33.

The General Fund revenue budget outturn which will be reported to the Strategy and Resources Committee on 16 July 2018 is a net underspend of £0.160m or -0.1% before carry forwards against a net revenue budget of £140.785m. Carry forwards of £0.388m unspent revenue budgets including for promoting independence, troubled families, 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	102,029	4,863	4.8
- DSG Delegated Budgets to Schools	102,144	(195)	(0.2)
- Dedicated Schools Grant	(102,144)	195	0.2
Environment, Housing & Regeneration	36,006	(1,160)	(3.2)
Sub-total	138,035	3,703	(2.7)
Corporate Core			
Chief Executive's	6,956	(50)	(0.7)
- Public Health	10,073	0	0.0
- Public Health Grant	(10,073)	0	0.0
Resources	18,386	(501)	(2.7)
Non-service revenue budgets	(15,512)	(2,455)	15.8
Sub-total	9,830	(3,006)	(30.6)
Current Expenditure Position 2017/18	**147,865**	**697**	**0.5**
Core grants	(7,080)	(857)	12.1
Net Outturn 2017/18	**140,785**	**(160)**	**(0.1)**
Funding Sources			
- Revenue support grant	(16,831)	0	0.0
- Local business rates (Sutton share 30%)	(15,555)	0	0.0
- Top up grant (business rates)	(18,112)	0	0.0
- Council Tax	(89,928)	0	0.0
- Collection Fund Council tax surplus	(359)	0	0.0
- Collection Fund NNDR surplus	0	0	0.0
Total Funding	**(140,785)**	**0**	0.0
Total	**0**	**(160)**	

The General Fund outturn position for People Services Directorate is an overspend of £4.863m (4.8%).

The overspend is predominately in Children's Safeguarding (£2.785m) due to continued pressure in the service. The most significant variations are:

- £1.757m relating to Leaving Care Placement Support costs. Some of this expenditure relates to those young people who are still looked after but are allocated within the leaving care team, however the Local Authority also now has additional responsibilities around supporting clients aged 21-25. The local authority has a duty to keep these young people safe and support them. This has resulted in an increase in the total number of young people supported in the year overall from 216 to 266, included in this are the additional cost of caring for about 10 unaccompanied asylum seeking children who became 18 years old during the year.

These young people reduce the availability of supported places which leads to more expensive options being used;

- £0.600m relating to legal costs. This expenditure relates to care proceedings and the costs of assessments directed by the court, with the overspend including the cost of a public enquiry for one client. Employment of in-house advocates and fewer cases should result in lower spends in 2018/19;
- £0.195m 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.

The Education and Early Intervention service area has an overspend is £2.657m. The most significant variations are:

- £1.776m relating to SEN transport. The number of students provided with SEN transport increased in 2016/17 from 559 to 651 (16%) and this number continued in 2017/18. SEN transport is impacted by the increased number of Education, Health Care plans (EHCPs) and the extended age range for which EHCPs need to be maintained. However transport arrangements have been reviewed and up in 2017/18 which has slowed down the increase in transport provided. There are a number of savings options being taken forward in 2018/19 including travel training for suitable pupils;
- £356k relating to Pupil Referral Units transport. The number of students on transport to STARS and Limes has increased during 2017/18, as has the personalisation of routes for the same period; and
- £0.328m mainly relates to one-off costs of transition in respect of staffing and central support charges to the new model of delivery.

There was an underspend of £362k on the adults social care budget a small variation from previously reported underspends. This net underspend was due to reduced spend on decreasing number of people in residential placements (9 clients) offset by increased number of people supported at home (32 clients). This equates to 2.9% decrease in residential placements and a 2.6% increase in people supported at home, these movements are based on budgeted care packages.

Wellbeing Services outturn position is an underspend of £0.217m. This variance was due to Community Health Care funding for users at the Inclusion Centre only being agreed with the Clinical Commissioning Group in March 2018.

The DSG outturn position is an underspend of £695k. However this includes an earmarked sum of £500k in the central budget allocated to the brought forward deficit from 2016/17, providing an in-year net underspend of £195k.

The underspend is due to savings on SEN services (£735k) primarily due to a reduction in specialist college placements (19-25 year olds) and Early Years (£528k) due to a lower than estimated number of children accessing their free entitlement allocation. However, these underspends are offset by an overspend on Speech & Language & Occupational Therapy (£1.133m) due to significant additional resources required to be put in place to ensure compliance with the council’s statutory responsibility to provide therapies as specified in Education Health and Care Plans.

The DSG brought forward balance as at 1 April 2017 was £735k. There is a deficit balance as at 31 March 2018 to be carried forward to 2018/19 of £40k.

The financial outturn position for 2017/18 for the Environment, Housing and Regeneration Directorate is an underspend of (£1.160m). The most significant variations are:

- The underspend mainly represents a combination of a reduction in waste arisings and the increase in recycling (anticipated to be 48%-49%) following the implementation of the new waste collection service (£774k).
- Various staffing vacancies, including a vacancy for the post of Assistant Director of Economic Development, and minor underspends across a range of budget areas also contributed to the reported underspend.

The outturn position for the Chief Executives is a small underspend of £0.050m.

The outturn position for the Resources Directorate is a net underspend of (£0.501m). The main variations are a housing benefit administration underspend (£0.146m) due to additional funding received in the final quarter of the year because the Council is a pilot authority for Universal Credit rollout, and overachievement of Shared Bailiff Service income and other minor variations in 2017/18 (£0.178m). In addition to these significant underspends, expenditure on members allowances was underspent (£0.102m) mainly as a result of members holding multiple positions of SRA. The Authority spent less on managing its properties and generated increased income from trading its services and from its commercial property portfolio (£0.356m) which was offset by other minor variations (£0.104m). The ICT service reported an overspend (£0.192m). Further work is being done to review the overall costs of ICT for the Council in the new year.

The outturn position for Non Service Revenue Accounts is an underspend of £2.455m compared to latest estimate budget of (£15.512m). This is mainly due to net underspends on interest payable/ receivable and the outcome of a review into the Council's approach to providing for debt repayments which resulted in a reduction to the level of annual contribution (MRP) saving (£1.5m), unspent contingency against Business Rates Revaluation and Apprentice Levy of (£0.3m) and a contribution from insurance reserve of (£0.6m) held in non-service budgets.

Capital Expenditure 2017/18

The year end spend is £87.477m compared to a current capital programme budget of £93.873m. There is a net projected underspend of £6.396m (6.81%). About £5.439m is the net impact of movements between years with expenditure planned for 2017/18 being rephased into 2018/19. The balance of £0.957m reflects net reduction in 2017/18 funded by invest to save borrowing to finance commercial property investment and other minor funding adjustments.

The table below summarises the position for each Directorate as at 31 March 2018.

Capital Programme 2017/18	Approved Budget 2017/18	Outturn 2017/18	Variation
EXPENDITURE	£'000	£'000	£'000
Environment, Housing and Regeneration	50,634	50,346	(288)
People	22,960	18,842	(4,118)
Resources	18,550	17,239	(1,311)
Chief Executive’s	1,729	1,050	(679)
Total Expenditure	**93,873**	**87,477**	**(6,396)**

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 and the starting of building a new secondary school, 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 £2.295m of the costs for LA New Build at Richmond Green, Ludlow Lodge and Fellows Road from 2018/19 as scheme being delivered earlier than planned.
- Re-phasing of £1.013m of Property Acquisitions from 2018/19 for new acquisitions made in advance.
- Re-phasing of £1.899m to 2018/19 for works on Council Housing Stock mainly on Fire Safety works.
- Public Realm budgets not fully allocated, or committed during year totalled £0.338m. These projects will be delivered in 2018/19.
- The cost for Housing projects for Oakleigh was £69k less than budget, and budgets for 8-12 Throwley Way £75k, Camperdown £148k have been re-phased into 2018/19, while the Modular Build £104k financially model is being assessed.
- Various projects on Corridors and Neighbourhoods for £313k have been agreed by TFL for rephasing to 2018/19.

People Directorate

- Re-phasing of £3.144m of the school expansions budget from 2017/18 mainly at the new Hackbridge Primary School expansion of £2.7m which is 11 weeks behind programme due to change of window subcontractor and bad weather.
- Re-phasing of £0.546m for Libraries and Heritage projects from 2017/18 for Whitehall HLF scheme to complete in June 2018 due to snagging works and Libraries refurbishment for retention.

Resources and Chief Executives

- Underspend on Commercial Investment Portfolio of £1.035m.
- Re-phasing of £0.618m from 2017/18 due to re-profiling some work within the digital programme.
- Additional cost of ICT interfaces of £0.608m met by forward funding £0.433m from 2018/19 allowed in budget, virements of £114k from Desktop refresh forecasted and a further £61k from Digital Programme to cover balance of overspend.
- Re-phasing of £0.462m for Russettings from 2017/18 due to re-profiling of some work into 2018/19 as project completion delayed until mid May.

4. Financial Planning

For 2018/19, the Council had to meet a budget gap of £2.188m. The Council's report on Commissioning and Financial Planning 2018/19 to 2020/21, reported to the Strategy and Resources Committee on 5 February 2018 and approved at Full Council on 26 February 2018, detailed how this gap was met and also updated the medium term position to 2020/21 (see link on page 10). The budget gap for 2019/20 is currently estimated at £2.400m and £7.411m for 2020/21 after planned use of reserves.

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 £2m in 2017/18 and £2m in 2018/19, and the latest financial planning report proposed to maintain this profiled use of reserves.

The level of General Fund balances is planned to remain at a prudent level at the end of 2020/21 at £6.764m, representing 5% of the projected net revenue budget.

A full copy of the Commissioning and Financial Planning 2018/19 to 2020/21 report, including details of the Capital Programme and capital programme resources, can be found on the Council's website

5. Main changes to the core statements and significant transactions

Accounting policies

There have been no significant changes in accounting policies for 2017/18.

Pension liability

The Council has net pension liabilities of £396m 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 28 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 19.

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
- Group Accounts
- 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

2017/18

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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 2017/18, 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 2018

Restated 2016/17					2017/18		
Expenditure	Income	Net Expenditure		Notes	Expenditure	Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
15,881	10,691	5,190	**Chief Executive's**		18,554	11,426	7,128
53,115	13,662	39,453	**Environment, Housing and Regeneration**		51,851	13,331	38,520
277,353	145,213	132,140	**Peoples Services**		263,869	141,765	122,104
98,880	73,348	25,532	**Resources**		91,671	66,132	25,539
			Housing Revenue Account				
27,505	38,479	(10,974)	- Main HRA Revenue Account	*	25,377	38,444	(13,067)
(50,062)	0	(50,062)	- Revaluation loss/(gain) - Dwellings	HRA10	11,877	0	11,877
5,436	1,373	4,063	**Non Service Revenue Accounts**		396	3,817	(3,421)
428,108	**282,766**	**145,342**	**Cost of services**	6a	**463,595**	**274,915**	**188,680**
74,259	534	73,725	**Other Operating Expenditure**	10	90,943	1,314	89,629
22,017	4,032	17,985	**Financing and Investment Income and Expenditure**	11	17,992	6,426	11,566
0	184,783	(184,783)	**Taxation & Non-Specific Grant Income**	12	0	181,546	(181,546)
524,384	**472,115**	**52,269**	**(Surplus)/deficit on provision of services**		**572,530**	**464,201**	**108,329**
		(7,419)	Net (surplus) arising on revaluation of Property, Plant and Equipment Assets	18a			(23,363)
		83,622	Remeasurement of the net defined benefit liability on the pensions reserve	18c			(31,921)
		76,203	**Other comprehensive income and expenditure**				**(55,284)**
		128,472	**Total comprehensive income and expenditure (surplus)/deficit**				**53,045**

***** Includes £14.713 million management fee paid to Sutton Housing Partnership, a wholly owned subsidiary of the London Borough of Sutton

In 2017/18 the reporting line for Public Health was changed from Peoples Services to Chief Executive's. 2016/17 figures have been restated to provide a meaningful comparative.

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' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the 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						Non-usable Reserves	Total Authority Reserves
	General Fund Balance * A	Earmarked General Fund Reserves B	Total General Fund Balance & Earmarked Reserves A+B	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	**Total Usable Reserves**	**Non-usable Reserves**	**Total Authority Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
2017/18										
Balance at 31 March 2017	12,461	30,167	42,628	1,817	15,268	697	23,016	**83,426**	**170,708**	**254,134**
Movement during 2017/18:										
Total Comprehensive Expenditure and Income	(106,925)	0	(106,925)	(1,404)	0	0	0	**(108,329)**	**55,284**	**(53,045)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	102,746	0	102,746	8,454	7,129	1,906	(5,370)	**114,865**	**(114,865)**	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**(4,179)**	**0**	**(4,179)**	**7,050**	**7,129**	**1,906**	**(5,370)**	6,536	(59,581)	(53,045)
Transfers to / (from) Earmarked Reserves	4,456	(6,178)	(1,722)	(5,763)	(29)	1,971	0	**(5,543)**	**5,543**	**0**
Increase / (Decrease) in Year	**277**	**(6,178)**	**(5,901)**	**1,287**	**7,100**	**3,877**	**(5,370)**	993	(54,038)	(53,045)
Balance at 31 March 2018	**12,738**	**23,989**	**36,727**	**3,104**	**22,368**	**4,574**	**17,646**	84,419	116,670	201,089

* (General Fund Balance at 31 March 2018 = General Fund £9,075k, schools £3,663k

	General Fund Balance *	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Non-usable Reserves	Total Authority Reserves
2016/17 Comparative										
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 9)	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

Balance Sheet

This sets out the financial position of the Council as at 31 March 2018 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 2018

31 March 2017 £'000		Notes	31 March 2018 £'000	31 March 2018 £'000
	Non-Current Assets			
	Property, Plant and Equipment	13		
417,729	- Council Dwellings			408,588
369,740	- Other Land and Buildings			293,426
11,096	- Vehicles, Plant, Furniture and Equipment			9,649
27,685	- Infrastructure Assets			28,523
2,442	- Community Assets			2,492
15,618	- Assets Under Construction			26,093
16,183	- Surplus Assets			2,632
860,493	Sub Total			771,403
59,267	Investment Properties	14		104,760
100	Long Term Investments	30a		100
1,985	Long Term Debtors	30a		4,360
921,845	**Total Non-Current Assets**			**880,623**
	Current Assets			
24,916	Short Term Investments	30a	21,786	
835	Assets Held for Sale	15	466	
207	Inventories		60	
40,858	Debtors	20	50,887	
937	Cash and Cash Equivalents	22	0	
67,753	**Total Current Assets**			**73,199**
	Less Current Liabilities			
0	Cash and Cash Equivalents	22	9,354	
1,320	Short Term Borrowing	30a	16,494	
3,131	Capital Grants Receipt in Advance		1,833	
63,093	Creditors	21	55,300	
67,544	**Total Current Liabilities**			**82,981**
	Less Non-Current Liabilities			
7,403	Provisions	19	6,921	
240,471	Long Term Borrowings	30a	267,221	
420,046	Liability Related to Defined Benefit Pension Scheme	28c	395,610	
667,920	**Total Non-Current Liabilities**			**669,752**
254,134	**Net Assets**			**201,089**
	Non-usable Reserves			
159,873	Revaluation Reserve	18a	132,790	
434,429	Capital Adjustment Account	18b	382,761	
(420,046)	Pensions Reserve	18c	(395,610)	
(926)	Financial Instruments Adjustment Account		(842)	
111	Deferred Capital Receipts/Income		363	
365	Collection Fund Adjustment Account		98	
(3,098)	Accumulated Absences Account		(2,890)	
170,708				**116,670**
	Usable Reserves			
15,268	Capital Grants & Contributions Unapplied	17	22,368	
23,016	Capital Receipts Reserve	17	17,646	
697	Major Repairs Reserve	17	4,574	
1,817	Housing Revenue Account	17	3,104	
12,461	General Reserves – General Fund & Schools	17	12,738	
30,167	Earmarked Reserves	17	23,989	
83,426				**84,419**
254,134	**Total Reserves**			**201,089**

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

2016/17 £'000			Notes	2017/18 £'000
(52,269)		**Net surplus or (deficit) on the provision of services**		**(108,329)**
76,661		Adjust net surplus or deficit on the provision of services for non cash movements	23	130,223
(34,821)		Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	(27,849)
(10,429)		**Net cash inflow/(outflow) from operating activities**		**(5,955)**
(83,488)		Purchase of property, plant and equipment, investment property and intangible assets		(70,569)
(441,050)		Purchase of short term and long term investments		(360,170)
9,646		Proceeds from the sale of property, plant and equipment, investment property and intangible assets		7,840
481,150		Proceeds from short term and long term investments		363,295
30,231		Other receipts from investing activities		13,506
(3,511)		**Net cash inflow/(outflow) from investing activities**		**(46,098)**
32,000		Cash receipts of short and long term borrowing		42,000
(15,800)		Repayment of short term and long term borrowing		(250)
(252)		Other payments for financing activities		12
15,948		**Net cash inflow/(outflow) from financing activities**		**41,762**
2,008		**Net increase/(decrease) in cash and cash equivalents**		**(10,291)**
		Represented by:		
(1,071)	a	Cash and cash equivalents at the beginning of the reporting period	22	937
937	b	Cash and cash equivalents at the end of the reporting period	22	(9,354)
2,008		**Net increase/(decrease) in cash and cash equivalents (b - a)**		(10,291)

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 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18, 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 2017/18 (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.

IFRS 9 Financial Instruments, introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cash flows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.

IFRS 15 Revenue from Contracts with Customers, presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard due to relatively predictable income streams.

FRS 16 Leases removes the existing classifications of operating and finance leases under ISA 17 Leases for Lessees. It will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 23) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. Neither of the Council's subsidiary companies in the Group Accounts has such debt instruments.

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 assessed it's interest in companies that fall within the group boundaries. It has identified that it's interest in one of it's subsidiary companies, Sutton Housing Partnership CIC, is material and therefore Group Accounts have been completed. 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 2018 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 2018, the Authority had a balance of sundry debtors for £44.229m. A review of significant balances suggested that an impairment of doubtful debts of 25.34% (£11.207m) 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 £0.442m to set aside as an allowance.

6a. 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.

	2017/18				
	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	6,906	(173)	6,733	395	7,128
Environment, Housing & Regeneration	34,846	0	34,846	3,674	38,520
Peoples Services	106,892	0	106,892	15,212	122,104
Resources	17,885	3,058	20,943	4,596	25,539
Housing Revenue Account	(13,086)	0	(13,086)	11,896	(1,190)
Non Service Revenue Accounts	2,990	0	2,990	(6,411)	(3,421)
Net Cost of Services	**156,433**	**2,885**	**159,318**	**29,362**	**188,680**
Other Operating Expenditure	606	173	779	88,850	89,629
Financing and Investment Income	6,739	(3,058)	3,681	7,885	11,566
Taxation and Special Grants**	(148,741)	0	(148,741)	(32,805)	(181,546)
Statement of Movement on General Fund Balances	(16,484)	6,061	(10,423)	10,423	0
(Surplus) or Deficit	**(1,447)**	**6,061**	**4,614**	**103,715**	**108,329**

Opening General Fund and HRA Balance	(44,445)
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	4,614
Closing General Fund and HRA Balance at 31 March*	(39,831)

*Analysis of closing balance:

General Fund	(36,727)
HRA	(3,104)
Total	(39,831)

** see Note 12, page 38 for further analysis of amounts credited to the Comprehensive Income and Expenditure Statement.

	Restated 2016/17 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	5,641	(220)	5,421	(275)	5,146
Environment, Housing & Regeneration	35,125	0	35,125	4,328	39,453
Peoples Services	107,918	4,582	112,500	19,684	132,184
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)

*Analysis of closing balance:

General Fund	(42,628)
HRA	(1,817)
Total	(44,445)

In 2017/18 the reporting line for Public Health was changed from Peoples Services to Chief Executive's. 2016/17 figures in the Expenditure and Funding Analysis and in Note 6b have been restated to provide a meaningful comparative.

6b. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

2017/18

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	(173)	0	(173)	0	402	(6)	396
Environment, Housing & Regeneration	0	0	0	4,810	373	(1,508)	3,675
People	0	0	0	13,720	1,554	(62)	15,212
Resources	0	3,058	3,058	3,854	903	(161)	4,596
Housing Revenue Account	0	0	0	11,877	18	0	11,895
Non Service Revenue Accounts	0	0	0	0	(6,571)	159	(6,412)
Net Cost of Services			2,885				29,362
Other Operating Expenditure	173	0	173	0	0	88,851	88,851
Financing and Investment Income	0	(3,058)	(3,058)	(2,943)	10,827	0	7,884
Taxation and Special Grants	0	0	0	(34,334)	0	1,529	(32,805)
SMGFB*	0	6,061	6,061	0	0	10,423	10,423
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services			6,061				103,715

Restated 2016/17 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	(220)	0	(220)	0	(290)	15	(275)
Environment, Housing & Regeneration	0	0	0	5,075	(704)	(43)	4,328
People	0	4,582	4,582	22,006	(1,806)	(516)	19,684
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

* Statement of Movement on General Fund Balances

6c. Expenditure and Income Analysed by Nature

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

2016/17		2017/18
£'000		£'000
	Expenditure	
142,750	Employee expenses	141,424
273,818	Other operating expenses	306,376
26,254	Depreciation, amortisation and impairment	26,609
7,305	Interest payments	7,165
961	Precepts and levies	779
855	Payments to Housing Capital Receipts Pool	762
72,441	Gain or loss on Disposal of assets	89,415
524,384	**Total expenditure**	**572,530**
	Income	
(86,393)	Fees, charges and other service income	(93,632)
(534)	Surplus on trading undertakings not in the Net Cost of Services	(1,314)
(636)	Interest and investment income	(445)
(101,553)	Income from Council Tax and Business Rates	(105,842)
(282,999)	Government grants and contributions	(262,968)
(472,115)	**Total income**	**(464,201)**
52,269	**(Surplus) or Deficit on the Provision of Services**	**108,329**

7. 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.

2016/17			2017/18	
Schools	Non-Schools	Remuneration Band	Schools	Non-Schools
Number of Employees		£	Number of Employees	
24	33	50,000 - 54,999	33	32
21	14	55,000 - 59,999	24	28
16	14	60,000 - 64,999	12	8
7	8	65,000 - 69,999	11	10
9	6	70,000 - 74,999	10	4
7	8	75,000 - 79,999	1	8
3	5	80,000 - 84,999	4	4
2	0	85,000 - 89,999	2	4
2	3	90,000 - 94,999	2	1
0	6	95,000 - 99,999	0	2
2	0	100,000 - 104,999	0	5
1	0	105,000 - 109,999	0	2
0	0	110,000 - 114,999	2	0
0	0	115,000 - 119,999	0	1
0	0	120,000 - 124,999	0	0
0	3	125,000 - 129,999	0	0
0	1	130,000 - 134,999	0	2
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	1	165,000 - 169,999	0	0
0	0	170,000 - 174,999	0	1
94	**102**	**Total**	**101**	**112**

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

2016/17 Salary, fees and allowances	2016/17 Employers pension contributions	2016/17 Total	Chief Officers	Note	2017/18 Salary, fees and allowances	2017/18 Employers pension contributions	2017/18 Total
£	£	£			£	£	£
169,029	0	169,029	Chief Executive – Niall Bolger		170,721	0	170,721

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

2016/17 Salary, fees and allowances	2016/17 Employers pension contributions	2016/17 Total	Chief Officers	Note	2017/18 Salary, fees and allowances	2017/18 Employers pension contributions	2017/18 Total
£	£	£			£	£	£
130,824	22,763	153,587	Strategic Director – Environment, Housing and Regeneration		132,132	22,727	154,859
129,180	15,176	144,356	Strategic Director – Resources		130,236	22,727	152,963
127,944	22,763	150,707	Strategic Director - People (until end September 2017)	1	66,066	11,363	77,429
0	0	0	Acting Statutory Director of Adult Social Services (from October 2017)	1	50,228	8,639	58,867
0	0	0	Acting Statutory Director of Children's Services (from October 2017)	1	57,500	9,890	67,390
96,484	17,306	113,790	Executive Head of Customers, Commissioning and Governance		96,239	17,278	113,517
93,916	13,430	107,346	Director of Public Health (until end June 2017)	2	24,325	3,498	27,823
0	0	0	Director of Public Health (from January 2018)	2	22,849	3,930	26,779

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: At the end of September 2017 the Strategic Director - People left the employment of the Council. The post has not been permanently recruited to and is being covered by 2 assistant directors, one covering adult social services, and the other children's services.

Note 2: The Director of Public Health left the Council's employment at the end of June 2017. The post was recruited to and the new post holder took up the role in January 2018.

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	
£	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17** £	**2017/18** £
0 - 20,000	32	13	17	10	49	23	371,637	214,369
20,001 - 40,000	3	4	14	7	17	11	488,858	301,660
40,001 - 60,000	3	1	1	2	4	3	205,555	131,468
60,001 - 80,000	0	0	1	0	1	0	67,874	0
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	**38**	**18**	**33**	**19**	**71**	**37**	**1,133,924**	**647,497**

8. Members Allowances

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

2016/17 £'000		**2017/18 £'000**
914	Allowances	926
2	Expenses	4
916	**Total**	**930**

9. 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.

2017/18	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
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)	7,401	84				(7,485)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(84)					84
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	267					(267)
Holiday pay (transferred to the Accumulated Absences Reserve)	(208)					208
Charges for depreciation and impairment of non-current assets	20,713	5,896				(26,609)
Revaluation loss/(gain) on Property Plant and Equipment	1,360	11,877				(13,237)
Movements in the market value of Investment Properties	(2,733)	0				2,733
Amortisation of intangible assets	3,008	0				(3,008)
Revenue expenditure funded from capital under statute	17,807	0				(17,807)
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	**47,531**	**17,857**	**0**	**0**	**0**	**(65,388)**
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	93,597	3,281				(96,878)

	Usable Reserves					
2017/18	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	(823)	(6,789)			7,612	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account	(3,287)	0				3,287
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(681)	0				681
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	762				(762)	0
Posting of HRA resources from revenue to the Major Repairs Reserve		(5,895)		5,895		0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(34,353)	0	34,353			0
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	**55,215**	**(9,403)**	**34,353**	**5,895**	**6,850**	**(92,910)**
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance new capital expenditure					(12,220)	12,220
Use of the Major Repairs Reserve to finance new capital expenditure				(3,989)		3,989
Application of grants to capital financing transferred to the Capital Adjustment Account			(27,224)			27,224
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	**0**	**0**	**(27,224)**	**(3,989)**	**(12,220)**	**43,433**
Total Adjustments	**102,746**	**8,454**	**7,129**	**1,906**	**(5,370)**	**(114,865)**

	Usable Reserves					
2016/17 Comparative Figures	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)

2016/17 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	(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						
Application of grants to capital financing transferred to the Capital Adjustment Account					(5,152)	5,152
Use of the Capital Receipts Reserve to finance new capital expenditure				(8,446)		8,446
Use of the Major Repairs Reserve to finance new capital expenditure			(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)**

10. Other Operating Expenditure

2016/17 £'000		2017/18 £'000
961	Levies paid to Other Local and Public Authorities	779
855	Payment to the Government Housing Capital Receipts Pool	762
72,443	Net Losses/(Profit) on the disposal of non-current assets	89,402
(534)	Deficit/(Surplus) on Trading Undertakings not included in Net Cost of Services	(1,314)
73,725	**TOTAL**	**89,629**

During 2017/18, 3 schools with a net book value of £20.265m converted to academy status and 8 schools with a net book value of £70.469m converted to foundation status. They were all disposed of for no consideration, and are represented in the losses figure above.

11. Financing and Investment Income and Expenditure

2016/17 £'000		2017/18 £'000
7,305	Interest payable and similar charges	7,165
11,555	Net interest on the net defined benefit pension scheme liability	10,827
(636)	Interest receivable and similar income	(445)
(239)	Income and expenditure in relation to investment properties and changes in their fair value	(5,981)
17,985	**TOTAL**	**11,566**

12. Taxation, Government Grants and Contributions

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

2016/17		2017/18	
£'000		£'000	£'000
	Credited to Taxation and Non Specific Grant Income		
86,310	Council Tax Income	90,287	
15,243	Business Rates Retention Scheme	15,555	
101,553			**105,842**
17,768	Business Rates Retention Scheme Top Up Grant	18,112	
	Non ringfenced government grants		
24,751	- Revenue Support Grant	16,830	
1,858	- Education Services Grant	440	
965	- Housing Benefit and Council Tax Admin Grant	783	
4,094	- New Homes Bonus	2,763	
0	- Adult Social Care Support Grant	741	
1,343	- Transition Grant	1,333	
935	- Section 31 Business Rate Grant	1,682	
56	- Other	196	
51,770			**42,880**
	Capital Grants and Contributions		
25,369	- Education Grants	22,160	
1,774	- Mayors Grant (GLA)	2,178	
107	- Housing Associations	74	
1,855	- Section 106 Contributions	2,494	
1,170	- Leaseholder Contributions	1,011	
361	- Heritage Lottery Fund	2,928	
52	- Private Developers SDEN Loan	1,528	
772	- Other Capital Grants and Contributions	451	
31,460			**32,824**
184,783	**Sub-total**		**181,546**

2016/17		2017/18	
£'000		£'000	£'000
	Revenue Grants included in Cost of Services		
104,915	- Dedicated Schools Grant	102,644	
3,259	- Education Funding Agency funding	2,476	
10,328	- Public Health Grant	10,073	
15,719	- Housing Rent Rebate Subsidy	13,729	
1,259	- Housing Rent Rebate Subsidy - outside HRA	925	
52,715	- Housing Rent Allowances	44,793	
4,068	- Pupil Premium (schools)	3,446	
0	- Improved Better Care Fund Grant	2,405	
586	- Asylum Seekers	550	
662	- Troubled Families Grant	637	
2,091	- Universal Infants Free School Meals	1,861	
2,443	- Other	2,196	
198,045			**185,735**
	REFCUS* Grants included in Cost of Services		
1,271	- Disabled Facilities	1,529	
453	- Education Grants	0	
1,724			**1,529**
384,552	**Total**		**368,810**

* Revenue Expenditure Funded from Capital Under Statute

13. Property, Plant and Equipment

Movement on balances

Movements in 2017/18	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 2017	**425,237**	**395,509**	**23,957**	**62,117**	**2,704**	**15,618**	**16,669**	**941,811**
- Adjustments between depreciation and gross book value on the revaluation of assets	(7,508)	(10,142)	0	0	0	0	0	(17,650)
Sub total	**417,729**	**385,367**	**23,957**	**62,117**	**2,704**	**15,618**	**16,669**	**924,161**
- Additions	11,944	2,992	2,891	4,565	50	16,960	0	39,402
- Revaluation decreases recognised in the Revaluation Reserve		(6,183)						(6,183)
- Revaluation increases recognised in the Revaluation Reserve	0	29,429	0	0	0	0	117	29,546
- Revaluation decreases recognised in the surplus/deficit on the provision of services	(11,971)	(3,391)	0	0	0	0	(417)	(15,779)
- Revaluation increases recognised in the surplus/deficit on the provision of services	0	2,363	0	0	0	0	0	2,363
- Derecognition - disposal	(3,281)	(100,953)	(3,637)	0	0	(1,500)	0	(109,371)
- Reclassifications	0	4,094	271	0	0	(4,985)	(13,202)	(13,822)
- Assets reclassified (to)/from Held for Sale	0	(231)	0	0	0	0	0	(231)
At 31 March 2018	**414,421**	**313,487**	**23,482**	**66,682**	**2,754**	**26,093**	**3,167**	**850,086**
Accumulated Depreciation and Impairment								
At 1 April 2017	**(7,508)**	**(25,769)**	**(12,861)**	**(34,432)**	**(262)**	**0**	**(486)**	**(81,318)**
- Adjustments between depreciation and gross book value on the revaluation of assets	7,508	10,142	0	0	0	0	0	17,650
Sub total	**0**	**(15,627)**	**(12,861)**	**(34,432)**	**(262)**	**0**	**(486)**	**(63,668)**
- Depreciation Charge:						0		
- Depreciation written out to the surplus/deficit on the provision of services	(5,833)	(12,938)	(4,062)	(3,727)	0	0	(49)	(26,609)
- Derecognition - disposal	0	6,858	3,090	0	0	0	0	9,948
- Derecognition - other	0	1,646	0	0	0	0	0	1,646
At 31 March 2018	**(5,833)**	**(20,061)**	**(13,833)**	**(38,159)**	**(262)**	**0**	**(535)**	**(78,683)**
Net Book Value								
At 31 March 2017	**417,729**	**369,740**	**11,096**	**27,685**	**2,442**	**15,618**	**16,183**	**860,493**
At 31 March 2018	**408,588**	**293,426**	**9,649**	**28,523**	**2,492**	**26,093**	**2,632**	**771,403**

Comparative 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**

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, £5.833m;
- 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, depending on type;
- 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 2018, 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 2017/18 and future years which are budgeted to cost £179.7m in total. Similar commitments at 31 March 2017 were £205.0m. The major commitments are:-

	Expenditure 1 April 2014 to 31 March 2018	Planned Expenditure to 31 March 2022	Estimated Total Cost
	£'000	£'000	£'000
School Expansions and new schools	91,186	49,000	140,186
Local Authority New Build Housing	17,468	11,866	29,334
Beddington Park Heritage Lottery Fund	2,574	967	3,541
Whitehall Heritage Lottery Fund	1,621	461	2,082
Total	112,849	62,294	175,143

Additions

In 2017/18 the Council invested £6.527m of capital expenditure on improvements to council dwellings, and purchased 19 dwellings at a cost of £5.417m.

As at 31 March 2018, the Council has a number of major capital projects that remain under construction, including the Local Authority New Build Project, enhancement to Beddington Park, Beddington Park Major Transport Scheme, the new Hackbridge school, refurbishment works to Whitehall, Little Holland House and Russettings, and the Estate Regeneration Programme.

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 2017 except assets valued using the DRC method with a valuation date of 31 March 2018 following the outcome of a value movement review carried out on all valued assets from valuation date of 1 April to 31 March 2018.

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 Institution 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 and includes 19 dwellings acquired in 2017/18 for £5.4m carried at cost. Council dwellings reflect vacant possession value (£1,618 million) adjusted to account for their status as social housing. For 2017/18 the social housing factor for London remains at 25% which results in a vacant possession value adjusted for the social housing factor of £408.588 million (includes 19 dwellings acquired in the last two quarters of 2017/18 being carried at cost of £5.4m).

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	9,649	28,523	2,492	26,093	0	66,757
Valued at fair value as at:								
31-Mar-18	408,588	240,252	0	0	0	0	498	649,338
31-Mar-17	0	15,372	0	0	0	0	0	15,372
31-Mar-16	0	13,542	0	0	0	0	0	13,542
31-Mar-15	0	22,979	0	0	0	0	117	23,096
31-Mar-14	0	0	0	0	0	0	0	0
31-Mar-13	0	1,281	0	0	0	0	2,017	3,298
Total Cost or Valuation	**408,588**	**293,426**	**9,649**	**28,523**	**2,492**	**26,093**	**2,632**	**771,403**

Surplus Assets

Surplus assets held by the Authority at 31 March 2018 are as follows:

31 March 2017 £'000		31 March 2018 £'000
14,000	Land at Former Sutton Hospital site	0
2,062	Franklin House, Shaw Way	2,017
95	Public convenience, The Green, Sutton	93
26	Public convenience, corner of Robertsbridge Road & Wrythe Lane	24
0	Wallington Public Hall	498
16,183	**Total Surplus Assets**	**2,632**

In 2017/18 the IFRS classification for the Land at the Former Sutton Hospital site was reviewed and reclassified as an Investment Property.

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 2017/18 as no acquisitions or disposals took place. The nature and significance of these assets are detailed below.

Land and Buildings

a) Museums

Honeywood £1.792 million and Whitehall £2.312 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 June 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 £458,600

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

b) Monuments

Upper Mill

Upper Mill in Grove Park is on the site of a mill listed in the Domesday book. The current structure includes wheel pits dating from 1782, designed by John Smeaton and an early 19th century wheel. The wheel and pits are grade II listed. The remainder of the structure is a recreation of a late Victorian building designed to house an electric generator. 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.

14. Investment Properties

There are no restrictions on the Authority’s ability to realise the value inherent in its investment property or on the Authority’s right to the remittance of income and the proceeds of disposal.

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

2016/17 £'000		2017/18 £’000
27,148	Balance at the start of the year	59,267
0	Reclassifications	14,000
31,659	Additions	28,760
(67)	Disposals	0
527	Net gains/(losses) from fair value adjustments (Revaluations and Impairments)	2,733
59,267	**Balance at the end of the year**	**104,760**

Investment property is property (land or a building) held by the owner to earn rental income or for capital appreciation or both.

In 2017/18 the Authority purchased a second tranche of land in the site of the Former Sutton Hospital for the London Cancer Hub development and the IFRS classification for a first tranche of land purchased in the previous financial year for the development was reviewed and reclassified as an Investment Property. Also purchased was 71-81 High Street, which is occupied by a number of retailers including Waterstone's, and 132 Stanley Park Road, an attractive modern convenience store let to Sainsburys.

15. Assets Held for Sale

Assets Held for Sale as at 31 March 2018 are as follows:

2016/17 £'000		2017/18 £'000
600	The Lodge, Honeywood Walk	0
235	Stonecourt Main Building, North Street	235
0	Festival Walk Old Rectory	231
835	**Total Assets Held for Sale**	**466**

16. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note:

2016/17 £'000		2017/18 £'000
272,912	**Opening Capital Financing Requirement**	**326,339**
	Capital Investment	
51,008	- Property, Plant and Equipment	39,402
31,659	- Investment Properties	28,760
1,618	- Intangible Assets	3,008
22,537	- Revenue Expenditure Funded from Capital Under Statute	16,308
	Sources of Finance	
(5,152)	- Capital Receipts	(12,220)
(27,254)	- Government grants and other contributions	(27,224)
	- Sums set aside from revenue	
(16,766)	- Direct revenue contributions	(9,961)
(4,223)	- MRP / Loans fund principal	(3,287)
326,339	**Closing Capital Financing Requirement**	**361,125**
	Explanation of movements in year	
53,427	- Increase in underlying need to borrow (unsupported by government financial assistance)	34,786
53,427	**Increase in Capital Financing Requirement**	**34,786**

17. 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 2017/18:

	Balance at 1 April 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
General Fund Balances	12,752	(4,638)	0	8,114	(3,912)	4,873	9,075
DSG Balances	1,524	(2,259)	0	(735)	0	695	(40)
Balances held by schools under a scheme of delegation	7,405	(3,350)	1,027	5,082	(1,873)	494	3,703
Sub total	**21,681**	**(10,247)**	**1,027**	**12,461**	**(5,785)**	**6,062**	**12,738**
Earmarked Reserves:-							
- Insurance Fund	5,513	0	185	5,698	(600)	712	5,810
- Parking Places Reserve	0	0	0	0	(564)	564	0
- Revenue Reserve for financing capital expenditure	1,391	(1,404)	875	862	(573)	403	692
- General Pooled Reserve	2,206	(1,310)	0	896	(338)	46	604
- Renewals and Repairs Fund	254	0	0	254	(91)	0	163
- Catering Reserves	384	(6)	10	388	(239)	29	178
- Invest to Save Reserve	713	(57)	100	756	(845)	89	0
- Sustainable Investment Fund	305	(1)	0	304	0	0	304
- Revenue Grants Unapplied	3,724	(1,851)	1,094	2,967	(2,937)	1,433	1,463
- Redundancy Costs	2,486	0	0	2,486	(691)	0	1,795
- Strategic Priorities Investment Reserve	435	(324)	164	275	(275)	0	0
- Extreme Weather Reserve	252	0	0	252	0	0	252
- Treasury Management & Capital Programme	1,930	(24)	0	1,906	(1,109)	0	797
- Crisis Loans and Grants	676	(29)	0	647	(120)	53	580
- Risk Reserve	9,392	(142)	510	9,760	(3,576)	1,055	7,239
- Opportunity Sutton Reserve	512	(30)	0	482	(89)	379	772
- Transitional Grant Reserve	9	(271)	1,343	1,081	(410)	1,333	2,004
- Smarter Council Reserve	0	0	0	0	(635)	869	234
- Commercial Property Investment Reserve	216	(159)	311	368	0	449	817
- Planning Income Reserve	785	0	0	785	(500)	0	285
Sub total	**31,183**	**(5,608)**	**4,592**	**30,167**	**(13,592)**	**7,414**	**23,989**
HRA:							
Housing Revenue Account	1,895	(670)	0	1,225	0	1,273	2,498
Heating Reserve	495	0	45	540	0	8	548
Freeholders Contributions	50	0	2	52	(8)	14	58
Sub total	**2,440**	**(670)**	**47**	**1,817**	**(8)**	**1,295**	**3,104**
Capital Grants & Contributions Unapplied	9,843	(27,265)	32,690	15,268	(19,005)	26,105	22,368
Capital Receipts Reserve	19,395	(6,007)	9,628	23,016	(11,848)	6,478	17,646
Major Repairs Reserve	1,635	(8,446)	7,508	697	(7,781)	11,658	4,574
Total	**86,177**	**(58,243)**	**55,492**	**83,426**	**(58,019)**	**59,012**	**84,419**

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 £9.075m equates to 6.45% 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 Parking Places Reserve account holds any incidental deficit/ surplus generated through the enforcement of Parking, Moving Traffic and Bus Lane contraventions and the operation of Controlled Parking Zones and On Street Pay and Display parking provision.

- The revenue reserve for Financing Capital Expenditure has been established for the purpose of holding resources to fund future capital schemes as part of the planned programme.

- 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 formerly comprised of two separate accounts:

  - School Meals Delegated Funds (£178,578) representing the surplus made by schools within the Catering DSO and which is ringfenced for future use by schools and;

  - Catering Reserve Account representing the accumulated surplus from the Schools and Welfare Trading Account. The balance of £134,666 on this reserve account is no longer required and has been transferred to General Fund Balances.

- 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.
- 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 Transitional Grant Reserve (previously called the Business Change Reserve) has been set aside to meet the implementation costs of transformation projects.
- The Smarter Council Reserve has been created to fund the team managing the Smarter Council Programme and individual projects that enable transformational change and savings across the Council.
- The Commercial Property Investment Reserve has been created to hold the equivalent of annual MRP sums on individual properties which are not applied to repay debt due to an MRP exemption. This can then be used to provide resilience to the portfolio. For example it could be used to fund any capital intervention required in the property portfolio to maintain capital or revenue value.
- 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 2018 is £2,498,068 (£1,224,657 at 31 March 2017).
- The Heating Reserve of £548k 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 £58k holds the net unused balance of freeholders contributions to improvements works.

18. Non-usable Reserves

31 March 2017	Reserve / Balance	31 March 2018
£'000		£'000
159,873	(a) Revaluation Reserve	132,790
434,429	(b) Capital Adjustment Account	382,761
(420,046)	(c) Pensions Reserve	(395,610)
(926)	Financial Instruments Adjustment Account	(842)
111	Deferred Capital Receipts	363
365	Collection Fund Adjustment Account	98
(3,098)	Accumulated Absences Account	(2,890)
170,708	**Total**	**116,670**

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.

2016/17 £'000		2017/18 £'000	
182,650	**Balance at 1 April**		**159,873**
27,037	Upward revaluation of assets	29,546	
(19,618)	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	(6,183)	
7,419	Surplus on revaluation of non current assets not posted to the surplus/(deficit) on the provision of services	23,363	
(4,920)	Difference between fair value depreciation and historical cost depreciation	(4,294)	
(25,276)	Accumulated losses on assets sold or scrapped	(46,152)	
(30,196)	Amount written off to the Capital Adjustment Account	(50,446)	
159,873	**Balance at 31 March**		**132,790**

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 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17	Capital Adjustment Account	2017/18	
£'000		£'000	£'000
446,377	**Balance at 1 April**		**434,429**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(32,906)	- Charge for depreciation and impairment of non-current assets	(26,609)	
43,874	- Revaluation (losses)/gains on Property, Plant and Equipment	(13,237)	
(1,618)	- Amortisation of intangible assets	(3,008)	
(23,346)	- Revenue expenditure funded from capital under statute	(17,807)	
(82,071)	- 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	(96,878)	
(96,067)			(157,539)
4,920	Difference between fair value depreciation and historical cost depreciation		4,294
25,276	Accumulated losses on assets sold or scrapped		46,152
(65,871)	Net written out amount of the cost of non-current assets consumed in the year		(107,093)
	Capital financing applied in the year:		
5,152	- Use of the Capital Receipts Reserve to finance new capital expenditure	12,220	
8,446	- Use of the Major Repairs Reserve to finance new capital expenditure	3,989	
25,192	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	19,958	
2,073	- Application of grants to capital financing from the Capital Grants Unapplied Account	7,266	
4,223	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	3,287	
7,329	- Funded from Revenue Reserves	5,291	
981	- Capital expenditure charged against the General Fund and HRA balances	681	
53,396			52,692
527	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		2,733
434,429	**Balance at 31 March**		**382,761**

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.

2016/17 £'000		2017/18 £'000
(329,485)	**Balance at 1 April**	**(420,046)**
(83,622)	Remeasurement of the net defined benefit liability	31,921
(23,582)	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	(22,388)
16,643	Employers pension contributions	14,903
(420,046)	**Balance at 31 March**	**(395,610)**

19. Provisions

Provisions have been established for the following purposes:

	Balance b/fwd 1 April 2017	Additional provisions made in 2017/18	Amounts used in 2017/18	Unused amounts reversed in 2017/18	Balance c/fwd 31 March 2018
	£'000	£'000	£'000	£'000	£'000
Non-Current Provisions					
a) NNDR Appeals	510	5,665	(4,663)	0	1,512
b) Insurance Claims	2,138	0	(240)	0	1,898
c) Potential Employee Litigation	210	0	0	0	210
d) Disputed Social Care Supported Living Costs	2,485	4	(1,208)	0	1,281
e) External Insurance	790	0	0	0	790
f) Land Charges	40	0	0	(40)	0
g) Water and Sewerage Claims	1,200	0	0	0	1,200
h) General Adult Social Care	30	0	0	0	30
	7,403	**5,669**	**(6,111)**	**(40)**	**6,921**

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 2018. The total provision is £5.041m and is shared 33% Ministry of Housing, Communities and Local Government (£1.664m), 30% London Borough of Sutton (£1.512m) and 37% Greater London Authority (£1.865m).

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. The provision has been estimated and 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 £1.898m.

c) A provision of £210k is included in the accounts to cover general employment related matters which could involve the Council incurring costs. This provision remained the same for 2016/17 and 2017/18.

d) This provision covers potential costs of clients in supported living placements where identification of the ordinary residence is in dispute. The provision is amended each year to take account of ongoing cases and now stands at £1.281m following the latest assessment.

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, and £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. The provision stood at £40k at the end of 2016/17. All claims have now been settled and so the provision has been released in 2017/18.

g) 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. The outcome of this is not certain, but it is felt prudent to make this provision.

h) A provision of £30k was established in 2016/17 to cover 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. This provision remains unchanged for 2017/18.

20. 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 2017	Gross Debtors	At 31 March 2018
£'000		£'000
9,125	Central Government bodies	9,482
2,466	Other Local Authorities	6,626
1,411	NHS bodies	1,757
13,002	Sub total public sector bodies	17,865
4,217	HRA Tenants	2,505
27,335	Other entities and individuals	34,177
7,078	Local Tax payers	7,547
38,630	Sub total sundry debtors	44,229
51,632	**Total**	**62,094**

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

At 31 March 2017	Bad Debt Provision	At 31 March 2018
£'000		£'000
(1,435)	HRA Tenants	(1,078)
(6,309)	Other entities and individuals	(6,825)
(3,030)	Local Tax payers	(3,304)
(10,774)	**Total**	**(11,207)**

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

At 31 March 2017	Net Debtors	At 31 March 2018
£'000		£'000
9,125	Central Government bodies	9,482
2,466	Other Local Authorities	6,626
1,411	NHS bodies	1,757
2,782	HRA Tenants	1,427
21,026	Other entities and individuals	27,352
4,048	Local Tax payers	4,243
40,858	**Total**	**50,887**

21. 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 2017		At 31 March 2018
£'000		£'000
12,465	Central Government bodies	6,273
14,293	Other Local Authorities	14,106
2,558	NHS bodies	1,200
33,777	Other entities and individuals	33,721
63,093	**Total**	**55,300**

22. Cash and cash equivalents

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

At 31 March 2017		At 31 March 2018
£'000		£'000
33	Cash held by the authority	12
904	Bank current accounts	(9,366)
937	**Total**	**(9,354)**

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

2016/17 £'000		2017/18 £'000
(52,269)	Net surplus / (deficit) on the Provision of Services	**(108,329)**
	Adjust net surplus or deficit for the provision of services for non-cash movements	
(11,495)	Depreciation, impairments and revaluation losses/(Gains)	37,113
1,618	Amortisation	3,008
6,225	Increase / (Decrease) in creditors	(5,986)
(5,523)	(Increase) / Decrease in debtors	(7,940)
(1)	(Increase) / Decrease in inventories	147
6,938	Pension Liability	7,485
(3,172)	Contributions to / (from) provisions	(482)
82,071	Carrying amount of non-current assets sold	96,878
76,661		**130,223**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(25,193)	Capital Grants credited to surplus or deficit on the provision of services	(19,985)
(9,628)	Proceeds from the sale of property plant and equipment, investments property and intangible assets	(7,864)
(34,821)		**(27,849)**
(10,429)	**Net cash inflow (outflow) from operating activities**	**(5,955)**

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016/17 £'000		2017/18 £'000
880	Interest received	450
(22,648)	Interest paid	8,182
(21,768)	**Total**	**8,632**

25. External Audit Costs

2016/17		2017/18
£'000		£'000
94	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	94
15	Fees payable to Grant Thornton for the certification of grant claims and returns	12
109		**106**

26. 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 2016. 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 2017/18 are as follows:

	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2017/18 before Academy recoupment			186,349
Less Academy figure recouped for 2017/18			83,437
Total DSG after Academy recoupment for 2017/18			102,912
Plus: deficit brought forward from 2016/17			(735)
Less: carry forward to 2017/18 agreed in advance	0	0	735
Agreed initial budgeted distribution in 2017/18	29,859	73,053	102,912
In year adjustments	0	(269)	(269)
Final budget distribution for 2017/18	29,859	72,784	102,643
Less actual central expenditure	29,501		29,501
Less actual ISB deployed to schools		72,447	72,447
Carry forward to 2018/19 (deficit)	358	337	(40)

In 2017/18, the Council received net DSG funding of £102.643 million, after academy recoupment and a net in-year adjustment for Early Years funding of £269k. An earmarked sum of £500k of the central budget was allocated to the brought forward deficit of £735k from 2016/17. The grant has been credited against the Education service revenue account.

The deficit DSG balance of £40k will be carried forward to 2018/19 and will be a first call on the next years School Budget.

27. 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 12 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 £5 million in 2017/18, 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 2017/18 is £926,000.
One member received direct payments of £29,220 for four self contained flats leased back to the Council under the Empty Homes Scheme. One member represents the Council on the Board of the Wandle Valley Regional Park Trust, which received a grant of £23,000 from the London Borough of Sutton in 2017/18. In 2017/18 a grant of £4,500 was given to Arts Network Sutton. A member represents the Council on the Executive Committee; the grant is seen as significant value to the Arts Network.

The Pension Fund had an average balance of £9.1 million of surplus cash deposited with the Council during 2017/18. The Council charged the Fund £0.303 million for expenses incurred in administering the Fund.

Opportunity Sutton - Mary Morrissey, Strategic Director Environment, Housing and Regeneration, 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 2017/18.

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 Financial Strategy and Reporting until the end of January 2018 when she left the Council's employment (resigned as director 16 March 2018), were company directors of Sutton Living Ltd. There were no trading activities during 2017/18.

Sutton Decentralised Energy Network Ltd - Amanda Cherrington, Head of Economic, Renewal and Regeneration, Lyndsey Gamble, Head of Investment, Risk and Commercial Finance, and Christopher Rhodes, Head of Asset Management are company directors of Sutton Decentralised Energy Network Ltd. There were trading activities during 2017/18. There were contractual activities of £1.5 million.

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 2017/18 the turnover of SHP amounted to £15.924 million and net liabilities (including the pension deficit of £8.976 million) were valued at £7.063 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 2017/18 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 Financial Operations and Resident Support are company directors of Encompass LATC Ltd. There were trading activities during 2017/18 - further details can be found on the Companies House website. There were contractual activities of £2.9 million.

Cognus Ltd - This was previously called Sutton Educational Services Ltd, the name changed to Cognus Ltd on 19th September 2017. There were trading activities during 2017/18 - further details can be found on the Companies House website. There were contractual activities of £4.9 million (funded by General Fund £2.0 million and DSG £2.9 million).

28. 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 16.48% of members' pensionable salaries. In 2017/18 the employers contribution amounted to £5.069 million and the employees contribution was £2.910 million (employers £5.782 million and employees £3.325 million in 2016/17).

  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 2017/18 totalled £0.5 million (£0.5 million in 2016/17).

- 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 2018 as set out below. Pension Fund regulations require formal actuarial valuations to be prepared every three years and the next valuation will be based on the financial position of the fund as at 31 March 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:

2016/17 £'000	Comprehensive Income and Expenditure Statement	2017/18 £'000
	Service cost comprising:	
13,030	- Current Service Cost	18,153
1,313	- Past Service Cost	663
(2,694)	- (Gain)/loss from settlements	(7,605)
11,649		**11,211**
11,555	Net interest expense	10,827
378	Administration expenses	350
23,582	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**22,388**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(57,469)	- Return on plan assets (excluding the amount included in the net interest expense)	1,336
33,598	- Actuarial (gains) and losses arising on changes in demographic assumptions	0
182,261	- Actuarial (gains) and losses arising on changes in financial assumptions	(33,257)
(10,588)	- Other actuarial (gains)/losses on assets	0
(64,180)	- Experience gain on defined benefit obligation	0
83,622	**Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(31,921)**
107,204	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**	**(9,533)**
	Movement in Reserves Statement:	
(23,582)	- Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	(22,388)
	Actual amount charged against the General Fund balance for pensions in the year:	
16,643	- Employers' Contributions Payable to Scheme	14,903

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:

2016/17 £'000		2017/18 £'000
908,702	Present value of defined benefit obligation	**889,159**
(488,656)	Fair value of plan assets	(493,549)
420,046	Net Liability arising from defined benefit obligation	**395,610**

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:-

2016/17		2017/18
%		**%**
2.7	Rate of Inflation	2.4
4.2	Rate of Increase in Salaries	3.9
2.7	Rate of Increase in Pensions	2.4
3.6	Rate of Return on Assets	2.6
2.7	Rate for Discounting Scheme Liabilities	2.6
25	Take-Up of Option to Convert Annual Pension into Retirement Lump Sum	50
Years		**Years**
24.4	Longevity at 65 for Current Pensioners - Men	24.5
26.0	Longevity at 65 for Current Pensioners - Women	26.1
26.6	Longevity at 65 for Future Pensioners - Men	26.8
28.3	Longevity at 65 for Future Pensioners - Women	28.4

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

2016/17		2017/18
%		%
3.6	Equities	2.6
3.6	Bonds	2.6
3.6	Property	2.6
3.6	Cash	2.6
3.6	**Total Fund**	**2.6**

2016/17		2017/18
% of Fund		% of Fund
3	Cash	2
61	Equities	61
18	Bonds	17
6	Property	8
3	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.

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

2016/17		2017/18
£'000		£'000
749,579	**Balance at 1 April**	**908,702**
	Movements in period	
13,030	- Current Service Cost	18,153
26,449	- Interest Cost	23,915
3,334	- Contributions by Members	2,900
33,598	- Actuarial (gains)/losses arising from changes in demographic assumptions	0
182,261	- Actuarial (gains)/losses arising from changes in financial assumptions	(33,257)
(64,180)	- Experience gain on defined benefit obligation	0
1,313	- Past Service Cost	663
(21,113)	- Benefits Paid	(27,021)
(15,569)	- Liabilities extinguished on settlements	(4,896)
908,702	**Balance at 31 March**	**889,159**

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

2016/17 £'000		2017/18 £'000
420,094	**Balance at 1 April**	**488,656**
	Movements in period	
14,894	- Interest income	13,088
	- Remeasurement gain/loss:	
57,469	- The return on plan assets, excluding the amount included in the net interest expense	(1,336)
10,588	- Other actuarial gains/(losses)	0
16,265	- Contributions from employer	14,553
3,334	- Contributions from employees into the scheme	2,900
(21,113)	- Benefits Paid	(27,021)
(12,875)	- Other	2,709
488,656	**Balance at 31 March**	**493,549**

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 2017. 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 2018. Actual asset values at 31 March 2018 are shown in the Pension Fund Accounts.

2016/17 £'000		2017/18 £'000
13,682	Cash and Cash Equivalents	9,377
300,035	Equities	301,560
89,425	Bonds	83,903
30,297	Property	38,496
12,216	Infrastructure	15,300
43,001	Other	44,913
488,656		**493,549**

Further details of the assets are shown below for 2017/18, 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.

	2017/18		
	£'000 Quoted	£'000 Unquoted	£'000 Total
Cash and cash equivalents	9,377		9,377
Equities			
- UK	85,384		85,384
- Overseas	216,176		216,176
Bonds			
Fixed Interest Government Securities			
- UK	18,261		18,261
- Overseas	4,442		4,442
Index Linked Government Securities			
- UK	35,042		35,042
- Overseas	0		0
Corporate Bonds			
- UK	12,339		12,339
- Overseas	13,819		13,819
Property		38,496	38,496
Infrastructure		15,300	15,300
Other	44,913		44,913
	439,753	**53,796**	**493,549**

h) Scheme History

	31 March 2014	31 March 2015	31 March 2016	31 March 2017	31 March 2018
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	696,597	796,826	749,579	908,702	889,159
Fair Value of Assets	(396,372)	(425,105)	(420,094)	(488,656)	(493,549)
Deficit	300,225	371,721	329,485	420,046	395,610

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net liability of £395.6 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) History of Experience Gains and Losses

The related experience gains and losses for 31 March 2018 and earlier years are as follows:-

	31 March 2014	31 March 2015	31 March 2016	31 March 2017	31 March 2018
	%	%	%	%	%
On assets as % of Fair Value	(4)	4	(1)	12	0
On liabilities as % of Present Value	2	(2)	1	(6)	0

29. 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.

30. 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 2017	31 March 2018	31 March 2017	31 March 2018
	£'000	£'000	£'000	£'000
Investments				
Loans and receivable at amortised cost				
Loans & receivables principal amount	0	0	24,900	21,775
Municipal Bond Agency	100	100	0	0
Accrued Interest	0	0	16	11
Total Investments	**100**	**100**	**24,916**	**21,786**
Debtors				
Loans and receivables	1,985	4,360	0	0
Financial assets carried at contract amounts	0	0	41,921	48,494
Total Debtors	**1,985**	**4,360**	**41,921**	**48,494**
Cash and cash equivalents	**0**	**0**	**937**	**(9,355)**
Borrowings				
Financial liabilities carried at amortised cost				
Financial liabilities principal amount	240,471	267,221	250	15,250
Accrued Interest	0	0	1,070	1,244
Total Borrowings	**240,471**	**267,221**	**1,320**	**16,494**
Creditors				
Financial liabilities carried at contract amount	0	0	54,416	47,238
Total Creditors	**0**	**0**	**54,416**	**47,238**

Notes:

1. In July 2017 the Council took three new long term maturity loans from the Public Works Loan Board, totalling £12 million. An existing loan for £0.25 million matured in September 2017 and was repaid.

2. In January 2018 the Council took two fixed rate loans of £7.5 million from two separate local authorities, both for a term of two years.

3. The Council's long term borrowing total of £267.221 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.

4. 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 loans.

5. The average weighted interest rate of the Council's total borrowing as at 31 March 2018 was 3.53%.

6. The Council's short term borrowing total of £15.250 million represents one PWLB loan maturing in October 2018 and temporary borrowing of £15.0 million at 31 March 2018.

7. 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.

8. The Council had no material soft loans as at 31 March 2018.

9. The Council recognises deposits in accounts, such as money market funds and call accounts as investments. Cash in hand and cash held in bank current accounts is treated as cash and cash equivalents.

b) Financial Instruments Adjustment Account

No debt restructuring was carried out in 2017/18 so there are no debt restructuring adjustments to this account to report.

c) Gains and Losses on Financial Instruments

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

2017/18	**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	(8,943)	0	0	0
Interest income	0	196	0	0
Net gain / (loss) for the year	**(8,943)**	**196**	**0**	**0**

2016/17	**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 2017 are also provided for comparison.

Fair Value of Liabilities Carried at Amortised Cost

	31 March 2017		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Temporary Borrowing	0	0	15,000	15,000
PWLB - maturity	216,173	256,436	228,069	268,362
LOBOs	25,619	36,138	25,615	35,486
Borrowing from other local authorities	0	0	15,029	14,877
Financial liabilities	**241,792**	**292,574**	**283,713**	**333,725**

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 2018) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £268.4m 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 £228.1m would be valued at £268.4m. 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 £318.9m.

Fair Value of Assets Carried at Amortised Cost

	31 March 2017		**31 March 2018**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**
Call and notice accounts	24,912	24,912	21,786	21,786
Fixed term deposits with banks and building societies	0	0	0	0
Financial assets	**24,912**	**24,912**	**21,786**	**21,786**
Long Term Debtors	**1,985**	**1,985**	**4,360**	**4,360**

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 2018 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 2018

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 2017 £'000		31 March 2018 £'000
9,900	Less than three months	6,775
15,000	Three to six months	15,000
0	Six months to one year	0
0	More than one year	0
24,900	**Total**	**21,775**

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

31 March 2017 £'000		31 March 2018 £'000
40,858	Less than three months	50,887
0	Three to six months	0
0	Six months to one year	0
1,985	More than one year	4,360
42,843	**Total**	**55,247**

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 2017	Loans Outstanding	On 31 March 2018
£'000		£'000
215,421	Public Work Loans Board	227,171
25,300	Market debt	40,300
0	Temporary Loans	15,000
240,721	**Total**	**282,471**
250	Less than 1 year	15,250
250	Between 1 and 2 years	15,000
95	Between 2 and 5 years	4,595
4,500	Between 5 and 10 years	4,200
235,626	More than 10 years	243,426
240,721	**Total**	**282,471**

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, Link, to identify opportunities for restructuring debt. In doing so, any premiums or discounts applicable are taken into consideration when assessing whether this may be beneficial to the Council. 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 2018, 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	(436)
Increase in government grant receivable for financing costs	0
Impact Surplus or Deficit on the Provision of Services	(283)
Share of overall impact debited to the HRA	(142)
Decrease in fair value of fixed rate investment assets	0
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)	(50,258)

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.

31. 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 2018 the 2017/18 outturn position was a £1,029k underspend which will be carried forward for funding in 2018/19.

At 31 March 2017 £'000		At 31 March 2018 £'000
	Funding:	
443	Underspend brought forward from previous year	1,109
4,235	London Borough of Sutton	6,747
8,331	Sutton Clinical Commissioning Group	8,410
3,379	Joint	3,660
16,388	Total Funding	19,926
	Expenditure:	
3,569	London Borough of Sutton	6,827
8,331	Sutton Clinical Commissioning Group	8,410
3,379	Joint	3,660
15,279	Total Expenditure	18,897
1,109	**Total underspend to be carried forward**	**1,029**

Section 4

Other Financial Statements

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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 2018

2016/17		Notes	2017/18
£'000			**£'000**
	Expenditure		
15,148	Sutton Housing Partnership management fee		14,713
2,040	Other operating costs		2,102
2,478	Rents, rates, taxes and other charges		2,331
7,570	Depreciation of fixed assets	9	5,895
	Impairment costs:		
(50,062)	- revaluations and disposals	10	11,877
317	Increase in bad debt provision		(21)
(22,509)	**Total Expenditure**		**36,897**
	Income		
32,992	Gross rent from Council dwellings		32,428
771	Gross non dwellings rent		749
4,453	Charges for services and facilities		4,727
263	Contributions towards expenditure		247
38,479	**Total Income**		**38,151**
(60,988)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		(1,254)
63	HRA services share of Corporate and Democratic Core		63
(60,925)	**Net Cost of HRA Services**		**(1,191)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement.		
5,744	Interest payable and similar charges		6,094
(12)	Interest and investment income		(58)
3,760	(Profit)/Loss on disposal of non current assets		(3,506)
62	Pensions interest cost and expected return on pension assets		65
(51,371)	**(Surplus)/Deficit for the Year on HRA Services**		**1,404**

Statement of Movement on the Housing Revenue Account Balance

2016/17		2017/18
£'000		£'000
1,895	**Balance on the Statutory HRA at the end of the previous year**	**1,225**
51,371	Surplus/(Deficit) on the HRA Income and Expenditure Account for the year	(1,404)
	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	
132	- Net Charges made for Retirement Benefits in Accordance with FRS17	173
3,760	- (Profit)/ Loss on disposal of non current assets	(3,506)
(50,062)	- Impairment Costs and Disposals	11,877
	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	
(90)	- Employers Contributions Payable to the Pension Fund	(90)
5,111	**Net increase before transfers to or from reserves**	**7,050**
(5,828)	Transfer to the Major Repairs Reserve	(5,763)
(5)	Transfer (to)/from Heating Reserve Freeholders Contributions	0
46	Transfer (to)/from Heating Reserve	(8)
6	Transfer to Hostel Services Reserve	(6)
1,225	**Balance on the Statutory HRA Reserve Carried Forward**	**2,498**
540	Heating Reserve – Accumulated Surplus	548
52	Hostel Services Reserve - Accumulated Surplus	58
1,817	**Total HRA Balances and Reserves**	**3,104**

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

An HRA Reserve balance of at least 5% of income is considered necessary to provide a sound level of prudence. The current balance at 31 March 2018 of £2,498,068 (£1,224,657 at 31 March 2017) equates to 6.5% of income. In addition the HRA carries a Heating Reserve of £548,355 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 2018 the Council owned and managed 5,868 tenanted dwellings including 19 dwellings purchased in 2017/18, 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 2018

Total 2016/17		Bedsits	Flats	Houses	Total 2017/18
5,938	**Dwellings at 1 April**	**185**	**2,929**	**2,772**	**5,886**
(1)	Demolitions / Transfers	0	0	0	0
(51)	Right-to-Buy Sales	0	(19)	(18)	(37)
0	Acquisitions	0	19	0	19
0	Net Changes through Change of Use or Refurbishment	0	0	0	0
5,886	**Dwellings at 31 March**	**185**	**2,929**	**2,754**	**5,868**

4. Stock Valuation

The latest Council Dwellings valuation is as at the 1st April 2017 however a value movement review was carried out using the UK House Price Index available at the 31 March 2018 which showed an insignificant change in house prices in Sutton from the valuation date. The following valuations are included in the Council's balance sheet and includes 19 dwellings purchased in 2017/18 and carried at cost:

Balance Sheet Valuation of HRA Assets

As at 31 March 2017		As at 31 March 2018
£’000	Operational Assets:	**£’000**
417,729	- Dwellings	408,588
4,107	- Other Land and Buildings	4,520
0	- Investment Properties	5
421,836	**Total**	**413,113**

This valuation reflects the use of HRA dwellings as tenanted stock. The vacant possession value on the balance sheet at 31 March 2018 is £1,618 million including 19 dwellings purchased in 2017/18 for £5.4m and carried at cost (£1,671 million at 31 March 2017). The balance sheet valuation (£408.588 million after applying the 25% social housing factor for London, i.e. a reduction of 75% and includes £5.4m carried at cost) 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.

2016/17		2017/18
£'000		**£'000**
1,635	Balance at 1 April	697
7,508	Major Repairs Allowance (MRA) received	5,895
64	Depreciation on non-dwellings	61
(8,446)	MRA used on capital projects	(3,989)
(64)	Transfer to Statement of Movement on HRA balance	(61)
697	**Balance Carried Forward at 31 March**	**2,603**

6. HRA Capital Financing

2016/17		2017/18
£'000		**£'000**
21,536	HRA Capital Expenditure	**22,400**
	Financed by:	
4,254	Borrowing	7,724
8,446	Major Repairs Reserve	3,989
5,828	Revenue Contributions	3,792
2,763	Right to Buy receipts	4,336
245	Leaseholders Contributions	2,396
0	Capital Receipts	21
0	Other Public Bodies - London Fire Brigade	142
21,536	**Total**	**22,400**

7. HRA Capital Receipts

2016/17		2017/18
£'000		£'000
8,621	Right to Buy Sales	6,716
21	Other Disposals	74
1	Mortgage Repayments	2
8,643	**Total**	**6,792**

8. Revenue Contribution to Capital Outlay (RCCO)

2016/17		2017/18
£'000		£'000
0	Balance at 1 April	0
4,872	RCCO Exiting Stock	1,568
0	RCCO Property Acquisitions	4,195
956	RCCO New Build	0
(4,872)	RCCO used on capital projects - Existing Stock	0
0	RCCO used on capital projects - Property Acquisitions	(3,792)
(956)	RCCO used on capital projects - New Build	0
0	**Balance Carried Forward at 31 March**	**1,971**

9. Depreciation

The Council's depreciation policy is to write down asset values over their estimated life, on a straight line basis. For Council dwellings 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.

2016/17	Depeciation	2017/18
£'000		£'000
	Operational Assets:	
7,508	Dwellings	5,834
62	Other Land and Buildings	61
7,570	**Total**	**5,895**

10. Impairment

Reverse Impairment charges totalling £11.877 million have been made during 2017/18. This charge is a result of the following:

- A reduction of £4.895 million after applying the social housing factor to the cost of capital works (£6.527 million) during the year, offset by an decrease of £7.075 million as a result of the revaluation of Council Dwellings offset by an increase of £93k from the reversal of prior loss as a result of the revaluation of Other Land and Buildings.

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

11. Contributions to and from the Pension Reserve

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

12. Rent and Service Charge Arrears

Rent and service charge arrears at 31 March 2018 totalled £1,566,391 compared to £1,907,172 at 31 March 2017. As a proportion of gross rent and service income, this represents 4.2% (5.1% in 2016/17).

Total provision for uncollectable rent and service debt totalled £1,117,894 at 31 March 2018 compared to £1,448,456 at 31 March 2017.

As at 31 March 2017 £'000		As at 31 March 2018 £'000
1,764	Current Tenant Arrears	1,862
902	Former Tenant Arrears	652
2,666	**Total**	**2,514**
(759)	Accounts in credit	(948)
1,907	**Net Arrears**	**1,566**

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 2017		As at 31 March 2018
£'000		**£'000**
(1,448)	Tenants rent and heating charges	(1,118)
(1,448)	**Total**	**(1,118)**

13. Provisions

A High Court ruling, published in March 2016, established that a London Borough had, for several years, not passed on discounts to its tenants for water and sewerage charges. 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. The outcome of this is not certain, but it is felt prudent to make this provision.

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 2017/18

2016/17 £'000		2017/18 £'000
	Income	
105,984	Council Tax collectable	111,644
50,280	Income Collectable from Business Ratepayers (Note 3)	52,480
1,252	Income Collectable in respect of Business Rate Supplement	1,379
970	Transition payment from MHCLG* in respect of Business Rates	470
158,486	**Total Income**	**165,973**
	Expenditure	
	Council Tax Precepts & Demands (Note 4)	
85,391	- London Borough of Sutton	89,928
18,912	- Greater London Authority - General	20,012
565	- Olympics	0
	Business Rates Precepts Shares and Collection Costs:	
26,109	- MHCLG Payment	17,645
10,443	- GLA Payment	19,783
15,665	- London Borough of Sutton Payment	16,041
200	- Costs of Collection	193
	Cross Rail Precept Share and Cost of Collection:	
1,248	- Payment to GLA	1,379
4	- Costs of Collection	8
	Charges to Collection Fund (Council Tax):	
557	- Write-off Uncollectable Debt	378
(572)	- Increase/(Decrease) in Provision for Bad and Doubtful Debts	241
	Charges to Collection Fund (Business Rates):	
327	- Write-off Uncollectable Debt	612
13	- Increase/(Decrease) in Provision for Bad and Doubtful Debts	186
(679)	- Changes in Provision for Appeals	3,341
0	- Transition Payment to MHCLG	11
0	Sundry Creditor - GLA owed crossrail funds	17
42	- Sundry Creditor - Customer owed crossrail funds	48
	Contributions Prior Year (Deficit)/Surplus:	
1,679	- Council Tax Distribution	439
723	- Business Rates Distribution	(2,264)
160,627	**Total Expenditure**	**167,998**
(2,141)	**Total Income Less Expenditure**	**(2,025)**
2,117	Council Tax Fund Balance 1 April	1,569
(548)	Council Tax Surplus/ (Deficit) for the Year	646
1,569	Balance at 31 March	2,215
(1,450)	NNDR Fund Balance 1 April	(3,043)
(1,593)	NNDR (Deficit) for the Year	(2,671)
(3,043)	Balance at 31 March	(5,714)
(1,474)	**(Deficit) Carried Forward 31 March**	**(3,499)**
	Distribution of Council Tax part of Fund Balance:	
1,278	- London Borough of Sutton	1,812
291	- Greater London Authority	403
	Distribution of NNDR part of Fund Balance:	
(913)	- London Borough of Sutton	(1,714)
(609)	- Greater London Authority	(2,114)
(1,521)	- MHCLG	(1,886)
(1,474)	**Total Allocation of Fund Balance**	**(3,499)**

* MHCLG - Ministry of Housing, 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 (£1,538.33 in 2017/18, London Borough of Sutton £1,258.31 and GLA £280.02) 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 71,467.4 Band D equivalents, compared to 70,569.2 in 2016/17.

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	695.0	6/9	463.3	
£40,000 - £52,000	B	6,196.2	7/9	4,819.3	
£52,000 - £68,000	C	23,750.5	8/9	21,111.3	
£68,000 - £88,000	D	22,062.6	9/9	22,062.6	
£88,000 - £120,000	E	11,612.1	11/9	14,192.6	
£120,000 - £160,000	F	6,546.5	13/9	9,456.1	
£160,000 - £320,000	G	3,517.4	15/9	5,862.3	
£320,000 or more	H	245.8	18/9	491.6	
		74,626.1		78,459.1	
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.				6,271.7	
				72,187.4	
Adjustment for estimated collection rate.				720.00	1.00%
		Council Tax Base		71,467.4	99.00%
		Band D council tax charge		£1,538.33	
		Total Precept raised (Note 4)		£109,940,445	

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 33%, London Borough of Sutton 30% and the GLA 37%.

The net business rates shares payable for 2017/18 were estimated before the start of the financial year as £16.512m to Central Government, £15.555m to London Borough of Sutton and £19.331m to the GLA. This was after deducting the deficit contribution share from Central Government of £1.132m, London Borough of Sutton of £0.679m , GLA of £0.453m and including Sutton's cost of collection of £0.193m. These sums have been paid in 2017/18 and charged to the collection fund in year.

The total income collectable from business rate payers in 2017/18 was £52.480m (£50.280m in 2016/17).

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 2018. 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 2017/18 has been calculated at £3.341 million. This leaves a total end of year provision for appeals balance of £5.041 million of which the London Borough of Sutton's share is £1.512 million.

The total non domestic rateable value at 31 March 2018 in Sutton was £143.473 million (£124.647 million at 31 March 2017). This figure reflects the outcome of the 2017 Revaluation where the Valuation Office Agency update the revaluation value of business properties to reflect the change in property market, The 2017 Revaluation came into effect in England and Wales on 1 April 2017. The Government advises local authorities of the two business rate multipliers annually. For 2017/18 these were:

- Small business non-domestic rating multiplier - 46.6p per £ (48.4p per £ in 2016/17)
- Non-domestic rating multiplier - 47.9p per £ (49.7p per £ in 2016/17)

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

2016/17 £'000		2017/18 £'000
85,391	London Borough of Sutton	89,928
19,477	Greater London Authority	20,012
104,868	**Total**	**109,940**

In addition to the £109.940 million above, the estimated surplus on the Collection Fund at 31 March 2017 of £0.439 million was shared between the Council and the GLA in 2017/18, £0.359 million and £0.080 million respectively.

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Group Accounts

Sutton Housing Partnership manages the Council's housing stock as an arms length management organisation under the ultimate control of the Council.

Group accounts have been prepared to give an overall picture of the activities and financial position of the Council including those activities carried out by Sutton Housing Partnership on behalf of the Council.

Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2018

Restated 2016/17					2017/18		
Expenditure	Income	Net Expenditure		Notes	Expenditure	Income	Net Expenditure
£’000	£’000	£’000			£’000	£’000	£’000
15,881	10,691	5,190	**Chief Executive's**		18,554	11,426	7,128
53,115	13,662	39,453	**Environment, Housing and Regeneration**		51,851	13,331	38,520
277,353	145,213	132,140	**Peoples Services**		263,869	141,765	122,104
98,880	73,348	25,532	**Resources**		91,671	66,132	25,539
			Housing Revenue Account				
27,505	38,479	(10,974)	- Main HRA Revenue Account		25,377	38,444	(13,067)
(50,062)	0	(50,062)	- Revaluation loss/(gain) - Dwellings		11,877	0	11,877
16,411	16,272	139	- Sutton Housing Partnership		16,421	16,472	(51)
5,436	1,373	4,063	**Non Service Revenue Accounts**		396	3,817	(3,421)
444,519	**299,038**	**145,481**	**Cost of services**		**480,016**	**291,387**	**188,629**
74,259	534	73,725	**Other Operating Expenditure**		90,943	1,314	89,629
22,294	4,032	18,262	**Financing and Investment Income and Expenditure**		18,233	6,426	11,807
0	184,783	(184,783)	**Taxation & Non-Specific Grant Income**		0	181,546	(181,546)
541,072	**488,387**	**52,685**	**(Surplus)/deficit on provision of services**		**589,192**	**480,673**	**108,519**
		1	Tax expenses of SHP				9
		52,686	**Group (surplus)/defict**				**108,528**
		(7,419)	Net (surplus) arising on revaluation of Property, Plant and Equipment Assets				(23,363)
		84,475	Remeasurement of the net defined benefit liability on the pensions reserve				(33,030)
		77,056	**Other comprehensive income and expenditure**				**(56,393)**
		129,742	**Total comprehensive income and expenditure (surplus)/deficit**				**52,135**

Group Movement in Reserves Statement

	Memorandum		Usable Reserves									
	General Fund Balance * A	Earmarked General Fund Reserves B	Total General Fund Balance & Earmarked Reserves A+B	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	**Total Usable Reserves**	**Non-usable Reserves**	**Total Authority Reserves**	Council's Share of SHP Reserves	**Total Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**	£'000	**£'000**
2017/18												
Balance at 31 March 2017	12,461	30,167	42,628	1,817	15,268	697	23,016	**83,426**	**170,708**	**254,134**	8,020	**262,154**
Movement during 2017/18:												
Total Comprehensive Expenditure and Income	(106,925)	0	(106,925)	(1,404)	0	0	0	**(108,329)**	**55,284**	**(53,045)**	201	**(52,844)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	102,746	0	102,746	8,454	7,129	1,906	(5,370)	**114,865**	**(114,865)**	**0**	(1,109)	**(1,109)**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**(4,179)**	**0**	**(4,179)**	**7,050**	**7,129**	**1,906**	**(5,370)**	**6,536**	**(59,581)**	**(53,045)**	(908)	**(53,953)**
Transfers to / (from) Earmarked Reserves	4,456	(6,178)	(1,722)	(5,763)	(29)	1,971	0	**(5,543)**	**5,543**	**0**	0	**0**
Increase / (Decrease) in Year	**277**	**(6,178)**	**(5,901)**	**1,287**	**7,100**	**3,877**	**(5,370)**	**993**	**(54,038)**	**(53,045)**	(908)	**(53,953)**
Balance at 31 March 2018	**12,738**	**23,989**	**36,727**	**3,104**	**22,368**	**4,574**	**17,646**	**84,419**	**116,670**	**201,089**	7,112	**208,201**

2016/17 Comparative												
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**	6,750	**389,356**
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)**	417	**(128,055)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	94,681	0	94,681	(46,198)	5,684	(938)	3,621	**56,850**	**(56,850)**	**0**	853	**853**
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)**	1,270	**(127,202)**
Transfers to / (from) Earmarked Reserves	(266)	(1,016)	(1,282)	(5,791)	(259)	0	0	**(7,332)**	**7,332**	**0**	0	**0**
Increase / (Decrease) in Year	**(9,220)**	**(1,016)**	**(10,236)**	**(623)**	**5,425**	**(938)**	**3,621**	**(2,751)**	**(125,721)**	**(128,472)**	1,270	**(127,202)**
Balance at 31 March 2017	**12,461**	**30,167**	**42,628**	**1,817**	**15,268**	**697**	**23,016**	**83,426**	**170,708**	**254,134**	8,020	**262,154**

Group Balance Sheet as at 31 March 2018

31 March 2017 £'000		Notes	31 March 2018 £'000	31 March 2018 £'000
	Non-Current Assets			
	Property, Plant and Equipment			
417,729	- Council Dwellings			408,588
370,007	- Other Land and Buildings			293,633
11,134	- Vehicles, Plant, Furniture and Equipment			9,671
27,685	- Infrastructure Assets			28,523
2,442	- Community Assets			2,492
15,618	- Assets Under Construction			26,093
16,183	- Surplus Assets			2,632
860,798	Sub Total			771,632
59,267	Investment Properties			104,760
100	Long Term Investments			100
1,985	Long Term Debtors			4,360
922,150	**Total Non-Current Assets**			**880,852**
	Current Assets			
24,916	Short Term Investments		21,786	
835	Assets Held for Sale		466	
207	Inventories		60	
40,838	Debtors		50,798	
3,151	Cash and Cash Equivalents		0	
69,947	**Total Current Assets**			**73,110**
	Less Current Liabilities			
0	Cash and Cash Equivalents		5,779	
1,320	Short Term Borrowing		16,494	
3,131	Capital Grants Receipt in Advance		1,833	
64,405	Creditors		57,151	
68,856	**Total Current Liabilities**			**81,257**
	Less Non-Current Liabilities			
7,403	Provisions		6,921	
240,471	Long Term Borrowings		267,221	
429,253	Liability Related to Defined Benefit Pension Scheme		404,586	
677,127	**Total Non-Current Liabilities**			**678,728**
246,114	**Net Assets**			**193,977**
	Non-usable Reserves			
159,873	Revaluation Reserve		132,790	
434,429	Capital Adjustment Account		382,761	
(429,253)	Pensions Reserve		(404,586)	
(926)	Financial Instruments Adjustment Account		(842)	
111	Deferred Capital Receipts/Income		363	
365	Collection Fund Adjustment Account		98	
(3,098)	Accumulated Absences Account		(2,890)	
161,501				**107,694**
	Usable Reserves			
15,268	Capital Grants & Contributions Unapplied		22,368	
23,016	Capital Receipts Reserve		17,646	
697	Major Repairs Reserve		4,574	
1,817	Housing Revenue Account		3,104	
12,461	General Reserves – General Fund & Schools		12,738	
1,187	SHP - Profit and Loss Account		1,864	
30,167	Earmarked Reserves		23,989	
84,613				**86,283**
246,114	**Total Reserves**			**193,977**

Group Cash Flow Statement

2016/17 £'000			Notes	2017/18 £'000
(52,686)		**Net surplus or (deficit) on the provision of services**		**(108,278)**
76,782		Adjust net surplus or deficit on the provision of services for non cash movements		131,544
(34,821)		Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(27,849)
(10,725)		**Net cash inflow/(outflow) from operating activities**		**(4,583)**
(83,494)		Purchase of property, plant and equipment, investment property and intangible assets		(70,577)
(441,050)		Purchase of short term and long term investments		(360,170)
9,646		Proceeds from the sale of property, plant and equipment, investment property and intangible assets		7,840
481,150		Proceeds from short term and long term investments		363,295
30,227		Other receipts from investing activities		13,506
(3,521)		**Net cash inflow/(outflow) from investing activities**		**(46,106)**
32,000		Cash receipts of short and long term borrowing		42,000
(15,800)		Repayment of short term and long term borrowing		(250)
(259)		Other payments for financing activities		9
15,941		**Net cash inflow/(outflow) from financing activities**		**41,759**
1,695		**Net increase/(decrease) in cash and cash equivalents**		**(8,930)**
		Represented by:		
1,456	a	Cash and cash equivalents at the beginning of the reporting period		3,151
3,151	b	Cash and cash equivalents at the end of the reporting period		(5,779)
1,695		**Net increase/(decrease) in cash and cash equivalents (b - a)**		(8,930)

1. Introduction

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

The Council has an interest in a number of entities and the most significant of these is Sutton Housing Partnership (SHP), established in April 2006 to manage and improve the Council's housing stock and estates. Group Accounts have been prepared to reflect the Council's interest in SHP as a subsidiary of the Council.

2. Consolidation

The Group Income and Expenditure Account and Balance Sheet have been prepared by consolidating the accounts of the subsidiary, as submitted to their auditors, on a line-by-line basis, in accordance with IAS27. Intra group transactions between London Borough of Sutton and Sutton Housing Partnership have been eliminated from the Statements.

3. Accounting Policies

The group has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, issued by the chartered Institute of Public Finance and Accounting (CIPFA). The accounting policies of the subsidiary are in line with the Council's accounting policies.

4. Explanatory Notes to the Group Accounts

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

Group Defined Benefit Pension Schemes

The employees of London Borough of Sutton and SHP are eligible to join the Local Government Pension Scheme. As a scheduled body within the Sutton Pension Fund, SHP's pension liabilities and employer contribution rates are separately assessed (see Pension Fund Accounts, note 2). The cost of pension benefits earned during the year were:

	2016/17				2017/18	
LBS	**SHP**	**Total**		**LBS**	**SHP**	**Total**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Service cost comprising:			
13,030	1,031	14,061	- Current Service Costs	18,153	1,669	19,822
1,313	64	1,377	- Past Service Costs	663	55	718
(2,694)	(218)	(2,912)	- (Gain)/loss from settlements	(7,605)	0	(7,605)
11,649	877	12,526		11,211	1,724	12,935
11,555	279	11,834	Net Interest Cost	10,827	243	11,070
378	22	400	Administration expenses	350	21	371
23,582	**1,178**	**24,760**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**22,388**	**1,988**	**24,376**
			Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement			
(57,469)	(3,431)	(60,900)	- Return on plan assets (excluding the amount included in the net interest expense)	1,336	106	1,442
33,598	1,105	34,703	- Actuarial (gains) and losses arising on changes in demographic assumptions	0	0	0
182,261	7,805	190,066	- Actuarial (gains) and losses arising on changes in financial assumptions	(33,257)	(1,215)	(34,472)
(10,588)		(10,588)	- Other actuarial (gains)/losses on assets	0	0	0
(64,180)	(4,626)	(68,806)	- Experience gain on defined benefit obligation	0	0	0
107,204	**2,031**	**109,235**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(9,533)**	**879**	**(8,654)**
			Movement in Reserves Statement:			
(6,939)	(853)	(7,792)	- Reversal of net charges made to the Surplus or Deficit on provision of services for post - employment benefits in accordance with the code	(7,485)	1,109	(6,376)

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

2016/17 LBS £'000	2016/17 SHP £'000	2016/17 Total £'000		2017/18 LBS £'000	2017/18 SHP £'000	2017/18 Total £'000
908,702	38,535	947,237	Present value of defined benefit obligation	889,159	39,700	928,859
(488,656)	(29,328)	(517,984)	Fair value of plan assets	(493,549)	(30,724)	(524,273)
420,046	**9,207**	**429,253**	Net liability arising from defined benefit obligation	**395,610**	**8,976**	**404,586**

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

2016/17 LBS £'000	2016/17 SHP £'000	2016/17 Total £'000		2017/18 LBS £'000	2017/18 SHP £'000	2017/18 Total £'000
749,579	**32,576**	**782,155**	**Balance at 1 April**	**908,702**	**38,535**	**947,237**
			Movements in period			
13,030	1,031	14,061	- Current Service Cost	18,153	1,669	19,822
26,449	1,199	27,648	- Interest Cost	23,915	1,074	24,989
3,334	269	3,603	- Contributions by Members	2,900	296	3,196
33,598	1,105	34,703	- Actuarial (gains)/losses arising from changes in demographic assumptions	0	0	0
182,261	7,805	190,066	- Actuarial (gains)/losses arising from changes in financial assumptions	(33,257)	(1,215)	(34,472)
(64,180)	(4,844)	(69,024)	- Experience gain on defined benefit obligation	0	0	0
1,313	64	1,377	- Past Service Cost	663	55	718
(21,113)	(670)	(21,783)	- Benefits Paid	(27,021)	(714)	(27,735)
(15,569)	0	(15,569)	- Liabilities extinguished on settlements	(4,896)	0	(4,896)
908,702	**38,535**	**947,237**	**Balance at 31 March**	**889,159**	**39,700**	**928,859**

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

2016/17 LBS £'000	2016/17 SHP £'000	2016/17 Total £'000		2017/18 LBS £'000	2017/18 SHP £'000	2017/18 Total £'000
420,094	**24,511**	**444,605**	**Balance at 1 April**	**488,656**	**29,328**	**517,984**
			Movements in period			
14,894	920	15,814	- Interest income	13,088	831	13,919
			- Remeasurement gain/loss:			0
57,469	3,431	60,900	- The return on plan assets, excluding the amount included in the net interest expense	(1,336)	(106)	(1,442)
						0
10,588	(218)	10,370	- Other actuarial gains/(losses)	0	0	0
16,265	1,107	17,372	- Contributions from employer	14,553	1,110	15,663
3,334	269	3,603	- Contributions from employees into the scheme	2,900	296	3,196
(21,113)	(670)	(21,783)	- Benefits Paid	(27,021)	(714)	(27,735)
(12,875)	(22)	(12,897)	- Other	2,709	(21)	2,688
488,656	**29,328**	**517,984**	**Balance at 31 March**	**493,549**	**30,724**	**524,273**

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 2018
Fund Account

2016/17 £'000		Notes	2017/18 £'000
	Contributions and Benefits		
	Contributions Receivable:		
24,608	From Employers	2	24,849
5,661	From Employees or Scheme Members	2	5,940
3,847	Transfers In	4	3,570
34,116	**Sub-Total Income**		**34,359**
	Benefits Payable:		
20,435	Pensions		21,240
3,464	Lump Sum Retirement Grants		4,115
631	Lump Sum Death Benefits		435
24,530	Sub-Total Benefits Payable	3	25,790
	Payments to and on account of Leavers:		
74	Refund of Contributions		85
1,914	Transfers Out	4	6,250
3,263	Management expenses	6f	6,115
29,781	**Sub-Total Expenses**		**38,240**
4,335	**Net Addition from Dealings with Scheme Members**		**(3,881)**
	Return on Investments		
4,435	Investment Income	6d	9,782
(15)	Taxes on Income	6e	141
102,281	Increase in Market Value of Investments		17,404
106,701	**Net Return on Investments**		**27,327**
111,036	**Net Increase in Fund During Year**		**23,446**
507,121	Opening Net Assets of the Scheme		618,157
618,157	**Total Net Assets at 31 March**		**641,603**
	Net Assets Statement		
	Investment Assets:		
391,235	Equities		404,028
36,767	Fixed Interest Securities - Public Sector		39,364
56,729	- Other		55,039
49,080	Index Linked Securities - Public Sector		49,518
50,113	Property		54,927
14,915	Infrastructure		15,729
7,900	Other		5,919
1,639	Loans to businesses	6b	435
608,378	**Sub-Total Securities**	6b	**624,959**
872	Cash		5,497
127	Debtors		94
609,377	**Total Investment Assets**	6c	**630,550**
	Current Assets		
7,705	Cash in Hand		10,053
4,605	Debtors		8,582
(3,530)	Current Liabilities		(7,582)
618,157	**Total Net Assets at 31 March**		**641,603**

1. Description of Fund

a) General

The London Borough of Sutton Pension Fund ('the Fund') is part of the Local Government Pension Scheme and is administered by the London Borough of Sutton. The Council is the reporting entity for the 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).
- The Local Government Pension Scheme (Amendment) Regulations 2018.

It is a contributory defined benefit pension scheme 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 Borough. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

b) Membership

Organisations, in addition to the Council, with active members participating in the Fund during 2017/18 are as follows:

Scheduled Bodies:
- Carshalton College (left the Fund on 31 July 2017)
- Sutton Housing Partnership
- Academy Schools (x 27)

Admitted Bodies:
- Citizens Advice Bureaux - Sutton Borough
- ThamesReach
- Sports and Leisure Management Ltd
- Community Options (Heritage Care)
- Compas Catering (Overton Grange Academy)
- Compas Catering (St Philomena's)

- Eldercare
- Mitie (facilities and security management)
- Indigo (formerly Vinci Park)
- Nviro (Wallington High School for Girls Academy)
- Caterlink
- Orchard Hill College
- Orchard Childcare
- Encompass
- Cognus (formerly Sutton Education Service)

As at 31 March, membership of the fund comprised

31 March 2017 No.		31 March 2018 No.
5,326	Employees & Council Members	5,556
3,634	Pensioners and dependants	3,926
4,300	Former Employees - deferred benefits	4,754
13,260	**Total**	**14,236**

Employees 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 2016 actuarial valuation, the Council's stabilised contribution rate for the Sutton Pool was set at 17.2% future service rate for three years from 2017/18 to 2019/20 and a deficit contribution equal to £5.3m for 2017/18; £5.7m for 2018/19 and £6.1m for 2019/20).

Scheduled and admitted bodies were separately assessed and three year employer contribution rates were set for 2017/18, 2018/19 and 2019/20.

Contributions to the Pension Fund were as follows:

2016/17 £'000		2017/18 £'000
	Employers' Contributions	
15,005	London Borough of Sutton including schools	15,904
4,523	Academy schools	5,023
1,006	London Borough of Sutton - recovery of early retirement costs	530
795	Deficit Funding Contributions (SHP & Carshalton College)	382
	Scheduled Bodies	
235	- Carshalton College	148
787	- Sutton Housing Partnership	699
2,257	Admitted Bodies	2,163
24,608		**24,849**
	From Employees or Scheme Members	
3,656	London Borough of Sutton including schools	3,976
1,097	Academy schools	1,179
	Scheduled Bodies	
76	- Carshalton College	50
279	- Sutton Housing Partnership	246
553	Admitted Bodies	489
5,661		**5,940**

3. Analysis of Benefits Payable

2016/17 £'000		2017/18 £'000
22,437	London Borough of Sutton including schools	22,795
527	London Borough of Sutton - Academy schools	997
	Scheduled Bodies	
425	- Carshalton College	384
815	- Sutton Housing Partnership	693
326	Admitted Bodies	921
24,530	**Total Benefits Payable**	**25,790**

4. Transfers

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

	2016/17		2017/18	
	Transfers Out	Transfers In	Transfers Out	Transfers In
	£'000	£'000	£'000	£'000
Bulk transfers	0	0	3,370	0
Individual transfers	1,914	3,847	2,880	3,570
	1,914	3,847	6,250	3,570

The above 2017/18 bulk transfers were in respect of the transfer of London Borough of Sutton legal staff to London Borough of Merton (£2.988m) and London Borough of Sutton anti-fraud staff to The Department of Works and Pensions (£0.382m).

5. Accounting Policies

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits as at 31 March 2018. They do not take account of the liabilities to pay pensions and other benefits after 31 March 2018. 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 2017/18, which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. 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 31/03/18.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Recognised at market value	Not Required	Not Required
Market quoted investments - pooled equity and bond funds	Level 1	Published bid market price on final day of the accounting period	Not Required	Not Required
Pooled investments - equity and bond funds	Level 2	Closing bid price where bid price published Closing single price where single price published	NAV based pricing set on a forward pricing basis Evaluated price feeds	Not Required
Pooled investments - UK and overseas property funds	Level 3	Closing bid price where bid price published	NAV based pricing set on a forward pricing basis	Valuations could be affected by material events occuring between reporting date and 31/03/18
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 31/03/18

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 2018.

	Assessed valuation range (+/-)	Value at 31 March 2018	Value on increase	Value on decrease
		£'000	£'000	£'000
Pooled investments - UK & overseas property funds	14.3%	50,824	58,092	43,556
Pooled investments - infrastructure fund	15.8%	15,729	18,214	13,244
Pooled investments - UK companies financing fund	10.2%	435	479	391
Investment of share capital in the London CIV	16.8%	150	175	125
Total		**67,138**	**76,960**	**57,316**

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 Fund has invested with money market funds and call accounts, alongside the Council's 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 consultant 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.

Investment consultant fees are included in management expenses.

Transaction costs are deducted at total fund level, therefore in order to reflect the value of holdings before the deduction of these costs, the Net Asset Value of holdings has been grossed up by the value of the transaction costs.

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 or under instruction from their clients. During the year, there were 8 foreign exchange transactions from Sterling to Euros executed within cash accounts for Partners Group and M&G UK Companies Financing Fund.

g) Assumptions made about the future and other major sources of 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 2018 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 £34m and a 0.1% increase in the salary increase rate would increase the liability by approximately £1m.
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 £67.1m. There is a risk that these investments may be under or over-stated in the accounts.

6. Fund Management

a) Allocation of Assets

The 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 2018 totalled £624.959 million split as follows:

	£m	% of Investment Assets
M & G Bonds	95.344	15.3%
Newton	98.101	15.7%
Schroders	95.492	15.3%
Harding Loevner	108.038	17.3%
Legal & General	72.252	11.6%
Baillie Gifford	46.654	7.4%
Pyrford	41.940	6.7%
Blackrock	23.072	3.7%
Aviva	12.834	2.0%
Invesco	14.918	2.4%
Partners Group	15.729	2.5%
M&G Financing Fund	0.435	0.1%
London Collective Investment Vehicle	0.150	0.0%
Total	**624.959**	**100.0%**

Fund’s assets are held in unitised form. Excluding equities, the largest unitised holding is M&G's Alpha Opportunities Fund, representing 7.7% of net assets. There is no other individual holding of more than 5%.

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%**

Excluding equities, the largest unitised holding was M&G's Alpha Opportunities Fund, representing 7.7% of net assets. There were no other individual holding of more than 5%.

b) Analysis of Investments

31 March 2017 £m		31 March 2018 £m
	Equities:	
102.0	UK Quoted	104.6
289.2	Overseas Quoted	299.4
	Fixed Interest Securities:	
	- UK	
27.3	Public sector quoted	24.5
27.2	Corporate quoted	28.2
	- Overseas	
9.5	Public sector quoted	14.9
29.5	Corporate quoted	26.8
	Index linked securities:	
45.3	UK Public sector quoted	45.9
3.8	Overseas Public sector quoted	3.7
	Property:	
	- UK	
37.9	Property fund quoted:	39.6
	- Overseas	
12.3	Property Unit Trust unquoted	15.3
	Loans to business:	
1.6	Unit Trust unquoted	0.4
	Other:	
7.7	Quoted	5.8
15.1	Unquoted - Private Equity / Infrastructure	15.9
608.4		**625.0**
	Pooled funds - additional analysis:	
	- UK	
	Equities:	
79.0	Unit Trusts	83.1
23.0	Other pooled equities	21.5
	Fixed Interest Securities:	
54.5	Fixed income bonds	52.7
	Index Linked Securities:	
45.3	Indexed linked bond	45.9
	Property:	
36.3	Unit Trust	38.0
1.6	Other	4.1
	Loans to business:	
1.6	Unit Trust	0.4
	- Overseas	
	Equities:	
88.8	Unit Trust	84.7
200.5	Other pooled equities	214.7
	Fixed Interest Securities:	
42.7	Other	45.4
	Property:	
12.3	Unit Trust	12.8
	Other:	
22.8	Other pooled investments	21.7
608.4		**625.0**

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

c) Investment Movement Summary

Investment Movement Summary 2017/18	**Value at 1 April 2017**	Purchases at Cost	Sales Proceeds	Change in Market Value	**Value at 31 March 2018**
	£m	**£m**	**£m**	**£m**	**£m**
Equities	387.1	6.8	(7.7)	12.9	399.1
Bonds	145.0	4.0	(0.7)	(1.0)	147.3
Property	50.0	0.2	(0.8)	3.1	52.5
	582.1	11.0	(9.2)	15.0	598.9
Loans to:					
Businesses	1.6	0.0	(1.2)	0.0	0.4
Other	24.7	6.1	(7.6)	2.5	25.7
Total Investment Assets	**608.4**	**17.1**	**(18.0)**	**17.5**	**625.0**
Other investment balances:					
Cash & Cash Equivalents	0.9				5.5
Debtors	0.1				0.1
Total Assets	**609.4**				**630.6**

Comparative Movements in 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)	0.0	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**

d) Investment Income (Gross)

31 March 2017 £'000		31 March 2018 £'000
459	Equities	2,752
1,366	Bonds	4,038
1,415	Property	1,498
3,240		8,288
150	Loans to Business	37
1,045	Other	1,457
4,435	Total Investment Income	9,782

e) Taxes on Income

31 March 2017 £'000		31 March 2018 £'000
15	UK Income Tax - Property	(141)
15		(141)

f) Management Expenses

31 March 2017 £'000		31 March 2018 £'000
384	Administrative costs	500
2,773	Investment management expenses *	5,487
106	Oversight and governance costs	128
3,263		6,115

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

* Further analysis of investment management expenses for 2017/18 is provided below:

	31 March 2018 £'000
Transaction costs	1,335
Management fees	3,688
Performance fees	321
Custody fees	143
	5,487

7. Non-adjusting Post Balance Sheet Event

It's possible that 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. Barnett Waddingham, the Actuary carried out a valuation of the 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 are 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. 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 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
Discount rate	5.2%
Salary increases*	3.9%
Price inflation (CPI)/Pension increases	2.4%

* 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 of Practice, 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 £1,066 million as at 31 March 2018 (£1,073 million as at 31 March 2017). 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

To assess the value of the Fund's liabilities at 31 March 2018 the Actuary has rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with IAS19.

b) Assumptions

The assumptions used are those adopted for the Fund's IAS19 report as required by the Code. These are given below. The Actuary estimates that the impact of the change of financial assumptions to those of 31 March 2017 is to reduce the actuarial present value by £52 million and has made no changes to the actuarial demographic assumptions.

<u>(i) Financial Assumptions</u>

The Actuary's recommended financial assumptions are summarised below:

Year ended	31 March 2017 % p.a.	31 March 2018 % p.a.
Inflation/Pension Increase Rate	2.7%	2.3%
Salary Increase Rate	4.2%	3.8%
Discount Rate	2.7%	2.6%

(ii) Longevity Assumptions

The life expectancy assumptions are consistent with those used for the most recent Fund valuation. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80% for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5%pa. The assumed life expectations from age 65 are:

	Males	Females
Current Pensioners	24.5 years	26.1 years
Future Pensioners*	26.8 years	28.4 years

* Future pensioners are assumed to be currently aged 45

(iii) Commutation Assumption

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- the proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the London Borough of Sutton, administering authority to the

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 (1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016 No 946), 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 such contributions. Members participating in this arrangement each received an annual statement made up to 31 May 2018 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 2018 confirming the amounts held to their accounts and the movements in the year. In the year to May 2018 AVC's paid by members amounted to £122k. At 31 May 2018 the total value of AVC's was £819k.

11. Disclosure of Related Party Transactions

Sutton Council is a designated administering authority for the Local Government Pension Scheme and is responsible for the administration of the Scheme and for 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 £9.1 million of surplus cash deposited with the Council during 2017/18. The Council charged the Fund £0.303 million for expenses incurred in administering the Fund. The Council is also the single largest employer of members of the Fund and contributed £21.457 million to the Fund (£20.534 million in 2016/17).

Key Management Personnel

The key management personnel of the Fund are the Strategic Director - Resources, the Head of Investment, Risk and Commercial Finance and the Pensions Administration Manager.

Total remuneration payable to key management personnel is shown below:

31 March 2017		31 March 2018
£'000		**£'000**
244	Short-term benefits	226
36	Post-employment benefits	41
0	Termination Benefits	41
280	**Total**	**308**

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	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Financial Assets						
Fixed Interest Securities	93,496	94,402	0	0	0	0
Index Linked Securities	49,080	49,518	0	0	0	0
Equities	391,235	404,028	0	0	0	0
Pooled property investments	50,113	54,927	0	0	0	0
Private Equity/Infrastructure	14,915	15,729	0	0	0	0
Other*	7,900	5,920	0	0	0	0
Investment Cash	0	0	872	5,497	0	0
Other investment balances	1,639	435	0	0	0	0
Investment Debtors	0	0	127	94	0	0
	608,378	**624,959**	**999**	**5,591**	**0**	**0**
Cash in hand	0	0	7,705	10,053	0	0
Debtors	0	0	4,605	8,582	0	0
	608,378	**624,959**	**13,309**	**24,226**	**0**	**0**
Financial Liabilities						
Creditors	0	0	0	0	(3,530)	(7,582)
	0	**0**	**0**	**0**	**(3,530)**	**(7,582)**
	608,378	**624,959**	**13,309**	**24,226**	**(3,530)**	**(7,582)**

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

	2016/17 £'000	2017/18 £'000
Financial Assets		
Fair value through profit and loss	102,247	17,487
Loans and receivables	34	(83)
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	**102,281**	**17,404**

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	
	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000
Financial Assets				
Fair value through profit and loss	608,378	624,959	608,378	624,959
Loans and receivables	999	5,591	999	5,591
Total financial assets	**609,377**	**630,550**	**609,377**	**630,550**
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	
	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000
Non-investment Financial Assets				
Cash in hand	7,705	10,053	7,705	10,053
Debtors	4,605	8,582	4,605	8,582
Total non-investment financial assets	**12,310**	**18,635**	**12,310**	**18,635**
Non-investment Financial Liabilities				
Creditors	(3,530)	(7,582)	(3,530)	(7,582)
Total non-investment financial liabilities	**(3,530)**	**(7,582)**	**(3,530)**	**(7,582)**

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 2018	**Level 1**	**Level 2**	**Level 3**	
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Equities	120,833	283,195	0	404,028
Securities	29,143	114,778	0	143,921
Property	0	4,103	50,824	54,927
Private Equity/Infrastructure	0	0	15,729	15,729
Loans to businesses	0	0	435	435
Other*	0	5,769	150	5,919
Financial assets at fair value through profit and loss	**149,976**	**407,845**	**67,138**	**624,959**

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 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.

Reconciliation of Fair Value Measurements Within Level 3

Period 2017/18	**Market value 1 April 2017**	**Transfers into Level 3**	**Transfers out of Level 3**	**Purchases at Cost**	**Sales Proceeds**	**Change in Market Value**	**Value at 31/03/2018**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Property	48,552	0	0	106	(741)	2,907	50,824
Private Equity / Infrastructure	14,915	0	0	6,024	(7,537)	2,327	15,729
Loans to businesses	1,639	0	0	0	(1,209)	5	435
London Collective Investment Vehicle	150	0	0	0	0	0	150
Total	**65,256**	**0**	**0**	**6,130**	**(9,487)**	**5,239**	**67,138**

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.

13. Nature and Extent of Risks Arising from Financial Instruments

The 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 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 its 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.

<u>Price Risk</u>

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 2017/18 and 2016/17 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 31/03/2018	% Change	Value on increase	Value on decrease
	£000	%	£000	£000
Cash and cash equivalents	5,497	0.5	5,524	5,470
Investment portfolio assets:				
UK bonds	52,676	9.5	57,680	47,672
Overseas bonds	45,378	10.2	50,007	40,749
UK equities	104,649	16.8	122,230	87,068
Overseas equities	299,380	17.9	352,969	245,791
Index linked gilts	45,866	7.2	49,168	42,564
Property	54,927	14.3	62,782	47,072
Private equity/infrastructure	15,879	15.8	18,388	13,370
Absolute return	5,769	11.8	6,450	5,088
Corporate bonds	435	10.2	479	391
Other - Debtors	94	0.5	94	94
Total assets available to pay benefits	**630,550**		**725,771**	**535,329**

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**

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 2017/18 and 10% for 2016/17. 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 2018	Change to net assets available to pay benefits 10%	-10%
	£000	£000	£000
Equities	299,380	329,318	269,442
Fixed interest securities	41,726	45,899	37,553
Index linked securities	3,652	4,017	3,287
Property	15,285	16,814	13,756
Private Equity/Infrastructure	15,879	17,466	14,292
Total assets available to pay benefits	**375,922**	**413,514**	**338,330**

Currency Exposure - Asset Type	Value as at 31 March 2017	Change to net assets 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**

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 2018	Change in year if interest rates moved by 100bps	
		+100bps	-100bps
	£000	£000	£000
Cash in hand	10,053	101	(101)

b) Credit Risk

This is the risk that other parties may fail to pay amounts due to the 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 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 2018.

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 2018 the Council held £10.05m cash on behalf of the Pension Fund through its treasury management arrangements. £0.48m was held in a dedicated Pension Fund bank account and the remaining balance of £9.57m 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 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 2017/18. This fee is unchanged from 2016/17.

15. Subsequent Events

Following the local elections that took place in May 2018, membership of the Pension Committee (including the Chair) changed. The first meeting of the new Committee took place in June 2018.

16. 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.

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Section 6

Statutory Statements

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Statement of Responsibilities

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

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Statement of Responsibilities for The Statement of Accounts

The Responsibility of the Council

The Council is required to manage its affairs in a way that secures the economic, efficient and effective use of resources and 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 2018. 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 2018 and its income and expenditure for the year.

Strategic Director - Resources
26 July 2018

I certify that the Statement of Accounts was approved by the Audit and Governance Committee on 26 July 2018.

Vice Chair, Audit and Governance Committee

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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 2017/18 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 Constitution • Monitoring officer's role set out in constitution • Committee terms of reference

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. 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. 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. A new Protocol on Use of Resources by Members was adopted by the Council during the year. 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.	• Codes of conduct for members and officers and procedures for breaches • Declaration of interest (annual and at each meeting) • Training to members on the code and ethics • The Smarter Council Programme • The People Plan • Gifts and hospitality policy • Complaints, compliments and feedback on website • Whistleblowing policy • On-line fraud awareness training for officers

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. 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. c) The Council published its annual accounts and the external audit findings and overall conclusion on the accounts. d) The Council Communication Strategy (2012) requires a review and update, which is scheduled for 2017.	• Agendas, minutes for all committees • Communication strategy • Communication Plan 2017 • Open Data published • Information on how to do a FOI and Subject access request

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.	• Joint Strategic Needs Assessment • 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 Sutton Plan was adopted as a place-based strategic framework agreed by the Council and 22 other local organisations in 2017. 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'.	• The Sutton Plan • Corporate Plan • Smarter Council Plan
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
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.	• Risk Management Report • Community Engagement 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.	• Decision making reports include all relevant information e.g. resource implications, impact assessments
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. Strategic risks are also reported quarterly to Audit Committee as well as an annual Risk Management Report.	• Commissioning strategy • Performance monitoring reports to CMT

	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 • Member 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)	• Officer/Member protocol
d)	A member's development program is in place, including induction training, Specific training in 2017/18 was provided on Mentoring and Contract Procurement and commissioning. Officer briefings were also provided on the National Funding Formula and the Council's emergency response	• Member Induction programme

	plans. A comprehensive induction programme has been developed to prepare the new intake of members after the 2018 elections.	• Staff induction programme
e)	Officer training is provided on areas identified at their annual appraisals. Training is also available to staff on reporting to Committees.	• Staff training and development
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. It also updated the Council's corporate values and provided a new statement of organisational purpose to provide clarity for staff. Values are now assessed as part of the Council's annual appraisals system.	

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.	• Risk strategy • Risk registers • Contract Standing Orders • 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. 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.	• Whistleblowing Policy • Anti-fraud policies • Key performance indicators • Scrutiny reports published • Contract procurement rules and financial regulations • Effective internal audit service - prepares and delivers a risked based audit plan
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.	• Annual internal audit report • External audit inspection • Frameworks in place for child and adult safeguarding

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	• Open Data • Annual accounts • AGS
b)	The Council has put in place arrangements for complying with the transparency agenda.	• PI's audit recommendations
c)	The Council has in place mandatory Information Security training for all staff and shared service partners. This training was updated and rolled out to staff in 2017/18.	• 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 • Committee agenda and minutes are published
e)	Caldicott Guardians are responsible for protecting the confidentiality of patient and service-user information and enabling appropriate information-sharing.	• Councils scrutiny arrangements
f)	The Council will be rolling out its Information Classification and Marking policy on Netconsent, during 2018/19. 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>

Internal Audit Reviews:

- Internal Audit Review - Sutton companies - Limited assurance.
- Internal Audit Review - Corporate Procurement - Limited assurance.
- Internal Audit Review -Organised fraud - Substantial assurance.
- Internal Audit Review of grants to the voluntary sector follow up - Substantial assurance.
- Annual Internal Audit Report and Fraud Referral Reports.

External Reviews:

- Ofsted inspection for children in need of help and protection, children looked after and care leavers as rated as 'Good'.
- External Audit Reports, incl. Grant Claims and Statement of Accounts.
- Ofsted inspection - joint local area SEND inspection March 2018 - requires improvement.

Scrutiny Reviews:

- South West London Joint Health Overview and scrutiny committee.
- Scrutiny report of the task and finish group on the waste contract (October 2017).

Other:

- Members development training - ethics, commissioning, procurement and contracts, and mentoring.
- Corporate and directorate risk registers.
- Reports to the Information and Security Governance Board.
- Mandatory information security training for staff.
- The Annual Review of the Audit Committee.
- Online fraud awareness training.

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 2017/18. 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 An update on the governance issues identified in the last years review of effectiveness are summarised below. The governance issues identified in this year review are summarised in the second table for 2018/19 going forward

Issues for 2017/18	Actions
General Data Protection Regulations (GDPR) compliance to be in place by May 2018.	A working group has been set up and project plan is in place. Information assets registers in the process of being updated, contract wording reviewed and updated and training information provided to asset owners and staff. Progress towards GDPR compliance.
Review of Governance arrangements for shared services.	A review of the governance arrangements for shared services was undertaken by Internal Audit during 2017/18.
Review and update of communication policy.	A review of the communication policy was undertaken in 2017/18.
Embedding risk management process.	The actions from Mazars advisory review were considered and implemented during 2017/18. Quarterly reports are now presented to the Audit Committee on the key strategic risk to the Audit Committee.
Data Labelling.	The Council will be rolled out an Information Classification and Marking policy, during 2017/18. This enabled 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.
Issues for 2018/19	**Actions**
Partnership Governance	Further reviews are planned for 2018/19, both by the commissioning team and Internal Audit to ensure that governance arrangements are embedded.
Embedding GDPR arrangements	Continuing the work of ensuring that the Council is GDPR compliant. Ensuring privacy notices have been updated. Consent where required has been obtained etc.

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

2018/19 and future years - financial challenges

4.4 2018/19 year will be particularly challenging year for Sutton Council. In broad terms the reduction of Revenue Support Grant and continued reduction of government funding in 2018/19 £4m (8%) plus inflation and other costs of £3.6m and service growth cost pressures of £8.1m including children's safeguarding and adult social care (these were areas of increased demand in 2017/18) creates a significant budget gap before mitigation of £15.7m. This gap is addressed by the increase in Council Tax of 1.99% precept for adult social care at 2% raising total of £3.6m, use of Integrated Better Care Funds and other monies £3.3m and £0.7m from the London Business rates Pool and delivery of £8.1m savings.

4.5 Successful delivery of the budget and the medium term financial strategy will be dependent upon the effective continued management of demands across all council services and particularly in Children's Services, the continued development of robust of budgetary control and management of pressures in year. There remains some uncertainty about whether this level of growth will be sufficient to enable services to remain within budget for 2018/19. The Council has successfully undertaken reviews and recommissioned provision on a service by service basis which has enabled a balanced budget to be set. The Council will need to monitor closely progress of these savings and the benefits anticipated from growth and investment in the key demand led services and ensure transformational schemes are implemented across the board.

4.6 From 2019/20, the Council's recommended approach to identifying and delivering savings is largely through an Outcomes Based Commissioning approach. Further work needs to be done on the detailed allocation of savings to the themes. The move from Directorate based savings targets and plans to outcomes based savings targets and plans will require a different approach to the agreement, tracking and oversight of savings. This will mean a revised approach to the financial planning process, how budgets are allocated and then monitored.

4.7 In July 2018, the Council revised its Medium Term Financial Strategy. The latest plan includes a gap of £3.6m in 2019/20 increasing to £8.7m in 2020/21 and then to £6.7m in 2021/22 and a further £5.4m in 2022/23. The forecast therefore, although with significant level of uncertainty, is that to balance the budget to 2022/23 savings of £24.5m will be required. The cumulative funding gap assumes that the Council will utilise the option of a 2% council tax 'precept' for social care in 2019/20, but no other council tax increases are currently assumed over the period. The Council has approved £17m savings plans covering the period 2018/19 to 2020/21. It also assumes that the savings due to be delivered in 2018/19 of £8m will be achieved.

Chief Executive:

Date: 26 July 2018

Leader:

Date: 26 July 2018

On Behalf of the Council

Auditors Opinion

2017/18

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of London Borough of Sutton (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Movement on the Housing Revenue Account Balance, the Collection Fund Income and Expenditure Account, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director – Resources use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director – Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

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

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director – Resources. The Strategic Director – Resources is responsible for the preparation of the Statement of Accounts, which includes the 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 2017/18, which give a true and fair view, and for such internal control as the Strategic Director – Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director – Resources is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

The Audit and Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Iain Murray

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

30 Finsbury Square
London
EC2A 1AG

30 July 2018

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

Report on the Audit of the Pension Fund Financial Statements

Opinion

We have audited the pension fund financial statements of London Borough of Sutton (the 'Authority') for the year ended 31 March 2018 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director - Resources use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Strategic Director - Resources has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Annual Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in this regard.

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

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director – Resources. The Strategic Director Resources is responsible for the preparation of the Statement of Accounts, which includes the pension fund 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 2017/18, which give a true and fair view, and for such internal control as the Strategicc Director – Resources determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Strategic Director – Resources is responsible for assessing the pension fund's ability to continue as a going concern,disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit and Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

Iain Murray

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

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

30 July 2018

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Section 7

Statement of Accounting Policies

1. Accounting Policies

a General Principles

The Statement of Accounts summarises the Authority’s transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18, 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 Material 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 relevant 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 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 2018 was 2.6% 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 (33% share) and the GLA (37% 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. The Authority has a subsidiary, Sutton Housing Partnership CIC, which is a community interest company wholly owned by the Council. The company commenced trading on 1 April 2006. The accounts of the company are consolidated into the Group Accounts of the Authority. From the Council's perspective Sutton Housing Partnership is classified as a subsidiary and is consolidated into the Group Accounts combining like items of assets, liabilities, equity, income, expenses and cash flows of the Council with those of Sutton Housing Partnership.

The Authority has a number of other subsidiaries: Opportunity Sutton Limited, Sutton Living Ltd, Sutton Decentralised Energy Network Ltd, Encompass LATC Ltd and Cognus Limited. The interest in these companies is not material in the context of the Council's accounts and therefore it is not incorporated into the Group Accounts within the Statement of Accounts but 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 13 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 arrangement 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.

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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 economic consumption).

Intangible Assets
Assets that do not have physical substance, e.g. computer software licences.

Levies
Payments to London wide bodies such as the Lee Valley Regional Park Authority. The cost of these bodies is borne by local authorities in the area concerned based on their Council Tax base and is met from the General Fund.

Minimum Revenue Provision
The minimum amount that the Council must charge to the revenue account to provide for the repayment of debt.

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 33%, London Borough of Sutton 30% and the GLA 37%.

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
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
MHCLG	Ministry of Housing, Communities and Local Government
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
RCCO	Revenue Contribution to Capital Outlay
SHP	Sutton Housing Partnership
TFL	Transport for London
TPA	Teachers' Pension Agency
UCR	Usable Capital Receipts