

LONDON BOROUGH OF SUTTON

STATEMENT OF ACCOUNTS

2019/20

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1. Narrative Report 2019/20

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



Narrative Report

1. Introduction

This report is a summary of the London Borough of Sutton's main objectives and strategies and the principal risks it currently faces. The report also provides information on how the Council has used its resources to achieve its desired outcomes in line with those objectives and strategies. Although the Covid-19 pandemic only impacted directly on the last month of the financial year, this report is presented in the context of the new service and financial uncertainty created by this pandemic.

This report is intended to provide a fair, balanced and understandable guide to the most significant aspects of the Council's financial performance, year-end financial position and cash flow for the year to 31 March 2020, as well as providing information as to how the Council will develop over the medium term, especially within the context of the Covid19 pandemic.

2. About the Borough

In 2020 Sutton had a projected population of 211,297 residents and this is estimated to increase to 222,186 by 2030 (5% increase).

Sutton is home to a higher proportion of older residents compared with London, with 15.2% aged over 65 years.

The Borough has a large proportion of one person households at 30% with 12% representing one person households aged 65+. Compared to

other London boroughs, Sutton has a higher proportion of UK nationals at 84%.

Before the pandemic, Sutton's population was 84% economically active, which means Sutton had the second highest percentage in London. The highest group of those economically active in Sutton was 'professionals' at 24%. The long term consequences of the pandemic on this are currently unknown.

Sutton ranks as the fifth least deprived borough in London and is 126th out of 152 authorities in England. Nonetheless, there are pockets of relative deprivation. The Index of Multiple Deprivation ranks every small area (LSOA) in England. 15 of Sutton's 121 LSOAs fall within the top 30% for deprivation in the country.

Sutton has the third lowest crime rate comparison in London between May 2019 and April 2020, specifically including antisocial behaviour, burglary, drugs, car theft, and violence and sexual offences which are significantly lower than the London average.

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

3. Organisational overview

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

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

The Council's FTE staff count has reduced by just over 600 since 2015 and currently stands at 1,098 as of 31 March 2020. The Council has:

- Employed 59 new apprentices in 2019/20 (37 in 2018/19) and is continuing to promote the use of apprentices across the Council.
- The percentage of BAME staff in the workforce has increased by over 5% since 2015. BAME staff earning over £50k has also increased since 2015 to 9%.

4. Operational Model

The Council's Corporate Plan (Ambitious for Sutton) which is themed around Outcome Based Commissioning Reviews, was adopted in September 2018 and 2019/20 was the first full year covered by the Plan. Ambitious for Sutton sets out the key objectives for the Council over the medium term. These objectives are to be delivered under the following themes: Being Active, Making Informed Choices, Living Well Independently, Keeping People Safe, and Smarter Ways of Working, which are all in accordance with the direction of travel and future shape of the Council.

Narrative Report (continued)

Needs assessments will identify the strategic objectives for each outcome area and define outcomes to be achieved. Each commissioning strategy will then link investment to agreed desired outcomes, and will consider options for delivering these. These strategies will define the range and quality of future services and how the Council works in partnership to put these plans in place.

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

Although the Covid 19 pandemic only affected the last month of the 2019/20 financial year, it presents the Council with significant service and financial challenges, both now and into the future. At present there continues to be significant uncertainty on the impact and scale of the pandemic upon the Council's financial position and will depend on when, and how, lockdown is lifted; the ongoing impact on Council services and how the national economic damage affect public finances and local government funding over the medium term.

5. Outlook and Risks

The Council continues to face financial pressures as a result of grant reductions since 2010, new (and sometimes underfunded) burdens from Government and increased demand for services as a result of demographic pressures.

The key corporate risks and mitigations the Council face are:

- A balanced budget has been set for 2020/21, but a significant budget gap is anticipated in 2021/22 - 2022/23, especially with the current uncertainty of the impact of the Covid19 virus and the strong possibility of a recession. Financial modelling is underway to shape the financial strategy.
- Demographic and other demand pressures, in particular from adult and children's social care. Mitigations include the use of relevant data to track and evidence changes and ensure early warning to the organisation, as well as the use of London and national networks to articulate challenges and seek external solutions.
- Continuing increase in Education Health Care (EHC) plans beyond our financial means creates significant budget pressures in Dedicated Schools Grant (DSG) in a context of low general reserves. If this continues, there is the risk that the cost outstrips the High Needs Block Grant and reserve
- Potential difficulties in integrating health and social care will pose a risk to the Council and Sutton Clinical Commissioning Group (Sutton CCG). Evidence based, best practice service models are currently being explored.
- Exposure to a catastrophic incident, and the following response. The relevant emergency response plans have been created and implemented.

The Council's Medium Term Financial Plan (MTFP) details the current position and anticipated future for the Council's finances, including demonstrating how Sutton is proactively responding to the current financial challenges of reducing Government funding and increasing demographic pressures. The latest version of the MTFP is published here: [Full Council](#). In light of the additional pressures caused by the Covid-19 pandemic, the Council is taking further measures to ensure the MTFP remains fit for purpose. These include an in depth review of all savings to assess the risks of non-delivery, review of demand and the holding of earmarked reserves. An early update of the MTFP and close monitoring of the risks will enable earlier planning for next year's budget.

6. Revenue Financial Performance

During the 2019/20 financial year, the Council continued to manage significant budget and delivery risks arising from Government funding reductions, demographic growth. At quarter 3 2019/20 a £0.267m underspend was forecast on the revenue budget. The final outturn is £0.510m underspend. This is a good outcome and will put the Council in a stronger position to manage the uncertain challenges ahead.

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

Narrative Report (continued)

	Budget	Outturn	Variance	Variance
	£'000	£'000	£'000	%
People - Adult Social Care and Children's Services	86,715	87,148	433	0.50
People - DSG Centrally Retained	97,311	97,468	157	0.16
People - Dedicated Schools Grant	(97,311)	(97,468)	(157)	0.16
Sutton College	0	314	314	100.00
Environment, Housing and Regeneration	31,865	31,977	112	0.35
Chief Executive's	21,323	20,742	(581)	(2.72)
Chief Executive's - Public Health	9,555	8,891	(664)	(6.95)
Chief Executive's - Transfer to Public Health reserve	0	664	664	100.00
Chief Executive's - Public Health Grant	(9,555)	(9,555)	0	0.00
Resources	16,041	15,492	(549)	(3.42)
Corporate revenue budgets and core grants	(11,766)	(12,005)	(239)	2.03
Net Outturn 2019/20	144,178	143,668	(510)	(0.35)
Funding Sources:				
Retained Business Rates (including Collection Fund deficit)	(27,292)	(27,292)	0	0.00
Top Up Grant	(15,731)	(15,731)	0	0.00
Council Tax	(100,626)	(100,626)	0	0.00
Collection Fund Council Tax Surplus	(529)	(529)	0	0.00
Total Funding	(144,178)	(144,178)	0	0.00
Total	0	(510)	(510)	

Narrative Report (continued)

People Directorate

The People Directorate comprises the services providing social care for children and adults and for education. The general fund revenue outturn position for the directorate was an overspend of £0.434m, while the Dedicated Schools Grant (DSG) overspent by £0.157m. These services continue to face significant demand and cost pressures, and looking forward, will be affected by the response to and recovery from the Covid19 pandemic.

Safeguarding and Children's Social Care

Children's safeguarding overspent its budget by £0.179m. This was largely driven by £0.362m of additional high cost residential and secure placements, and £0.372m due to the greater use of agency social workers. Off-setting this was grant funding for Leaving Care/ Unaccompanied Asylum Seeker Children (UASC) being £0.423m higher than budgeted, and lower legal costs caused by a reduced volume of cases.

Education

Within the Education service, the Special Educational Needs and Disabilities (SEND) Assisted Travel budget achieved a saving of £0.750m from a target of £1.042m. This variance relates to demand exceeding 2019/20 growth allocation and rephasing of routes being recommissioned from January to April 2020.

Adult Social Care

Support to vulnerable people over the age of 18 is covered by the Adult Social Care (ASC) and Better Care Fund (BCF) budgets, the second of these funded on a pooled basis with the NHS. Despite the growing demographic pressures on these services, they have both been delivered to budget

Dedicated Schools Grant

Outside of the General Fund, the Dedicated Schools Grant overspent in total by £0.157m. The main variations relate to £0.825 overspend on high needs, largely due to increasing numbers of children with Education and Health Care Plans and associated therapy costs; offset by £0.595m underspend on Early Years. This in-year overspend is met from the £1.068m reserve carried forward from last year.

Sutton College

Sutton College provides access to students aged 16 and above who wish to pursue qualifications to support access to further education and vocational training. While still a London Borough of Sutton service, the College receives funding from the Greater London Authority and Education Skills Funding Agency.

For 2019/20 the College had an in-year deficit of £0.314m of expenditure over income. This was primarily due to the reduction in fee paying enrolments

Environment, Housing and Regeneration

The EH&R directorate covers a wide range of services. The directorate ended the year with an overspending of £0.112m, which consisted of service overspends in Planning & Development Control and Environment & Community Safety, off-set by underspends in Housing & Regeneration and Highways & Transportation.

Building Control suffered reduced in-year fee income due to declining business and reduced market share. In addition, the labour market for surveyors continued to be tight and the council was reliant on agency staff. Including an adjustment of the previous year, this led to a deficit of £0.327m.

The Environment and Community Safety service overspent by £0.380m, largely the result of the annual review process with contractors and increased waste disposal costs for contaminated waste to preserve recycling rates.

Partially off-setting these overspends were underspent budgets for Housing & Regeneration and Highways & Transportation. A fall in the volume of accommodation bookings led to a reduction in bed & breakfast costs and coupled with a potential liability made in 2018/19 not occurring, the Housing service had an underspending of £0.327m.

The Highways & Transportation service underspent its budget by £0.313m. Additional savings were achieved through the ability to undertake works during the day, rather than more expensive night works. In addition, there

Narrative Report (continued)

were constraints on contractor resources and access during the busy part of the year, leading to further reductions in spending.

Chief Executive's

The Chief Executive's directorate underspent by £0.581m during the 2019/20 financial year. A significant proportion of this was within the Wellbeing service due to lower concessionary fare costs (£0.208m) and higher than expected income from Clinical Commissioning Groups for Continuing Health Care (£0.133k). In addition, the Libraries restructure led to staff vacancies being held and an underspend of £0.108m. Revised management fees within the Leisure Service led to a further surplus of £0.095m.

The Public Health grant for 2019/20 was £9.555m, of which £8.891m was spent. A large proportion of the underspend is attributable to reduced activity leading to reduced tariff costs with regards to the sexual health contract (£0.264m) and the health checks contract with the GP federation (£0.140m). Staffing vacancies in the Healthy Child programme accounted for an underspend of £0.14m despite recruitment of additional staff throughout the year. A vacancy in the public health team contributed to an underspend of £120k; this was mitigated by the recruitment of an additional interim public health post in March to ensure adequate capacity through the COVID-19 crisis. Given the uncertainty over the level of Public Health

funding for 2020/21, the actual amount was not confirmed until the budget was set, it made sense to not commit any underspend until the amount of funding available for 2020/21 was clear. This is now factored into the budget for 2020/21.

Resources

The Resources outturn position is an underspend of £0.550m which is the net of the following variances:

- ICT Service - unachievable savings on ICT Support and services, retained Services and E-volve Digital Programme totalling £0.702m overspending.

Off-set by the following underspendings;

- Property Services (£0.538m) largely due to increased income from rent reviews and additional savings in facilities management from premises costs, postage and general repairs.
- Business Services (£0.427m) from an underspend on insurance and staffing reductions in support services
- Finance Service (£0.252m) due to the early delivery of 2020/19 savings; increased charges to group companies and the pension fund for additional staff time; delays to the 'go-live' of the counter fraud hub and reduced external audit fees.

Corporate revenue budgets and core grants

The Corporate budgets, covering capital financing, government grants and other non-service costs underspent by £0.239m. This was largely due to;

- additional government grants of £0.642m, mostly for Section 31 Grants for business rates allowances and reliefs in relation to the London Business Rates Pool
- off set by
- reduced pensions deficit payment from other scheme employers of £190k

Narrative Report (continued)

7. Capital Expenditure

The 2019/20 capital outturn is £85.685m compared to a current capital programme budget of £89.295m. This is a net projected underspend of £3.610m or 4.04%. A sum of £4.324m is the impact of slippage where spend is now expected in 2020/21. The balance of £0.714m reflects an increase in 2019/20 for invest to save schemes, use of S106 income, additional grants, and other minor funding adjustments. This table summarises the position for each Directorate as at 31 March 2020. Actual expenditure (outturn) includes provision for works completed but not yet invoiced by the contractor.

Capital Programme 2019/20	Budget 2019/20	Outturn 2019/20	Variation
	£'000	£'000	£'000
EXPENDITURE			
Environment, Housing and Regeneration	29,763	27,467	(2,296)
People	20,304	19,793	(511)
Resources	38,668	38,117	(551)
Chief Executive's	560	308	(252)
Total Expenditure	89,295	85,685	(3,610)

During the year the Council implemented a number of key capital projects. These included major improvements to the Council's housing stock to meet the Decent Homes Standards, completion of the new build council housing on the sites of Richmond Green, Ludlow Lodge and Fellows Road and the start of the delivery of new build phase 2 and 3, start to deliver of the Estate Regeneration programme for Beechtree Close, completion of the new Belmont secondary school, investing in IT and accommodation changes, major acquisitions of new commercial

properties in Hannibal Way and Sutton High Street, 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 (Underspend £2.296m)

- Re-phasing of £1.756m on various housing council stock projects due to contract issues.

- Re-phasing of £0.485m on phase 2 new build housing scheme due to delay arising from the complexities of the sites and planning and various tendering issues.
- An overspend of £0.467m on property acquisitions for temporary accommodation due to more acquisitions than originally budgeted for.
- Pavement, Highway resurfacing and Street Lighting project rephasing of £0.229m due to COVID issues.

Narrative Report (continued)

People Directorate (Underspend £0.511m)

- Re-phasing of £0.342m on Secondary expansions due to advance payments to secondary schools for bulge classes anticipated to be made before year end were actually paid in April 2020 after agreements had been formalised with the schools.
- Rephasing of £0.112m for Capital Maintenance Grant for three school projects that were delayed.

Resources and Chief Executive's (Underspend £0.551m)

- Overspend on Commercial Properties of £0.248m due to additional retention release and fees unbudgeted.
- Rephasing of Adult Social Services ICT project £153k due to review of development plan in progress.
- Rephasing of the Digital Programme of £0.399m due to a combination of the delay in starting of the Customer Platform and the projects identified in 19/20 did not require all the funding available to the programme.
- Rephasing of £0.091m for Expenditure for Corporate Operational Buildings due to delays in works at Civic
- Rephasing of £0.104m on energy efficiency projects to be rolled out in 2020/21 following successful pilot.

Chief Executive's (Underspend £0.252m)

- Rephasing of Heritage capital budgets of £0.059m for Whitehall HLF scheme which is complete but sum is needed to fund shortfall in HLF funding and Little Holland House of £0.063m for which a project plan is in place to complete works to improve access to the house with a view to securing external funding opportunities for new services.

8. Pensions Liability

The Council has net pension liabilities of £313m in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. In addition, the Council's pension fund has to be revalued every three years to set future contribution rates. The last actuarial valuation was in 2019 and reported a funding level of 90%. The fund's actuaries have estimated that despite the significant market volatility during March 2020 due to the Covid-19 pandemic, the funding level would have remained between 87% and 91% at 31 March 2020, assuming previous assumptions remained valid. The Council has a deficit recovery plan in place to make additional contributions into the Pension Fund over the period to 2035, in line with the Funding Strategy Statement. Further information on the Pension Fund can be found in note 31 of the main accounts and in the Pension Fund Accounts.

9. Explanation of Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2020. It comprises core and supplementary statements as well as disclosure notes that provide additional information and explanation to the reader. Both the format and content of the financial statements are prescribed by CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 which in turn is underpinned by International Financial Reporting Standards.

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

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

The other financial statements also include:

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

2. Statement of Responsibilities

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



Statement of Responsibilities for the Statement of Accounts

The Responsibility of the Council

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

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

The Responsibilities of the Chief Finance Officer

The Strategic Director - Resources is responsible for the preparation of the Council's Statement of Accounts, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2020. The Strategic Director - Resources is also responsible for preparing the Pension Fund Accounts administered by the Council in accordance with the current Code of Practice.

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

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

The Strategic Director - Resources has also:

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

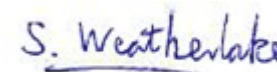
My signature below certifies that the accounts were prepared in accordance with the requirements of the Accounts and Audit Regulations 2015 and, except where specifically stated, in accordance with all recognised statutory requirements and codes of practice applicable to local authorities. I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2020 and its income and expenditure for the year.



Richard Simpson
Strategic Director - Resources (S151 Officer)
21 January 2021

Approval of the Statement of Accounts

I certify that the Statement of Accounts was approved by the Audit and Governance Committee on 21 January 2021



Chair, Audit and Governance Committee

3. Auditor's Reports 2019/20

Auditor's Report on the Financial Statements

Auditor's Report on the Pension Fund Financial Statements



Auditor's Report on the Financial Statements

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of London Borough of Sutton (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account, the Collection Fund Income and Expenditure Account, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements, Notes to the Housing Revenue Account Statement, Notes to the Collection Fund Statement and Notes to the Group Accounts. 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 2019/20.

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 2020 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 2019/20; 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Strategic Director of Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Auditor's Report on the Financial Statements (continued)

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's 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.

In our evaluation of the Strategic Director-Resources's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property Investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuations. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best and most reliable information available to the Council. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

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 Authority and group financial statements and, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Auditor's Report on the Financial Statements (continued)

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 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Grant Thornton UK LLP. 3 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 issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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 for the Statement of Accounts [set out on page(s) 14 to 15], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director – Resources. The Strategic Director-Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director - Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director - Resources is responsible for assessing the 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 there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's Report on the Financial Statements (continued)

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 Grant Thornton UK LLP. 4 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 April 2020, 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 2020.

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 April 2020, 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 2020.

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.

Auditor's Report on the Financial Statements (continued)

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

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2020. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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 2020.

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 2020.

Use of our report

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

Iain Murray

Iain Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

27 January 2021

Auditor's Report on the Pension Fund Financial Statements

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

Opinion

We have audited the financial statements of London Borough of Sutton Pension Fund (the 'pension fund') administered by London Borough of Sutton (the 'Authority') for the year ended 31 March 2020 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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 Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Strategic Director – Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

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

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's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Strategic Director - Resources has not disclosed in the pension fund's 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 the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

In our evaluation of the Strategic Director - Resources's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As disclosed in note 5 to the financial statements, The assets held by the Pension Fund include properties and infrastructure assets managed by Fund Managers on a pooled basis. As the assets are unquoted, values are estimated by Fund Managers using comparable market data, indices and data from third parties. Due to the Covid-19 pandemic, there was very limited observable or reliable market data relating to property assets at 31 March 2020, and as a result valuations have been caveated by Fund Managers as being subject to 'material valuation uncertainty'. Our opinion is not modified in respect of this matter.

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 pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's and group's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

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

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director - Resources. The Strategic Director - Resources is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the [determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Iain Murray

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

27 January 2021

4. Core Financial Statements 2019/20



Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with the requirements of International Financial Reporting Standards (IFRS) as applied by the Code of Practice on Local Authority Accounting in 2019/20, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
2018/19	2018/19	2018/19			2019/20	2019/20	2019/20
£000	£000	£000			£000	£000	£000
34,723	(8,321)	26,402	Chief Executive's		34,607	(13,984)	20,623
53,897	(17,616)	36,281	Environment, Housing and Regeneration		50,452	(18,660)	31,792
254,381	(140,739)	113,642	Peoples Services		255,999	(144,092)	111,907
87,912	(65,544)	22,368	Resources		81,836	(59,332)	22,504
			Housing Revenue Account				
26,103	(38,802)	(12,699)	- Main HRA Revenue Account		23,713	(37,831)	(14,118)
15,396	-	15,396	- Revaluation loss/(gain) - Dwellings	HRA10	18,284	-	18,284
4,871	(4,580)	291	Non Service Revenue Accounts		6,137	(99)	6,038
477,283	(275,602)	201,681	Cost of services		471,028	(273,998)	197,030

Comprehensive Income and Expenditure Statement (continued)

Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
2018/19	2018/19	2018/19			2019/20	2019/20	2019/20
£000	£000	£000			£000	£000	£000
26,212	(875)	25,337	Other operating expenditure	6	10,707	-	10,707
24,989	(573)	24,416	Financing and investment income and expenditure	7	21,445	(768)	20,677
-	(186,751)	(186,751)	Taxation and non-specific grant income	8	-	(178,618)	(178,618)
528,484	(463,801)	64,683	(Surplus) or deficit on the provision of services		503,180	(453,384)	49,796
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
-	-	(21,366)	Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets	12a	-	-	(18,550)
-	-	(48,587)	Remeasurement of the net defined benefit liability on the pensions reserve	12c	-	-	(58,590)
		(69,953)	Other comprehensive income and expenditure				(77,140)
		(5,270)	Total comprehensive income and expenditure (surplus)/deficit				(27,344)

Movement in Reserves Statement

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

2019/2020	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Balance at 31 March 2019	(13,316)	(21,295)	(34,611)	(3,112)	(20,815)	(5,352)	(11,328)	(75,218)	(131,141)	(206,359)
Movement during 2019/20:-										
Total Comprehensive Expenditure and Income	40,519		40,519	9,277	-	-	-	49,796	(77,140)	(27,344)
Adjustments between accounting basis and funding basis under regulations (Note 10)	(45,167)		(45,167)	(13,265)	4,796	(3,132)	83	(56,685)	56,685	-
Net Increase/(Decrease) before transfers to Earmarked Reserves	(4,648)	-	(4,648)	(3,988)	4,796	(3,132)	83	(6,889)	(20,455)	(27,344)
Transfers to / (from) Earmarked Reserves (Note 11)	6,936	(6,936)	-	-	-	-	-	-	-	-
Increase / (Decrease) in Year	2,288	(6,936)	(4,648)	(3,988)	4,796	(3,132)	83	(6,889)	(20,455)	(27,344)
Balance at 31 March 2020	(11,028)	(28,231)	(39,259)	(7,100)	(16,019)	(8,484)	(11,245)	(82,107)	(151,596)	(233,703)

Movement in Reserves Statement (continued)

	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
2018/19 Comparative										
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)
Movement during 2018/19:										
Total Comprehensive Expenditure and Income	55,191	-	55,191	9,492	-	-	-	64,683	(69,953)	(5,270)
Adjustments between accounting basis and funding basis under regulations (Note 10)	(53,337)	-	(53,337)	(15,974)	1,553	5,696	6,314	(55,748)	55,748	-
Net Increase/(Decrease) before transfers to Earmarked Reserves	1,854	-	1,854	(6,482)	1,553	5,696	6,314	8,935	(14,205)	(5,270)
Transfers to / (from) Earmarked Reserves (Note 11)	(2,432)	2,694	262	6,474	-	(6,474)	4	266	(266)	-
Increase / (Decrease) in Year	(578)	2,694	2,116	(8)	1,553	(778)	6,318	9,201	(14,471)	(5,270)
Balance at 31 March 2019	(13,316)	(21,295)	(34,611)	(3,112)	(20,815)	(5,352)	(11,328)	(75,218)	(131,141)	(206,359)

Balance Sheet

This sets out the financial position of the Council as at 31 March 2020 and consolidates the individual Balance Sheets of the General Fund, Housing Revenue Account and Collection Fund. It shows the value as at the year end date of the assets and liabilities recognised by the Council. The net assets of the council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

31 March 2019		Notes	31 March 2020
£'000			£'000
	Non-Current Assets		
771,353	Property, Plant and Equipment	13	761,534
96,228	Investment Properties	14	123,454
11	Long Term Investments	17a	1,875
4,199	Long Term Debtors	17a	4,145
871,791	Total Non-Current Assets		891,008
	Current Assets		
22,496	Short Term Investments	17a	34,138
1,009	Assets Held for Sale	15	485
60	Inventories		4
41,091	Debtors	18	55,904
243	Cash and Cash Equivalents	20	487
64,899	Total Current Assets		91,018

Balance Sheet (continued)

31 March 2019		Notes	31 March 2020
£'000			£'000
	Less Current Liabilities		
(27,438)	Short Term Borrowing	17a	(60,797)
(4,451)	Capital Grants Receipt in Advance		(3,036)
(47,737)	Creditors	19	(51,280)
(79,626)	Total Current Liabilities		(115,113)
	Less Non-Current Liabilities		
(9,236)	Provisions	21	(8,370)
(284,521)	Long Term Borrowings	17a	(312,126)
(356,948)	Liability Related to Defined Benefit Pension Scheme	31c	(312,714)
(650,705)	Total Non-Current Liabilities		(633,210)
206,359	Net Assets		233,703
(131,141)	Total Unusable Reserves	12	(151,596)
(75,218)	Total Usable Reserves	11	(82,107)
(206,359)	Total Reserves		(233,703)

Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Council during the reporting period. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting the claim on future cash flows by providers of capital (i.e. borrowing) to the Council.

2018/19			2019/20
£000		Notes	£000
(64,683)	Net surplus or (deficit) on the provision of services	-	(49,796)
99,754	Adjustment to the net surplus or deficit on the provision of services for non-cash movements	22	72,390
(41,058)	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	22	(26,571)
(5,987)	Net cash flows from operating activities		(3,977)
(12,652)	Net cash flows from investing activities	23	(57,458)
28,236	Net cash flows from financing activities	24	61,679
9,597	Net increase/(decrease) in cash and cash equivalents		244
	Represented by:		
(9,354)	a Cash and cash equivalents at the beginning of the reporting period	20	243
243	b Cash and cash equivalents at the end of the reporting period	20	487
9,597	Net increase/(decrease) in cash and cash equivalents (b-a)		244

5. Notes to the Core Financial Statements



Note 1 Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices.

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

b) Accruals of Income and Expenditure

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

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

- Interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) Cash and Cash Equivalents

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

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

d) Material Items

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

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

e) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by accounting practice or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

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

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

Note 1 Accounting Policies (continued)

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

- amortisation of intangible assets

The Council is not required to raise Council Tax to fund these costs, However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis as determined by the Council in accordance with statutory guidance. Therefore depreciation, revaluation and impairment losses and amortisation are replaced by the contribution in the General Fund balance (Minimum Revenue Provision), by way of adjusting transactions in the Capital Adjustment Account through the Movement in Reserves Statement for the difference between the two.

g) Council Tax and Business Rates

LBS, as a billing authority acts as an agent, collecting Council Tax (CT) and Business Rates (NNDR) on behalf of the major preceptors (including Government for NNDR) and, as principals, collecting CT and NNDR for themselves. Billing councils are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of CT and NNDR.

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

CT and NNDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year and regulations determine the amount of CT and NNDR that must be

included in the Council's General Fund. Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and the Movement in Reserves Statement.

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

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

h) Employee Benefits

Benefits Payable During Employment

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

An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on

the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Costs are charged on an accruals basis to the respective service line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of the benefits or when the Council recognises costs for a restructuring.

Where termination benefits include the enhancement of pension benefits, regulations require the General Fund to be charged with the amount payable to the pension fund rather than the amount calculated under accounting standards. Adjustments are made through the Movement in Reserves Statement to transfer the accounting standards based entries to the Pension Reserve and replace these with the amount payable to the Pension Fund.

i) Post Employment Benefits

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

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

Note 1 Accounting Policies (continued)

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

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

The Local Government Pension Scheme

The LGPS is accounted for as a defined benefits scheme:

- the liabilities of the London Borough of Sutton Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees;
- the discount rate is the annualised yield on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the

requirements of IAS19 and with consideration of the duration of the employer's liability. Using this approach, the discount rate at 31 March 2020 was 2.4% per annum.

- the assets of London Borough of Sutton Pension Fund attributable to the Council are included in the Balance Sheet at bid value as required under IAS 19;
- the change in the net pension liability is analysed into 6 components:
 - current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - net interest on the net defined benefit liability (asset) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - remeasurement of the return on plan assets – excluding amounts included in net interest on

the net defined benefit liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Income and Expenditure.
- contributions paid to the London Borough of Sutton Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative 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.

Note 1 Accounting Policies (continued)

j) Events After the Balance Sheet Date

Events after the Balance Sheet date are those both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events, and;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

k) Government Grants and Contributions

Government grants, third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are credited to the Comprehensive Income and

Expenditure Statement once conditions attached to the grant or contribution about how or when they will be used have been satisfied.

Where conditions have not been satisfied these monies are held in the Balance Sheet as creditors because until conditions are met the Council may be required to return the grant. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non 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. Grants used to fund capital expenditure are posted to the Capital Adjustment Account. Grants not yet applied are posted to the Capital Grants Unapplied Reserve until they are used and then the amounts are transferred to the Capital Adjustment Account.

l) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities and Assets

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

Note 1 Accounting Policies (continued)

m) Reserves

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

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

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

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

n) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council. The Council's policy on capital expenditure which does not involve the creation of a non-current 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.

o) Interests in Companies and other Entities

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

- Sutton Housing Partnership Limited which is a community interest company wholly owned by the Council;
- Encompass LATC Ltd which is also wholly owned and providing a range of services within housing and social care;
- Cognus Limited which is 75% owned by the Council, with the remaining 25% owned by schools within the borough. It mainly provides educational services. and;
- Opportunity Sutton Ltd, which is wholly owned company that acts as parent to a number of subsidiary companies:
 - Sutton Living Ltd
 - Sutton Living Design & Build Ltd
 - Sutton Decentralised Energy Network Ltd

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

p) Fair Value Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

Note 1 Accounting Policies (continued)

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

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

q) Investment Properties

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

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

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

r) Heritage Assets

Heritage assets are not reported as a distinct class of asset within Property, Plant and Equipment as assets are either operational assets and included within land and buildings on the Balance Sheet or the values of other tangible assets. Further details of Heritage Assets are disclosed in Note 13 to the core financial statements.

s) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Note 1 Accounting Policies (continued)

Assets included in the Balance Sheet at current value are revalued regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every 5 years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

Note 1 Accounting Policies (continued)

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts and credited to the Capital Receipts Reserve. Receipts relating to the disposal of council dwellings, net of statutory deductions and allowances are retained. The 1-4-1 element of Right to Buy receipts is spent on the provision of social housing. The Local Authority

share and allowable debt elements can be used as general receipts as part of general resources. Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

t) Schools

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

- Community,
- Voluntary Aided,
- Foundation.

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

Non-current assets for Voluntary Aided and Foundation schools are not directly owned by the

Council and are not considered to be controlled by the Council as no formal rights to use the assets through a licence arrangement are passed to the School or Governing Bodies. As a result, these schools are not recognised on the Balance Sheet.

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

u) Revenue Expenditure Funded from Capital Under Statute

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

Note 1 Accounting Policies (continued)

v) Leases

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

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

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

Operating Leases

The Council as Lessee

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

The Council as Lessor

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

w) Financial Instruments

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

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

Financial Liabilities

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

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

Financial Assets

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

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

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

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

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

x) Value Added Tax (VAT)

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

y) Grant Funding Joint Arrangements

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

Note 2 Accounting Standards issued but not yet adopted

At the Balance Sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice on Local Government Accounting in the United Kingdom:

IFRS 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). CIPFA/LASAAC have deferred implementation of IFRS 16 until 1 April 2021.

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

IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan.

The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

IAS28 Investments in Associates and Joint Ventures: Clarification that IFRS9 applies to long term interests in an associate of joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in Accounts are:

Funding - There remains a high degree of uncertainty about the sustainability of current funding levels for local government. However the Council has determined that this uncertainty is not sufficient to provide any indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. In view of the economic position and the uncertainty over future funding, the Council has planned efficiency savings and holds established earmarked reserves to help meet the cost of implementing those future savings.

Property Plant and Equipment - The Council applies a de minimis level of £10k in accordance with the concept of materiality, capitalising expenditure on property plant and equipment. Expenditure below the de minimis level is written out to service revenue accounts in the year that it incurred and treated as a revenue expenditure funded from capital under statute. This does not apply to expenditure wholly funded from external grants.

COVID-19 - The national response and lockdown commenced two weeks prior to the end of the balance sheet date. The impact of the continuing response to the pandemic remains uncertain and the valuations reported for the accounts this year are on the basis of 'material valuation uncertainty'.

Accrual Materiality - As per the Code the accounts have been prepared under the accounting concept of materiality. The Council has stipulated a de minimis level for all accruals set at £1k order related and £5k non order related on revenue and £10k for capital accruals.

Group Accounts - The group boundaries (and interest in companies that fall within those boundaries) have been assessed under the Code. The assessment has found that interest in all subsidiaries are now material and therefore consolidated into the Council's Group Accounts.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are 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.</p> <p>Our accounting policy is to depreciate assets on their brought forward values at the 1 April and any effects of in-year revaluations are not taken into account until the year following the revaluation.</p> <p>Revaluations of property, plant and equipment are estimations of asset values using comparable recent market transactions, depreciated replacement costs, indices, and data from third parties such as Land Registry and Valuation Office Agency.</p> <p>The COVID-19 outbreak has impacted global financial markets and as at the valuation date, as such the Council's valuer feels that less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of these assets than would otherwise be the case. With the valuer having declared this 'material valuation uncertainty', the valuer has continued to exercise their professional judgement in providing the valuation and this remains the best and most reliable information available to the Council.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for building would increase by £750k for every year that useful lives had to be reduced.</p> <p>If significant revaluation increases or impairments were experienced there is a risk that the charge for depreciation to reflect the economic consumption of the asset may be over or under stated.</p> <p>The effect of any over or under estimation on the revaluation of property, plant and equipment cannot be quantified until an asset is disposed of.</p> <p>A reduction of 1% in the value of PPE at 31.3.2020 would reduce the balance sheet value by £7.62m</p>

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value of Investment Property	<p>The Investment Properties are measured at fair value, using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates.</p> <p>The COVID-19 outbreak has impacted global financial markets and as at the valuation date, as such the Council's valuer feels that less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of these assets than would otherwise be the case. With the valuer having declared this 'material valuation uncertainty', the valuer has continued to exercise their professional judgement in providing the valuation and this remains the best and most reliable information available to the Council .</p>	<p>Significant changes in any of the observable inputs would result in a significantly lower or higher fair value measurement for the investment properties. A 1% reduction in fair value of investment property would equate to £1.23m, although this would not result in a charge to the general fund under local authority accounting practices.</p>
Pension Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>There is further uncertainty arising from a legal challenge to the Government's transitional arrangements following the public sector pension reforms in 2015. The McCloud case was upheld by the Court of Appeal in December 2018 which found the transitional arrangements to be discriminatory on the grounds of age and gender. The Government was refused appeal to the Supreme Court in June 2019 and is therefore currently consulting on proposed remedies, with their most recent consultation published in July 2020.</p> <p>A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>The current response to COVID-19 means property and infrastructure assets held by the Pension Fund Managers as at 31st March 2020 are reported on the basis of 'material valuations uncertainty' as set out in VPGA 10 of the RICS Valuation Global Standards. Consequently, less certainty and a high degree of caution should be attached to the valuations than would normally be the case.</p>	<p>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 £15m 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.</p> <p>The potential impact of the McCloud case has been assessed by the Government Actuary Department (GAD) on a national LGPS-wide basis using a range of remedies and assumptions. The Council's actuaries have applied the same assumptions as used in the GAD review to estimate the impact on past service costs to the Council in preparing their IAS19 report, and have allowed for a potential increase in pension liabilities of 0.5%, or £3.9m. The actuaries have confirmed that they believe this allowance to be appropriate in light of the remedies proposed in the July 2020 consultation.</p>
Debtors	<p>At 31 March 2020, the Authority had a balance of sundry debtors for £46.264m. Uncertainty exists around how Covid-19 will impact on the future collection rates of this debt. A provision for bad debt of 26.7% (£12.354m) has been established, based on estimated future collection rates. However, this remains a source of estimation uncertainty.</p>	<p>If collection rates were to deteriorate, an increase of 1% of the amount of impairment of doubtful debts would require an additional £0.463m to set aside as an allowance.</p>

Note 5 Expenditure and Funding Analysis

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

2019/20	As reported for resource management	Adjustment to arrive at net amount chargeable to GF and HRA	Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive's	20,742	201	20,943	(320)	20,623
Environment, Housing and Regeneration	31,978	(977)	31,001	791	31,792
Peoples Services	87,462	16	87,478	24,429	111,907
Resources	15,491	4,005	19,496	3,008	22,504
Housing Revenue Account	(14,145)	-	(14,145)	18,311	4,166
Non Service Revenue Accounts	5,814	(1,988)	3,826	2,212	6,038
Net cost of services	147,342	1,257	148,599	48,431	197,030
Other Operating Expenditure	(5,361)	154	(5,207)	15,914	10,707
Financing and Investment income	6,922	(3,305)	3,617	17,060	20,677
Taxation and Special Grants	(153,341)	(4,292)	(157,633)	(20,985)	(178,618)
Statement of Movement on General Fund Balances	1,458	531	1,989	(1,989)	-
(Surplus) or Deficit	(2,980)	(5,655)	(8,635)	58,431	49,796
Opening General Fund and HRA Balance			(37,723)		
Add (Surplus) or Deficit on General Fund and HRA Balance in Year			(8,635)		
Closing General Fund and HRA Balance at 31 March			(46,358)		

Note 5 Expenditure and Funding Analysis (continued)

2018/19 Comparative figures	As reported for resource management	Adjustment to arrive at net amount chargeable to GF and HRA	Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive's	26,622	(153)	26,469	(67)	26,402
Environment, Housing and Regeneration	33,767	-	33,767	2,514	36,281
Peoples Services	88,050	-	88,050	25,592	113,642
Resources	17,023	3,332	20,355	2,013	22,368
Housing Revenue Account	(12,730)	-	(12,730)	15,427	2,697
Non Service Revenue Accounts	3,350	-	3,350	(3,059)	291
Net cost of services	156,082	3,179	159,261	42,420	201,681
Other Operating Expenditure	596	153	749	24,588	25,337
Financing and Investment income	6,682	(3,332)	3,350	21,066	24,416
Taxation and Special Grants	(152,570)	-	(152,570)	(34,181)	(186,751)
Statement of Movement on General Fund Balances	(13,139)	4,457	(8,682)	8,682	-
(Surplus) or Deficit	(2,349)	4,457	2,108	62,575	64,683
Opening General Fund and HRA Balance			(39,831)		
Add (Surplus) or Deficit on General Fund and HRA Balance in Year			2,108		
Closing General Fund and HRA Balance at 31 March			(37,723)		

Note 5a Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

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

Rental Income and Expenditure and Levy reported at Directorate Level	Net transfers from reserves and balances	Total to arrive at amount charged to GF and HRA	2019/20	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis
£'000	£'000	£'000		£'000	£'000	£'000	£'000
(154)	354	200	Chief Executive's	(1,097)	790	(13)	(320)
-	(977)	(977)	Environment, Housing and Regeneration	2,091	282	(1,582)	791
-	16	16	Peoples Services	21,740	1,537	1,152	24,429
-	4,005	4,005	Resources	2,220	705	83	3,008
-	-	-	Housing Revenue Account	18,284	27	-	18,311
-	(1,988)	(1,988)	Non Service Revenue Accounts	-	2,688	(476)	2,212
(154)	1,410	1,256	Net cost of services	43,238	6,029	(836)	48,431
154	-	154	Other Operating Expenditure	-	-	15,914	15,914
-	(3,304)	(3,304)	Financing and Investment income	9,033	8,327	(300)	17,060
-	(4,292)	(4,292)	Taxation and Special Grants	(22,578)	-	1,593	(20,985)
-	531	531	Statement of Movement on General Fund Balances	-	-	(1,989)	(1,989)
-	(5,655)	(5,655)	Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	29,693	14,356	14,382	58,431

Note 5a Note to the Expenditure and Funding Analysis (continued)
Adjustments between Funding and Accounting Basis

Rental Income and Expenditure and Levy reported at Directorate Level	Net transfers from reserves and balances	Total to arrive at amount charged to GF and HRA	2018/19 Comparative Figures	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis
£'000	£'000	£'000		£'000	£'000	£'000	£'000
(153)	-	(153)	Chief Executive's	(752)	693	(8)	(67)
-	-	-	Environment, Housing and Regeneration	3,959	350	(1,795)	2,514
-	-	-	Peoples Services	24,292	1,279	21	25,592
-	3,332	3,332	Resources	1,551	850	(388)	2,013
-	-	-	Housing Revenue Account	15,396	31	-	15,427
-	-	-	Non Service Revenue Accounts	35	(3,124)	30	(3,059)
(153)	3,332	3,179	Net cost of services	44,481	79	(2,140)	42,420
153	-	153	Other Operating Expenditure			24,588	24,588
-	(3,332)	(3,332)	Financing and Investment income	11,219	9,847	-	21,066
-	-	-	Taxation and Special Grants	(36,923)	-	2,742	(34,181)
-	4,457	4,457	Statement of Movement on General Fund Balances	-	-	8,682	8,682
-	4,457	4,457	Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	18,777	9,926	33,872	62,575

Note 5b Expenditure and Income Analysed by Nature

The Council' expenditure and income is analysed as follows:

2018/19		2019/20
£000		£000
	Expenditure	
138,449	Employee expenses	137,034
332,500	Other operating expenses	326,277
24,096	Depreciation, amortisation and impairment	18,962
686	Payments to Housing Capital Receipts Pool	723
7,227	Interest payments	10,200
749	Precept and Levies	746
24,777	Gain or Loss on disposal of non-current assets	9,238
528,484	Total expenditure	503,180
	Income	
(97,297)	Fees and charges and other service income	(88,461)
(875)	Surplus on trading undertakings not in the Net Cost of Services	-
(573)	Interest and investment income	(768)
(145,119)	Income from Council Tax and Business Rates	(144,425)
(219,937)	Government grants and contributions	(219,730)
(463,801)	Total income	(453,384)
64,683	(Surplus) or Deficit on Provision of Services	49,796

Note 6 Other operating expenditure

2018/19		2019/20
£'000		£'000
749	Levies paid to Other Local and Public Authorities	746
686	Payment to the Government Housing Capital Receipts Pool	723
24,777	Net Losses/(Profit) on the disposal of non-current assets	9,238
(875)	Deficit/(Surplus) on Trading Undertakings not included in Net Cost of Services	-
25,337	TOTAL	10,707

Note 7 Financing and investment income and expenditure

2018/19		2019/20
£'000		£'000
7,227	Interest payable and similar charges	10,200
9,847	Net interest on the net defined benefit pension scheme liability	8,327
(572)	Interest receivable and similar income	(768)
28	Financial Instruments	(278)
(2,945)	Income and expenditure in relation to investment properties	(5,185)
10,831	Changes in the Fair Value of investment properties	8,381
24,416	TOTAL	20,677

Note 8 Taxation and non-specific grant income

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

2018/19		2019/20
£'000		£'000
(96,456)	Council Tax Income	(101,154)
(32,791)	Business Rates Retention Scheme	(44,724)
(12,072)	Business Rates Retention Scheme Top Up Grant	-
(3,800)	Business Rates Retention Scheme Pool	1,708
(7,495)	Non ringfenced government grants	(13,463)
(34,137)	Capital grants and contributions	(20,985)
(186,751)	Total Credited to Taxation and Non-Specific Grant Income	(178,618)

Note 9 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

2018/19	Grants Credited to Taxation and Non-Specific Grant Income	2019/20
£'000	Non ringfenced government grants:	£'000
(758)	Housing Benefit and Council Tax Admin Grant	(727)
(2,669)	New Homes Bonus	(2,001)
(461)	Adult Social Care Support Grant	
-	Social Care Support grant	(1,260)
-	Winter Pressures grant	(737)
(3,447)	Section 31 Business Rate Grant	(3,655)
-	COVID-19 funding	(4,842)
(160)	Other	(241)
(7,495)	Total	(13,463)
	Capital Grants and Contributions:	
(28,261)	Education Grants	(13,331)
(2,108)	Mayors Grant (GLA)	(1,944)
(35)	Housing Associations	(29)
(1,541)	Section 106 Contributions	(4,189)
(804)	Leaseholder Contributions	(102)
(748)	Heritage Lottery Fund	(91)
(519)	Pot Hole Funding	-
(121)	Other Capital Grants and Contributions	(1,299)
(34,137)	Total	(20,985)

Note 9 Grant Income (continued)

2018/19	Revenue Grants Credited to Services	2019/20
£'000		£'000
(97,186)	Dedicated Schools Grant	(97,311)
(2,724)	Education & Skills Funding Agency funding	(5,216)
(316)	Teachers Pay Grant	(718)
-	Teachers Pension Grant	(1,438)
(9,814)	Public Health Grant	(9,555)
(12,237)	Housing Benefit Rebate Subsidy	(11,352)
(1,992)	Housing Benefit Rebate Subsidy - outside HRA	(3,560)
(39,591)	Housing Benefit Allowances	(36,134)
(492)	Discretionary Housing Payments	(464)
(2,925)	Pupil Premium (schools)	(2,784)
(3,203)	Improved Better Care Fund Grant	(3,210)
(778)	Asylum Seekers	(1,541)
(363)	Troubled Families Grant	(328)
(1,396)	Universal Infants Free School Meals	(1,132)
(1,113)	Flexible Homelessness grant	(1,301)
-	Internet of Things grant	(4,000)
-	COVID-19 funding	(69)
(3,603)	Other	(3,712)
(177,733)	Total Revenue Grants included in Cost of Services	(183,825)

Note 9 Grant Income (continued)

2018/19	REFCUS Grants included in Cost of Services	2019/20
£'000		£'000
(1,784)	Disabled Facilities	(1,593)
(1,784)	Total REFCUS Grants included in Cost of Services	(1,593)

Note 10 Adjustments between accounting basis and funding basis under regulations

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

General Fund Balance

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

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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

2019/20	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS TO THE REVENUE RESOURCES						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 38)	16,931	139	-	-	-	(17,070)
Pensions costs (transferred to (or from) the Pensions Reserve)	(31,192)	(234)	-	-	-	31,426
Sub Total for Pensions Reserve	(14,261)	(95)	-	-	-	14,356
Financial instruments (transferred to the Financial Instruments Adjustments Account)	94	-	-	-	-	(94)
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	428	-	-	-	-	(428)
Holiday pay (transferred to the Accumulated Absences Reserve)	(235)	-	-	-	-	235
Charges for depreciation and impairment of non-current assets	(12,413)	(6,549)	-	-	-	18,962
Revaluation loss/(gain) on Property Plant and Equipment	(7,388)	(18,284)	-	-	-	25,672
Movements in the market value of Investment Properties	(8,381)	-	-	-	-	8,381
Amortisation of intangible assets	(1,752)	-	-	-	-	1,752
Revenue expenditure funded from capital under statute	(16,466)	-	-	-	-	16,466
Financial Instruments Revaluation Reserve	278	-	-	-	-	(278)
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	(60,096)	(24,928)	-	-	-	85,024
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES						
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,588)	(4,530)	-	-	-	16,118

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

2019/20 (continued)	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	723	6,037	-	-	(6,760)	-
Transfer of deferred sale proceeds as part of the gains/ losses on disposal to the CIES	188	-	-	-	-	(188)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account	3,524	-	-	-	-	(3,524)
Capital expenditure financed from revenue balances (charged to HRA)	-	3,687	-	(3,687)	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	227	-	-	-	-	(227)
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(723)	-	-	-	723	-
Payment towards administrative costs of non-current assets disposal (funded by a transfer from the Capital Receipts Reserve)	-	(80)	-	-	80	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	6,549	-	(6,549)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	19,677	-	(19,677)	-	-	-
Capital Grants and contributions applied	2,900	-	-	-	-	(2,900)
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	14,929	11,663	(19,677)	(10,236)	(5,957)	9,279
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	6,040	(6,040)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	7,104	-	(7,104)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	24,474	-	-	(24,474)
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	-	-	24,474	7,104	6,040	(37,618)
Total Adjustments	(45,167)	(13,265)	4,797	(3,132)	83	56,685

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

2018/19 Comparative Figures	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS TO THE REVENUE RESOURCES						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	(9,800)	(125)	-	-	-	9,925
Financial instruments (transferred to the Financial Instruments Adjustments Account)	94	-	-	-	-	(94)
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(284)	-	-	-	-	284
Holiday pay (transferred to the Accumulated Absences Reserve)	384	-	-	-	-	(384)
Charges for depreciation and impairment of non-current assets	(17,901)	(6,195)	-	-	-	24,096
Revaluation loss/(gain) on Property Plant and Equipment	(1,544)	(15,396)				16,940
Movements in the market value of Investment Properties	(10,831)	-				10,831
Amortisation of intangible assets	(1,690)	-				1,690
Revenue expenditure funded from capital under statute	(26,211)	-				26,211
Financial Instruments Revaluation Reserve	(28)					28
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	(67,811)	(21,716)	-	-	-	89,527
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	(24,436)	(6,818)				31,254

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

2018/19 Comparative Figures (continued)	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	68	6,442	-	-	(6,510)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account	3,509	-	-	-	-	(3,509)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	54	-	-	-	-	(54)
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(686)	-	-	-	686	-
Payment towards administrative costs of non-current assets disposal (funded by a transfer from the Capital Receipts Reserve)	-	(77)	-	-	-	77
Posting of HRA resources from revenue to the Major Repairs Reserve		6,195	-	(6,195)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	35,965	-	(35,965)	-	-	-
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	14,474	5,742	(35,965)	(6,195)	(5,824)	27,768
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	12,138	(12,138)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	11,892	-	(11,892)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	37,518	-	-	(37,518)
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	-	-	37,518	11,892	12,138	(61,548)
Total Adjustments	(53,337)	(15,974)	1,553	5,697	6,314	55,747

Note 11 Transfers to / from Earmarked and Usable Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/20:

	Balance at 31 March 2018	Transfers Out	Transfers In	Transfers Between	Balance at 31 March 2019	Transfers Out	Transfers In	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:								
General Fund balances	(9,075)	2,000	(3,047)	1,706	(8,416)	1,089	(81)	(7,408)
DSG Balances	40	-	(1,108)	-	(1,068)	157	-	(911)
Balances held by schools under a scheme of delegation	(3,703)	952	(1,081)	-	(3,832)	1,800	(677)	(2,709)
Sub total	(12,738)	2,952	(5,236)	1,706	(13,316)	3,046	(758)	(11,028)
Earmarked Reserves:-								
- Insurance Fund	(5,810)	260	(236)	-	(5,786)	79	-	(5,707)
- Risk Reserve	(7,239)	3,162	-	(25)	(4,102)	785	(433)	(3,750)
- Redundancy Costs	(1,795)	-	-	-	(1,795)	414	-	(1,381)
- Revenue Grants Unapplied	(1,463)	472	(687)	-	(1,678)	2,217	(4,846)	(4,307)
- Transitional Grant Reserve	(2,004)	433	-	-	(1,571)	569	-	(1,002)
- Commercial Property Investment Reserve	(817)	-	(599)	-	(1,416)	-	(633)	(2,049)
- Capital & Treasury Reserve	(692)	316	-	(797)	(1,173)	220	(20)	(973)
- Town Centre Reserve	-	-	-	(938)	(938)	10	-	(928)
- Non Grant Carry Forwards	-	-	-	(601)	(601)	265	(531)	(867)
- Public Health Reserve	-	-	-	-	-	-	(664)	(664)
- Sustainable Investment Fund	(304)	-	-	(251)	(555)	-	-	(555)
- Opportunity Sutton Reserve	(772)	281	-	-	(491)	237	-	(254)
- Welfare Support	(580)	96	-	-	(484)	48	-	(436)

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

	Balance at 31 March 2018	Transfers Out	Transfers In	Transfer Between	Balance at 31 March 2019	Transfers Out	Transfers In	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves continued:-								
- Catering Reserve (School Meals Delegated Funds)	(178)	16	(30)	-	(192)	5	-	(187)
- Renewals and Repairs Fund	(163)	48	-	-	(115)	-	-	(115)
- Brexit Reserve	-	-	-	(105)	(105)	109	(210)	(206)
- Other	-	-	(8)	-	(8)	-	-	(8)
- Parking Places Reserve	-	688	(688)	-	-	1,178	(1,178)	-
- Smarter Council Reserve	(234)	720	-	(486)	-	-	-	-
- Invest to Save Reserve	-	65	-	(65)	-	-	-	-
- Extreme Weather Reserve	(252)	-	-	252	-	-	-	-
- General Pooled Reserve	(604)	91	-	513	-	-	-	-
- Treasury Management & Capital Programme	(797)	-	-	797	-	-	-	-
- Covid-19 Reserve	-	-	-	-	-	-	(4,842)	(4,842)
Sub total	(23,989)	6,648	(2,248)	(1,706)	(21,295)	6,421	(13,357)	(28,231)
HRA:								
Housing Revenue Account	(2,498)	-	(13)	-	(2,511)	-	(4,016)	(6,527)
Heating Reserve	(548)	-	(5)	-	(553)	33	(10)	(530)
Freeholders Contributions	(58)	10	-	-	(48)	6	(1)	(43)
Sub total	(3,104)	10	(18)	-	(3,112)	39	(4,027)	(7,100)
Capital Grants and Contributions Unapplied	(22,368)	37,751	(36,198)	-	(20,815)	24,473	(19,677)	(16,019)
Capital Receipts Reserve	(17,646)	11,006	(4,688)	-	(11,328)	6,040	(5,957)	(11,245)
Major Repairs Reserve	(4,574)	11,891	(12,669)	-	(5,352)	7,104	(10,236)	(8,484)
Total	(84,419)	70,258	(61,057)	-	(75,218)	47,123	(54,012)	(82,107)

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

Additional information on key reserves of the Council

Earmarked Reserves

- The **Insurance Fund** provides for uninsured losses (including excess payments for claims incurred but not reported) and operational risk management initiatives to support the Council's insurance programme.
- The **Redundancy Costs Reserve** is established for future redundancy costs anticipated from the continuing drive to secure cost reductions in light of Government grant reductions.
- The **Risk Reserve** has been created to mitigate the financial risk of demographic growth and cost pressures to services with demand volatility in areas such as adult and children's social care, as well as meeting other specific unavoidable cost risk issues. This reserve also holds funds for Invest to Save purposes and the Smarter Council programme.

- The **Revenue Grants Unapplied Reserve** holds non ring-fenced grants received in year for revenue purposes but for which the expenditure will occur in future years.
- The **Transitional Grant Reserve** holds this grant paid in 2016 and 2017 and is set aside for spending on key areas such as tackling domestic violence and adult and children's social care transformation.
- **Capital and Treasury Reserve** has been established to fund and support future capital schemes as part of the planned capital programme.
- The **Covid-19 Reserve** has been established to hold the balance of the Covid19 Emergency grant which was received at the end of March 2020 from the government to support the pandemic response and recovery.
- The **Public Health Reserve** has been established to hold the balance of the Public Health grant which was underspent by £0.664m. This grant is strictly ring fenced for specific public health activities and where there is an underspending it must be carried forward to be applied in the following years

Housing Revenue Account

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

Note 12 Unusable Reserves

31 March 2019		31 March 2020
£'000		£'000
(140,842)	(a) Revaluation Reserve	(148,322)
(350,372)	(b) Capital Adjustment Account	(318,360)
356,948	(c) Pensions Reserve	312,714
748	(d) Financial Instruments Adjustment Account	654
(343)	(e) Deferred Capital Receipts	(531)
187	(f) Collection Fund Adjustment Account	(241)
2,505	(g) Accumulated Absences Account	2,740
28	(h) Financial Instruments Revaluation Reserve	(250)
(131,141)	TOTAL	(151,596)

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

Note 12 Unusable Reserves (continued)

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation, or;
- disposed of and the gains are realised.

2018/19		2019/20
£'000		£'000
(132,790)	Balance at 1 April	(140,842)
(23,838)	Upward revaluation of assets	(20,523)
2,472	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	1,973
(21,366)	Surplus or deficit on revaluation of non current assets not posted to the surplus/(deficit) on the provision of services	(18,550)
3,975	Difference between fair value depreciation and historical cost depreciation	2,295
9,339	Accumulated losses on assets sold or scrapped	8,775
13,314	Amount written off to the Capital Adjustment Account	11,070
(140,842)	Balance at 31 March	(148,322)

Note 12 Unusable Reserves (continued)

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

2018/19		2019/20
£'000		£'000
(382,761)	Balance at 1 April	(350,372)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
24,096	Charge for depreciation and impairment of non-current assets	18,962
16,920	Revaluation gains/(losses) on Property, Plant and Equipment	25,672
1,690	Amortisation of intangible assets	1,753
26,211	Revenue expenditure funded from capital under statute	16,466
31,254	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	16,118
100,171		78,971
(3,975)	Difference between fair value depreciation and historical cost depreciation	(2,295)
(9,339)	Accumulated losses on assets sold or scrapped	(8,776)
86,857	Net written out amount of the cost of non-current assets consumed in the year	67,900

Note 12 Unusable Reserves (continued)

Capital Adjustment Account (continued)

2018/19		2019/20
£'000		£'000
	Capital financing applied in the year:	
(12,138)	Use of the Capital Receipts Reserve to finance new capital expenditure	(6,040)
(6,568)	Use of the Major Repairs Reserve to finance new capital expenditure	(4,458)
(34,549)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(24,474)
(2,969)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,900)
(3,509)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	(3,524)
(5,512)	Funded from Revenue Reserves	(2,811)
(54)	Capital expenditure charged against General Fund and HRA balances	(62)
(65,299)		(44,269)
10,831	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	8,381
(350,372)	Balance at 31 March	(318,360)

Note 12 Unusable Reserves (continued)

c) Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19		2019/20
£'000		£'000
395,610	Balance at 1 April	356,948
(48,587)	Remeasurement of the net defined benefit liability	(58,590)
26,754	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	31,426
(16,829)	Employers pension contributions and direct payments to pensioners payable in year	(17,070)
356,948	Balance at 31 March	312,714

Note 12 Unusable Reserves (continued)

d) Financial Instruments Adjustment Account

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

2018/19		2019/20
£'000		£'000
842	Balance at 1 April	748
(94)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(93)
748	Balance at 31 March	655

Note 12 Unusable Reserves (continued)

e) Deferred Capital Receipts Reserve

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

2018/19		2019/20
£'000		£'000
(363)	Balance at 1 April	(343)
20	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(188)
(343)	Balance at 31 March	(531)

Note 12 Unusable Reserves (continued)

f) Collection Fund Adjustment Account

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

2018/19		2019/20
£'000		£'000
(98)	Balance at 1 April	187
285	Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements	(428)
187	Balance at 31 March	(241)

Note 12 Unusable Reserves (continued)

g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, i.e. annual leave entitlement carried forward at 31 March 2019. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from this Account.

2018/19		2019/20
£'000		£'000
2,890	Balance at 1 April	2,505
(2,890)	Settlement or cancellation of accrual at the end of the preceding year	(2,505)
2,505	Amounts accrued at the end of the current year	2,740
(385)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from remuneration chargeable in year in accordance with statutory requirements	235
2,505	Balance at 31 March	2,740

Note 12 Unusable Reserves (continued)

h) Financial Instrument Revaluation Reserve

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

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

2018/19		2019/20
£'000		£'000
-	Balance at 1 April	28
89	Upward revaluation of investments	-
(61)	Downward revaluation of investments	(278)
28	Balance at 31 March	(250)

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

Movement on balances

2019/20	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1st April 2019	411,118	299,020	23,890	70,804	2,567	2,150	35,900	845,449
Additions	18,051	8,188	476	5,634	32	-	750	33,131
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	15,672	-	-	-	140	-	15,812
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(24,786)	(7,635)	-	-	-	-	-	(32,421)
Derecognition - disposals	(4,530)	(11,284)	-	-	-	-	-	(15,814)
Assets reclassified (to)/from held for sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	23,834	4,858	-	-	-	40	(30,146)	(1,414)
At 31st March 2020	423,687	308,819	24,366	76,438	2,599	2,330	6,504	844,743

Note 13 Property, Plant and Equipment (continued)

Movement on balances

2019/20	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
At 1st April 2019	-	(14,705)	(17,232)	(42,159)	-	-	-	(74,096)
Depreciation Charge:	(6,481)	(5,880)	(2,345)	(4,248)	-	(8)	-	(18,962)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	6,481	284	-	-	-	8	-	6,773
Depreciation charge written out to the Revaluation Reserve	-	2,738	-	-	-	1	-	2,739
Derecognition - disposal	-	196	-	-	-	-	-	196
Other movements in depreciation and impairment	-	142	-	-	-	(1)	-	141
At 31st March 2020	-	(17,225)	(19,577)	(46,407)	-	-	-	(83,209)
Net Book Value:								
At 31 March 2019	411,118	284,315	6,658	28,645	2,567	2,150	35,900	771,353
At 31 March 2020	423,687	291,594	4,789	30,031	2,599	2,330	6,504	761,534

Note 13 Property, Plant and Equipment (continued)

Movement on balances

Comparative Movements in 2018/19	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1st April 2018*	414,439	308,876	23,482	66,681	2,492	3,699	26,093	845,762
Additions	26,052	5,247	451	4,123	75	3	15,446	51,397
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	12,742	-	-	-	(228)	-	12,514
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(27,225)	(1,086)	-	-	-	(1,073)	-	(29,384)
Derecognition - disposals	(6,818)	(24,354)	(43)	-	-	(3,071)	-	(34,286)
Assets reclassified (to)/from held for sale	-	(77)	-	-	-	(477)	-	(554)
Other movements in cost or valuation	4,670	(2,328)	-	-	-	3,297	(5,639)	-
At 31st March 2019	411,118	299,020	23,890	70,804	2,567	2,150	35,900	845,449

Note 13 Property, Plant and Equipment (continued)

Movement on balances

Comparative Movements 2018/19	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
At 1st April 2018	(5,851)	(15,450)	(13,833)	(38,158)	-	(1,067)	-	(74,359)
Depreciation Charge:	(6,124)	(10,488)	(3,434)	(4,001)	-	(49)	-	(24,096)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	11,975	409	-	-	-	90	-	12,474
Depreciation charge written out to the Revaluation Reserve	-	8,657	-	-	-	196	-	8,853
Derecognition - disposal	-	1,897	35	-	-	1,100	-	3,032
Other movements in depreciation and impairment	-	270	-	-	-	(270)	-	-
At 31st March 2019	-	(14,705)	(17,232)	(42,159)	-	-	-	(74,096)
Net Book Value:								
At 31 March 2018	408,588	293,426	9,649	28,523	2,492	2,632	26,093	771,403
At 31 March 2019	411,118	284,315	6,658	28,645	2,567	2,150	35,900	771,353

* Figures restated to realign the opening gross book value and accumulated depreciation.

Note 13 Property, Plant and Equipment (continued)

Depreciation

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

Additions

In 2019/20 the Council invested £6.6m of capital expenditure on improvements to council dwellings, £2.2m on the completion of two affordable homes new build developments and purchased 31 dwellings at a cost of £9.2m.

As at 31 March 2020, the Council has a number of major capital projects which are detailed in the Narrative Report to the Statement of Accounts.

Capital Commitments

At 31 March 2020, 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 2020/21 and future years which are budgeted to cost £191.2m in total (£138.6m at 31 March 2019). The major commitments are detailed in the following table:

	Planned expenditure to 31 March 2024
	£'000
School Expansions and new schools	5,201
Local Authority New Build Housing Phase 1	529
Local Authority New Build Housing Phase 2	24,476
Digital Programme	2,399
Beddington Park Heritage Lottery Fund	216
Town Centre Masterplan	2,180
Total	35,001

Note 13 Property, Plant and Equipment (continued)

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment (PP&E) required to be measured at current value is revalued. All valuations are carried out internally. The latest valuation was carried out as at 31 March 2020.

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

Valuation 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 (RICS) under the direction of the Council's Assistant Director, Resources Directorate (Asset Planning, Management and Capital Delivery). The valuer for the authority is the Asset Management section and the Asset Valuation report is signed, on behalf of the Asset management section, by Chris Litchfield BSc (Est Man), RICS, Valuation and Estates Manager. The balance sheet date of 31 March 2020 was at the start of the national Covid 19 pandemic response. Therefore the valuations at this date are on the basis of material valuation uncertainty, as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. The valuer has continued to exercise professional judgement in providing the valuation and this remains the best and most reliable information available to the Council.

The significant assumptions applied in estimating the current values are:

- The impact on markets from Covid-19 is uncertain, and previous market evidence has less weight for comparison purposes when making judgements
- Consequently, less certainty and a higher degree of caution should be attached to the valuations within these statements
- No deleterious or hazardous material has been used in the construction of the properties or has since been incorporated
- There are no onerous conditions or restrictions which might affect the valuations
- Operational assets valued using Depreciated Replacement Cost (DRC) for specialist properties or Existing Use Value (EUV) for other properties
- Non operational properties are valued using fair value (FV)
- Council Dwellings are valued using the Existing Use Value for Social Housing (EUV-SH)

The valuations of the Council dwellings were carried out in accordance with the methodologies and estimation set out in the Stock valuation for resourcing Accounting Guidance for valuers 2016 published in November 2016 by the MHCLG under the direction of the Council's Assistant Director, Resources Directorate (Asset Planning, Management and Capital Delivery). The valuer for the authority is the Asset Management section and the Asset Valuation report is signed, on behalf of the Asset management section, by Chris Litchfield BSc (Est Man), RICS, Valuation and Estates Manager. The balance sheet date of 31 March 2020 was at the start of the national Covid 19 pandemic response. Therefore the valuations at this date are on the basis of material valuation uncertainty.

Council dwellings reflect vacant possession value (£1.696m) adjusted to account for their status as social housing. For 2019/20 the social housing factor for London remains at 25% which results in a vacant possession value adjusted for the social housing factor of £423.686m.

Infrastructure and community assets have been included at historical cost.

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

Note 13 Property, Plant and Equipment (continued)

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

	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	4,789	30,031	2,599	-	6,504	43,923
Valued at current value as at:								
31 March 2020	423,687	263,656	-	-	-	2,330	-	689,673
31 March 2019	-	27,853	-	-	-	-	-	27,853
31 March 2018	-	-	-	-	-	-	-	-
31 March 2017	-	-	-	-	-	-	-	-
31 March 2016	-	-	-	-	-	-	-	-
31 March 2015	-	85	-	-	-	-	-	85
Total Cost or Valuation	423,687	291,594	4,789	30,031	2,599	2,330	6,504	761,534

Valuation Techniques used to Determine Level Three Fair Value

Investment properties and Surplus assets have been valued using either the Market or Income approach to Fair Value. The valuations were carried out under the direction of the Council's Assistant Director, Resources Directorate (Asset Planning, Management and Capital Delivery). The valuer for the authority is the Asset Management section and the Asset Valuation report is signed, on behalf of the Asset management section, by Chris Litchfield BSc (Est Man), RICS, Valuation and Estates Manager.

Valuation have taken into account the following factors:

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

Note 13 Property, Plant and Equipment (continued)

Measurement of fair value of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 March 2020. Note the majority of property, plant and equipment is carried at current value in accordance with IAS 16, as adapted for the public sector context.

31 March 2019					31 March 2020			
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	-	2,150	2,150	Surplus Assets	-	-	2,330	2,330
-	-	96,228	96,228	Investment Properties	-	-	123,454	123,454
-	-	1,009	1,009	Assets Held for Sale	-	-	485	485
-	-	99,387	99,387	Total	-	-	126,269	126,269

Surplus Assets

Surplus assets held by the Authority at 31 March 2020 are as follows:

31 March 2019			31 March 2020
£'000			£'000
-	Archive Store Manor Park Road		85
500	Grove House, Grove Park		500
1,650	Secombe Theatre		1,745
2,150	Total Surplus Assets		2,330

Note 13 Property, Plant and Equipment (continued)

Heritage Assets

General

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

Nature and Significance of Assets Owned

The Council's portfolio of Heritage Assets is unchanged in 2019/20 as no acquisitions or disposals took place. The nature and significance of these assets are detailed below.

Land and Buildings

a) Museums

Honeywood £2.157m and Whitehall £2.812m

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

Honeywood is currently operational, predominantly delivering services relating to knowledge and culture. Honeywood, the Council's main museum is a historically significant building with origins in the 17th Century. The core of the building includes several flint and chalk 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.

Little Holland House - Value £503,300

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

b) Monuments

Upper Mill

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

The Dovecote, Carew Manor

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

Art Collection

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

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

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

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

Museum Collection

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

Glass Plate Negatives

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

Note 14 Investment Properties

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

In 2019/20 the Authority acquired the long leasehold interest in the David Lloyd Leisure Centre. A high end Leisure Club in the borough.

Investment properties are not depreciated but are revalued each year and are measured at fair value. Valuation techniques and inputs into calculating the fair value of investment properties can be found in Note 13.

The COVID-19 outbreak has impacted global financial markets and as at the valuation date, as such the Council's valuer feels that less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of these assets than would otherwise be the case. With the valuer having declared this 'material valuation uncertainty', the valuer has continued to exercise their professional judgement in providing the valuation and this remains the best and most reliable information available to the Council

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

2018/19		2019/20
£'000		£'000
104,760	Balance at the start of the year	96,228
-	Reclassifications	1,272
2,299	Additions	34,335
(10,831)	Net gains/(losses) from fair value adjustments (Revaluations and Impairments)	(8,381)
96,228	Balance at the end of the year	123,454

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

* Restated 2018-19 (new note)		
2018/19*		2019/20
£'000		£'000
(6,017)	Rental income from investment property	(7,026)
3,072	Direct operating expenses arising from investment property	1,841
(2,945)	Net gain	(5,185)

Note 15 Assets Held for Sale

Assets Held for Sale as at 31 March 2020 are as follows:

2018/19		2019/20
£'000		£'000
500	Wallington Public Hall	-
235	Stonecourt Main Building, North Street	235
274	Festival Walk Old Rectory	250
1,009	Total Assets Held for Sale	485

Note 16 Capital Expenditure and Capital Financing

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

2018/19		2019/20
£'000		£'000
361,125	Opening Capital Financing Requirement	377,423
	Capital Investment:	
51,397	Property, Plant and Equipment	33,131
2,298	Investment Properties	34,335
1,690	Intangible Assets	1,753
26,211	Revenue Expenditure Funded from Capital Under Statute	16,466
	Sources of Finance:	
(12,138)	Capital Receipts	(6,040)
(37,517)	Government grants and other contributions	(27,374)
	Sums set aside from revenue	
(12,134)	- Direct revenue contributions	(7,331)
(3,509)	- MRP / Loans fund principal	(3,524)
377,423	Closing Capital Financing Requirement	418,839
	Explanation of movements in year	
(16,298)	Increase in underlying need to borrow (unsupported by government financial assistance)	(41,416)
(16,298)	Increase in Capital Financing Requirement	(41,416)

Note 17 Financial Instruments

a) Financial Instruments Balances

Accounting regulations require financial instruments shown on the Balance Sheet to be further analysed into various defined categories as shown in the tables below.

Categories of financial assets

31 March 2019						31 March 2020						
Non-current		Current		Total	FINANCIAL ASSETS	Non-current		Current		Total		
Investments	Debtors	Investments	Debtors	Cash		Investments	Debtors	Investments	Debtors	Cash		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
-	2,371	-	-		2,371	Fair value through profit and loss	-	2,837	-	-	2,837	
-	1,828	22,496	39,095	234	63,653	Amortised Cost	-	1,308	34,138	28,262	487	64,195
11	-	-	-	-	11	Fair value through other comprehensive income - designated equity instruments	1,875	-	-	-	-	1,875
11	4,199	22,496	39,095	234	66,035	Total financial assets	1,875	4,145	34,138	28,262	487	68,907

Categories of financial liabilities

31 March 2019					31 March 2020					
Non-current		Current		Total	FINANCIAL LIABILITIES	Non-current		Current		Total
Borrowings	Creditors	Borrowings	Creditors			Borrowings	Creditors	Borrowings	Creditors	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(284,521)	-	(27,436)	(41,061)	(353,018)	Amortised Cost	(312,126)	-	(60,797)	(38,293)	(411,216)
(284,521)	-	(27,436)	(41,061)	(353,018)	Total financial liabilities	(312,126)	-	(60,797)	(38,293)	(411,216)

Note 17 Financial Instruments (continued)

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

Description	Nominal	Fair Value	Change in fair value during 2019/20	Dividends
	£'000	£'000	£'000	£'000
Sutton Living	1,875	1,875	-	-
Municipal Bond Agency	100	-	(11)	-

Sutton Living Limited is a sub company of Council owned Opportunity Sutton Limited. The Council's total investment for 2019/20 in Sutton Living £1,875,000.

Municipal Bond Agency: The UK Municipal Bonds Agency Plc was established in June 2014, with the primary purpose of reducing local authority financing costs by issuing bonds in the capital markets and on-lending to councils, lending between councils and sourcing funding from 3rd party sources, to on-lend to councils.

Reclassification

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

Note 17 Financial Instruments (continued)

b) Comprehensive Income and Expenditure Statement disclosures

Items of income, expense, gains or losses

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

2018/19			2019/20	
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
£'000	£'000		£'000	£'000
Net gains/losses on:				
(61)	-	Financial assets measured at fair value through profit or loss	289	-
93	-	Financial assets measured at amortised cost	-	-
-	89	Investments in equity instruments designated at fair value through other comprehensive income	-	11
32	89	Total net gains/losses	289	11
Interest revenue:				
(267)	-	Financial assets measured at amortised cost	(388)	-
(125)	-	Other Financial assets measured at fair value through profit and loss	(141)	-
(392)	-	Total interest revenue	(529)	-

Note 17 Financial Instruments (continued)

Fair Value

2018/19			2019/20	
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
£'000	£'000		£'000	£'000
Interest expense:				
9,302		Financial assets or financial liabilities that are not at fair value through profit or loss	10,198	-
9,302	-	Total interest expense	10,198	-
Fee expense:				
11		Financial assets or financial liabilities that are not at fair value through profit or loss	42	-
11	-	Total fee expense	42	-

Basis for recurring fair value measurements:

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

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

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

Note 17 Financial Instruments (continued)

Fair Value of Financial Assets

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 March 2019 £'000	As at 31 March 2020 £'000
Fair Value through Profit and Loss				
Other financial instruments classified as fair value through profit and loss	Level 3	Discounted cashflow	2,371	2,837
Total			2,371	2,837
Fair Value through Other Comprehensive Income				
Municipal Bond Agency shareholding	Level 3	Equity share attributable to shareholders	11	-
Sutton Living Limited	Level 3	Equity share attributable to shareholders	-	1,875
Total			11	1,875

Equity Investments

The UK Municipal Bond Agency– the shares in this company are not traded in an active market and fair value of zero has been based on valuation techniques that are not based on observable current market transactions or available market data.

The valuation has been made based on an analysis of the assets and liabilities in the company's latest audited accounts.

Sutton Living Limited - the shares in this company are not traded in an active market and fair value of £1,875k has been based on valuation techniques that are not based on observable current market transactions or available market data.

The valuation has been made based on the cost of the share holding because the investment was made in July 2019.

Note 17 Financial Instruments (continued)

Other financial instruments classified as Fair Value through Profit and Loss

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

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels during the year.

Changes in the Valuation Technique

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

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

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

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

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

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

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

The prior year fair values as at 31 March 2019 are also provided for comparison.

Note 17 Financial Instruments (continued)

Fair Value of Liabilities Carried at Amortised Cost

31 March 2019			31 March 2020	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
257,956	306,125	PWLB debt	287,896	314,313
25,615	36,180	Market Debt	25,623	34,580
17,382	17,277	Local Authorities	2,307	2,305
11,004	11,004	Short term Borrowing	57,097	57,097
41,061	41,061	Short term creditors	38,293	38,293
353,018	411,647	Total financial liabilities	411,216	446,588

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 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £314.3m measures the economic effect of the terms agreed with the PWLB, compared with estimates of the terms that would be offered for

market transactions undertaken at the Balance Sheet date.

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

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

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

its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £287.9m would be valued at £314.3m. However, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that would have been paid. The exit price for the PWLB loans including the penalty charge would be £469.9m.

Note 17 Financial Instruments (continued)

*2018-19 Restated

31 March 2019*			31 March 2020	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
22,496	22,496	Short term investments	34,138	34,138
-	-	Equity investments	1,875	1,875
39,095	39,095	Short term debtors	28,262	28,262
1,828	1,828	Long term debtors	4,145	4,145
234	234	Cash and cash equivalents	487	487
63,653	63,653	Total financial assets	68,907	68,907

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

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

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

Note 17 Financial Instruments (continued)

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

31 March 2020	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<i>Recurring fair value measurements using:</i>	£'000	£'000	£'000	£'000
Financial liabilities				
Financial liabilities held at amortised cost:				
PWLB	-	314,313	-	314,313
Non-PWLB	-	34,580	-	34,580
Local Authorities	-	2,305	-	2,305
Short term borrowing	-	57,097	-	57,097
Short term creditors	-	38,293	-	38,293
Total	-	446,588	-	446,588
Financial assets				
Financial assets held at amortised cost:				
	-	64,195	-	64,195
Total	-	64,195	-	64,195

Note 17 Financial Instruments (continued)

*2018-19 Restated

31 March 2019* comparative	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs level 2)	Significant unobservable inputs (Level 3)	Total
<i>Recurring fair value measurements using:</i>	£'000	£'000	£'000	£'000
Financial liabilities				
PWLB	-	306,125	-	306,125
Non-PWLB	-	36,180	-	36,180
Local Authorities	-	17,277	-	17,277
Short term borrowing	-	11,004	-	11,004
Short term creditors	-	41,061	-	41,061
Total	-	411,647	-	411,647
Financial assets				
Financial assets held at amortised Cost	-	63,653	-	63,653
Total	-	63,653	-	63,653

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

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

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

Note 17 Financial Instruments (continued)

c) Nature and Extent of Risks Arising from Financial Instruments

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

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

The latest Annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Council in March 2020 and is available on the Council's website. Actual performance is reported on a quarterly basis to the Audit Committee.

Credit Risk

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

Amounts Arising from Expected Credit Losses

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

The Council has made a credit loss allowance on its trade receivables in accordance with proper practices. The Council has also reviewed its long-term debtors to assess the likelihood of any loss. In 2018/19 the Council has recognised a 100% credit loss allowance on a number of long term debtors which are over 3 years old. These amounted to £93k but the debtors are still subject to recovery action by the Council. It has not been necessary to make any such allowances in 2019/20.

Liquidity Risk

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

Note 17 Financial Instruments (continued)

31 March 2019		31 March 2020
£'000		£'000
256,921	Public Works Loans Board	286,921
42,600	Market debt	27,600
11,000	Temporary loans	57,000
310,521	Total	371,521
26,000	Less than 1 year	59,395
2,395	Between 1 and 2 years	-
4,500	Between 2 and 5 years	4,500
4,200	Between 5 and 10 years	4,200
273,426	More than 10 years	303,426
310,521	Total	371,521

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

Market Risk

Interest rate risk

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

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

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

The Council continually tracks interest rates and uses its treasury management advisers, Link, to identify opportunities for restructuring debt. In doing so, any premiums or discounts applicable are taken into consideration when assessing whether this may be beneficial to the Council. There is an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable

Note 17 Financial Instruments (continued)

According to this assessment strategy, at 31 March 2020 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2019	31 March 2020
	£'000	£'000
Increase in interest payable on variable rate borrowings	153	153
Increase in interest receivable on variable rate investments	(423)	(678)
Increase in government grant receivable for financing costs	-	-
Impact Surplus or Deficit on the Provision of Services	(270)	(525)
Share of overall impact debited to the HRA	(134)	(259)
Decrease in fair value of fixed rate investment assets	(271)	(295)
Impact on Other Comprehensive Income and Expenditure	-	-
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)	(58,042)	(59,220)

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

Price Risk

The Authority does not invest in quoted equity shares or marketable bonds but does have an equity share in Sutton Living Limited and the UK Municipal Bond Agency. The shares have been classified as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve.

Note 18 Debtors

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

At 31 March 2019				At 31 March 2020		
Gross debtors	Provision for bad debts	Total Net debtors		Gross debtors	Provision for bad debts	Total Net debtors
£'000	£'000	£'000		£'000	£'000	£'000
Public sector bodies:						
4,534	-	4,534	Central government bodies	6,473	-	6,473
5,168	-	5,168	Other local authorities	13,681	-	13,681
	-	1,983	NHS bodies	1,840	-	1,840
11,685	-	11,685	Sub total public sector bodies	21,994	-	21,994
Sundry debtors:						
2,178	(930)	1,248	HRA tenants	2,529	(994)	1,535
29,610	(6,488)	23,122	Other entities and individuals	37,072	(7,827)	29,245
8,546	(3,510)	5,036	Local Taxpayers	6,663	(3,533)	3,130
40,334	(10,928)	29,406	Sub total sundry debtors	46,264	(12,354)	33,910
52,019	(10,928)	41,091	Total debtors	68,258	(12,354)	55,904

Note 19 Creditors

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

At 31 March 2019		At 31 March 2020
£'000		£'000
(5,910)	Central government bodies	(7,647)
(4,574)	Other local authorities	(19,506)
(1,196)	NHS bodies	(296)
(36,057)	Other entities and individuals	(23,831)
(47,737)	Total	(51,280)

Note 20 Cash and cash equivalents

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

At 31 March 2019		At 31 March 2020
£'000		£'000
3	Cash held by the authority	61
240	Bank current accounts	426
243	Total	487

Note 21 Provisions

Provisions have been established for the following purposes:

	Balance b/fwd 1 April 2019	Additional provisions made in 2019/20	Amounts used in 2019/20	Unused amounts reversed in 2019/20	Balance c/fwd 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Non-Current Provisions					
a) NNDR Appeals	(2,624)	(40)	1,339		(1,325)
b) Insurance Claims	(2,549)	(429)			(2,978)
c) Potential Employee Litigation	(210)				(210)
d) Disputed Social Care Supported Living Costs	(1,447)	(254)			(1,701)
e) Municipal Mutual Insurance Liability	(861)				(861)
f) Water and Sewage Claims	(1,200)				(1,200)
g) General Adult Social Care	(95)				(95)
h) Potential legal costs - highways procurement	(250)			250	-
Total	(9,236)	(723)	1,339	250	(8,370)

- a. The provision for NNDR appeals is to cover potential appeal losses and backdated appeal costs (i.e. court costs) in respect of the Collection Fund at 31 March 2020.
- b. A provision for the total outstanding internal reserve (excluding department contributions) for all incurred and reported claims.
- c. A provision of £0.210m is included in the accounts to cover general employment related matters which could involve the Council incurring costs. This provision has remained the same since 2016/17.
- d. This provision covers potential costs of clients in supported living placements where identification of the ordinary residence is in dispute

Note 21 Provisions (continued)

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

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

The Council's insurance actuary, Barnett Waddingham, recommends a provision based on the ultimate levy being 35%.

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

- f. A High Court ruling, published in March 2016, established that a London Borough had, for several years, not passed on discounts to its tenants for water and sewerage charges. 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.

- g. A general provision for Adult Social Care was established in 2016/17 for potential pay out to agencies to cover sleep in care which is now covered by minimum wage legislation regardless of whether a carer was actually asleep or awake. This has not been resolved in 2019/20 so the provision remains. It now also includes potential care costs that an agency is claiming which hasn't been resolved. The provision at year end 2019/20 stands at £95k.

- h. In 2017/18 a procurement exercise was carried out by the Council in respect of the provision of highways maintenance and street lighting.

One of the unsuccessful bidders challenged the proposed award in proceedings in the High Court, and provision was made for any potential costs liability arising from the litigation, which for 2019/20 was estimated at £0.250m. It has now been determined this is no longer required and so the provision has been reversed.

Note 22 Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2018/19		2019/20
£'000		£'000
568	Interest received	746
(11,094)	Interest paid	(8,061)
(10,526)	Total	(7,315)
	Adjust net surplus or deficit on the provision of services for non-cash movements	
24,096	Depreciation	18,962
16,920	Impairment and downward revaluations	25,672
1,689	Amortisation	1,752
(4,538)	(Increase) / decrease in creditors	2,422
7,173	Increase / (decrease) in debtors	(14,474)
-	Increase / (decrease) in inventories	56
9,925	Movement in Pension Liability	14,356
13,235	Other non cash items charged to the net surplus or deficit on the provision of services	7,526
31,254	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	16,118
99,754	Sub total of non-cash movements	72,390
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(34,549)	Capital Grants credited to surplus or deficit on the provision of services	(19,677)
(6,509)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(6,894)
(41,058)	Sub total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities	(26,571)
58,696	Total cash flows from operating activities	45,819

Note 23 Cash Flows from Investing Activities

2018/19		2019/20
£'000		£'000
(58,402)	Purchase of property, plant and equipment, investment property and intangible assets	(68,812)
(705)	Purchase of short term and long term investments	(13,495)
6,529	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,665
-	Proceeds from short and long term investments	-
39,926	Other receipts from investing activities	18,184
(12,652)	Total cash (inflow)/outflow from investing activities	(57,458)

Note 24 Cash Flows from Financing Activities

2018/19		2019/20
£'000		£'000
43,305	Cash receipts of short and long term borrowing	76,092
(15,250)	Repayment of short term and long term borrowing	(15,000)
181	Other payments for financing activities	587
28,236	Total cash (inflow)/outflow from financing activities	61,679

Note 25 Officers Remuneration and Exit Packages

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

2018/19		Remuneration Band £	2019/20	
Schools Employees	Non-Schools Employees		Schools Employees	Non-Schools Employees
10	30	50,000 - 54,999	9	38
5	24	55,000 - 59,999	5	23
6	10	60,000 - 64,999	3	10
2	6	65,000 - 69,999	2	8
2	8	70,000 - 74,999	1	8
1	5	75,000 - 79,999	3	4
1	12	80,000 - 84,999	-	12
-	2	85,000 - 89,999	-	1
1	3	90,000 - 94,999	1	3
-	2	95,000 - 99,999	-	2
-	4	100,000 - 104,999	-	3
-	-	105,000 - 109,999	-	1
-	2	110,000 - 114,999	-	-
-	-	115,000 - 119,999	-	1
-	2	120,000 - 124,999	-	-
-	-	125,000 - 129,999	-	2
-	-	130,000 - 134,999	-	1
-	1	135,000 - 139,999	-	1
-	1	140,000 - 144,999	-	-
-	1	160,000 - 164,999	-	-
-	-	175,000 - 179,999	-	1
28	113	Total	24	119

Note 25 Officers Remuneration and Exit Packages (continued)

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

2019/20	Note	Salary, fees and allowances	Employers pension contributions	Total
		£	£	£
Chief Executive - Helen Bailey		177,621	30,551	208,172
Strategic Director - Environment, Housing and Regeneration	1	115,350	19,840	135,190
Acting Strategic Director - Environment, Housing and Regeneration	1	22,002	3,784	25,786
Strategic Director - Resources		138,948	23,899	162,847
Strategic Director - People		132,009	22,706	154,715
Assistant Director Customers, Commissioning and Governance	2	71,926	12,371	84,297
Interim Monitoring Officer	2	33,550	-	33,550
Director of Public Health		100,000	17,200	117,200

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

Notes:

Note 1: At the end of January 2020 the Strategic Director - Environment, Housing and Regeneration left the employment of the Council. The post has not been permanently filled and is being covered by an Assistant Director.

Note 2: The Council's monitoring officer, the Executive Head of Customers, Commissioning and Governance, left the employment of the Council in December 2019. The role of monitoring officer is being covered by an interim until the post is permanently filled.

Note 25 Officers Remuneration and Exit Packages (continued)

2018/19	Note	Salary, fees and allowances	Employers pension contributions	Total
		£	£	£
Chief Executive - Helen Bailey		13,369	2,300	15,669
Interim Chief Executive - Mary Morrissey		29,062	7,204	36,266
Chief Executive - Niall Bolger		111,528	-	111,528
Strategic Director - Environment, Housing and Regeneration		108,650	16,482	125,132
Strategic Director - Resources		124,631	21,437	146,068
Interim Strategic Director - Resources		9,057	1,558	10,615
Strategic Director - People		124,009	21,330	145,339
Assistant Director Customers, Commissioning and Governance		102,465	17,624	120,089
Director of Public Health		100,000	17,200	117,200

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

Note 25 Officers Remuneration and Exit Packages (continued)

Exit Packages

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£							£	£
0 - 20,000	24	11	13	3	37	14	342,719	95,143
20,001 - 40,000	5	4	5	-	10	4	265,778	97,568
40,001 - 60,000	1	-	1	-	2	-	116,812	-
Total	30	15	19	3	49	18	725,309	192,711

Note 26 Members Allowances

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

2018/19		2019/20
£'000		£'000
896	Allowances	931
2	Expenses	1
898		932

Note 27 Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2019/20 are as follows:

	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2019/20 before Academy recoupment	-	-	201,790
Less Academy figure recouped for 2019/20	-	-	(104,665)
Total DSG after Academy recoupment for 2019/20	-	-	97,125
Plus: brought forward from 2018/19	-	-	1,068
Less: carry forward to 2020/21 agreed in advance	-	-	(1,068)
Agreed initial budgeted distribution in 2019/20	30,547	66,578	97,125
In-year adjustments	-	186	186
Final budget distribution for 2019/20	30,547	66,764	97,311
Less actual central expenditure	31,322	-	(31,322)
Less actual ISB deployed to schools	-	66,146	(66,146)
Carry forward to 2020/21	(775)	618	(157)
Total Surplus as at 31 March 2020			911

In 2019/20 the Council received net DSG funding of £97.311m, after academy recoupment and a net in-year adjustment for Early Years funding of £186k. There is an in-year deficit of £157k and a surplus balance as at 31st March 2020 of £911k. The surplus DSG balance of £911k will be carried forward to 2020/21 and used to support the next year's Schools Budget.

Note 28 Better Care Fund (Pooled Budgets with Sutton Clinical Commissioning Group)

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

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

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

At 31 March 2020 the 2019/20 outturn position was a £0.838m underspend which relates to capital and will be carried forward as funding for 2020/21.

31 March 2019		31 March 2020	
£'000		£'000	
Funding:			
(1,029)	Underspend brought forward from previous year	(900)	
(7,723)	London Borough of Sutton	(8,705)	
(8,448)	Sutton Clinical Commissioning Group	(13,013)	
(4,005)	Joint	-	
(21,205)	Total Funding	(22,618)	
Expenditure:			
7,852	London Borough of Sutton	8,871	
8,448	Sutton Clinical Commissioning Group	12,909	
4,005	Joint	-	
20,305	Total Expenditure	21,780	
(900)	Total underspend to be carried forward	(838)	

Note 29 Related Parties

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

Central Government

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

South London Waste Partnership

The Authority is a partner in the South London Waste Partnership, a joint committee was established in September 2007 to secure waste establishment treatment and disposal services for the London Boroughs of Croydon, Merton and Sutton and the Royal Borough of Kingston. Kingston is the lead borough for procurement, payments totalling £1.500m in 2019/20 are included in the Comprehensive Income and Expenditure Account as paid to Kingston. Croydon also shares some of the procurement activities.

Members

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

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

Organisation	Nature of Transactions	*2018/19	2019/20
		£'000	£'000
Arts Network Sutton	Arts Grant	9	9
Wandle Valley	Contribution fees	20	-
Epsom & Ewell Borough Council	Nonsuch Committee Joint Management	99	101
Empty Homes scheme	Rent for Self contained flats	29	29
Roundshaw Community Network	Various payments	1	1

*New table format - 2018-19

Subsidiaries of London Borough of Sutton Opportunity Sutton

The London Borough of Sutton's Opportunity Sutton programme was launched in 2012 to provide a focus for economic development in the borough. The Opportunity Sutton programme is based within the Environment, Housing, and Regeneration service but its success lies in a whole Council approach for the vision. Further information is available on the company's website. <https://www.opportunitysutton.org/>

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

Sutton Living Ltd.

This is a local housing company established by Sutton Council to increase the housing supply and choice of housing for local residents. The Council has provided Sutton Living Ltd with a loan of £1.875m for house building. Further information is available on the company's website <https://suttonliving.co.uk/>

Sutton Decentralised Energy Network Ltd.

This is a company wholly owned by the London Borough of Sutton. Set up in 2016, SDEN will deliver heating and hot water to residents and businesses across South London, starting in Sutton. The Council's recharge of staff time to SDEN amounted to £0.088m for 2019/20, (Nil for 2018/19). Further information is available on the company's website <http://sden.org.uk/>

Note 29 Related Parties (continued)

Sutton Housing Partnership

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

Management fees totalling £14.679m (2019: £15.508m) were paid to SHP. Services provided and charged to SHP amounted to £0.475m (2019: £0.283m). The balance owed to London Borough of Sutton as at the year-end was £0.116m (2019: £0.196m). Balance owing to SHP as at the year-end was £0.390m, (2019: £0.345m)

An audited copy of SHP's 2019/20 accounts is available to be downloaded from their website, www.suttonhousingpartnership.org.uk

Encompass LATC Ltd

Encompass is a wholly owned subsidiary of the London Borough of Sutton. It is responsible for delivering a comprehensive range of services including Advice and Information, Homelessness Prevention, Choice Based Lettings, Landlord Services, Support Brokerage, Shared Lives, Business Development and Support, and Digital Innovation. The London Borough of Sutton paid Encompass £5.530m, (2018/19 £3.775m which is made up of contract fees and homelessness grants to deliver various homelessness projects and

schemes. Further information is available on the company's website <https://www.encompass-latc.co.uk/>

Cognus Ltd

Cognus provides Speech Language and Communication and Occupational Therapy Support. The team works with schools to identify and support children and young people with speech language and communication and occupational therapy needs. London Borough of Sutton owns 75% of Cognus Ltd. Payments to Cognus for commissioning agreements amounted to £4.396m (£2.033 funded from General fund (GF) and £2.363m from DSG). Other payments of £2.197m for provision of speech and language therapies. Further information is available on the company's website. <https://cognus.org.uk/>

Shared Service Arrangements with Other Local Authorities

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

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

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

Note 30 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Councils external auditors. Public Sector Audit Appointments has appointed Grant Thornton UK LLP as the external auditor for 2019/20.

* 2018-19 restated to include group

2018/19*		2019/20
£'000		£'000
73	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	73
21	Fees payable to Grant Thornton for certification of Housing Benefit for the year	28
-	Fees Payable for teachers pension claim and pooling of housing capital receipts	11
94	Total for Sutton Council	112
34	Fee payable by Sutton Housing Partnership (SHP) for external audit services	35
3	Other audit costs (SHP)	5
128	Total audit fee for group	147

Note 31 Defined Benefit Pension Scheme

a) Participation in Pension Schemes

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

- Teachers employed by the authority are members of the Teachers' Pension Scheme, a defined benefit scheme administered nationally by the Teachers' Pension Agency. It provides teachers with defined benefits upon their retirement, and although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the authority's contribution rates. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees.
The Authority's employer contributions percentage increased in September 2019 to 23.68%, previously 16.48% of pensionable pay. In 2019/20 the employers contribution amounted to £5.798m and the employees contribution was £2.622m (employers £4.515m and employees £2.576m in 2018/19).

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 2019/20 totalled £0.509m (£0.493m in 2018/19).

- The London Borough of Sutton participates in the Local Government Pension Scheme, a defined benefit scheme based on final pensionable salary, and from 1 April 2014, career average revalued earnings (CARE). The scheme is a funded scheme meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The valuation of the fund and assessment of employer contribution rates is carried out by an independent actuary. The most recent formal valuation was carried out as at 31 March 2019. This has been updated on an informal basis by the Council's actuary, Barnett Waddingham, to take account of the requirements of IAS19 in assessing the liabilities of the Fund as at 31 March 2020 as set out below. Pension Fund regulations require formal actuarial valuations to be prepared every three years

and the next valuation will be based on the financial position of the fund as at 31 March 2022 and will be reported in the following year.

b) Transactions Relating to Retirement Benefits

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

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

Note 31 Defined Benefit Pension Scheme (continued)

2018/19	Comprehensive Income and Expenditure Statement	2019/20
£'000		£'000
	Service cost comprising:	
20,031	- Current service cost	50
889	- Past service cost	4,015
(4,362)	- (gain)/loss from settlements	(1,846)
16,558		2,219
9,847	Net interest expense	8,327
349	Administration expenses	519
26,754	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	11,065
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
28,014	- Return on plan assets (excluding the amount included in the net interest expense)	(35,670)
51,900	- Actuarial (gains) and losses arising on changes in demographic assumptions	26,760
-	- Other Actuarial (gains) and losses arising on assets	1,851
-	- Experience gains /losses on defined benefit obligation	(8,663)
(31,327)	- Actuarial (gains) and losses arising on changes in financial assumptions	74,312
48,587	Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	58,590
75,341	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	69,655
	Movement in Reserves Statement	
(26,754)	Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	(11,065)
16,829	Actual amount charged against the General Fund balance for pensions in year - Employers' contributions payable to scheme	17,070

Note 31 Defined Benefit Pension Scheme (continued)

c) Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2018/19		2019/20
£'000		£'000
884,645	Present value of defined benefit obligation	807,451
(527,697)	Fair value of plan assets	(494,737)
356,948	Net Liability arising from defined benefit obligation	312,714

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 2019.

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

2018/19		2019/20
%		%
2.4	Rate of Inflation	1.9
3.9	Rate of Increase in Salaries	2.9
2.4	Rate of Increase in Pensions	1.9
2.4	Rate of Return on Assets	2.4
2.4	Rate for Discounting Scheme Liabilities	2.4
50.0	Take-Up of Option to Convert Annual Pension into Retirement Lump Sum	50.0
Years		Years
23.4	Longevity at 65 for Current Pensioners - Men	21.8
24.8	Longevity at 65 for Current Pensioners - Women	24.4
25.0	Longevity at 65 for Future Pensioners - Men	23.2
26.6	Longevity at 65 for Future Pensioners - Women	25.8

Note 31 Defined Benefit Pension Scheme (continued)

2018/19		2019/20
% of Fund		% of Fund
64	Equities	57
21	Bonds	26
9	Property	9
2	Cash	3
3	Infrastructure	3
1	Other	2
100	Total Fund	100

Note 31 Defined Benefit Pension Scheme (continued)

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

2018/19		2019/20
£'000		£'000
889,159	Balance at 1 April	884,645
20,031	Current Service Cost	50
22,641	Interest Cost	20,852
3,460	Contributions by Members	3,651
(51,900)	Actuarial (gains)/losses arising from changes in demographic assumptions	(26,760)
31,327	Actuarial (gains)/losses arising from changes in financial assumptions	(74,312)
889	Past Service Cost	4,015
(28,710)	Benefits Paid	(31,015)
(2,252)	Liabilities extinguished on settlements	(2,699)
-	Experience loss/(gain) on defined benefit obligation	8,663
884,645	Balance at 31 March	787,090

Note 31 Defined Benefit Pension Scheme (continued)

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

2018/19		2019/20
£'000		£'000
493,549	Balance at 1 April	527,697
12,794	Interest income	12,525
	Remeasurement gain/loss:	
28,014	- The return on plan assets, excluding the amount included in the net interest expense	(35,670)
16,480	Contributions from employer	17,070
3,460	Contributions from employees into the scheme	3,651
(28,710)	Benefits Paid	(31,015)
2,110	Other	479
527,697	Balance at 31 March	494,737

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the start of the accounting period.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Note 31 Defined Benefit Pension Scheme (continued)

g) Local Government Scheme assets comprised:

Asset values shown in the tables below are based on estimated values and asset allocations as at 31 March 2020. These values have been used by the Council's actuaries for the purpose of IAS19 reporting, actual asset values at 31 March 2020 are shown in the Pension Fund Accounts.

2018/19		2019/20
£'000		£'000
8,843	Cash and Cash Equivalents	13,735
338,353	Equities	284,308
114,472	Bonds	129,314
46,688	Property	41,848
15,300	Infrastructure	18,800
4,041	Other	6,732
527,697		494,737

Note 31 Defined Benefit Pension Scheme (continued)

Further details of the assets are shown below for 2019/20, 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.

2019/20	Quoted	Unquoted	Total	Percentage of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	13,735	-	13,735	2.8
Equities				
- UK	21,790	-	21,790	4.4
- Overseas	262,518	-	262,518	53.1
Bonds				
Fixed Interest Government Securities				
- UK	13,966	-	13,966	2.8
- Overseas	7,242	-	7,242	1.5
Index Linked Government Securities				
- UK	70,347	-	70,347	14.2
- Overseas	1,552	-	1,552	0.3
Corporate Bonds				
- UK	21,207	-	21,207	4.3
- Overseas	15,000	-	15,000	3.0
Property	2,954	38,894	41,848	8.5
Infrastructure	-	18,800	18,800	3.8
Other	6,732	-	6,732	1.4
Total	437,043	57,694	494,737	100.0

Note 31 Defined Benefit Pension Scheme (continued)

h) Scheme History

	31 March 2016	31 March 2017	31 March 2018	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	749,579	908,702	889,159	884,645	807,451
Fair Value of Assets	(420,094)	(488,656)	(493,549)	(527,697)	(494,737)
Deficit	329,485	420,046	395,610	356,948	312,714

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net liability of £312.7m (based on IAS19 assumptions) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet.

In practice, the deficit (based on long term funding assumptions, which will differ from IAS19 assumptions) will be made good over a recovery period to 2035, as assessed by the Council's actuary.

i) History of Experience Gains and Losses

The related experience gains and losses for 31 March 2020 and earlier years are as follows:

	31 March 2016	31 March 2017	31 March 2018	31 March 2019	31 March 2020
	%	%	%	%	%
On assets as % of Fair Value	(1)	12	-	-	(6)
On liabilities as % of Present Value	1	(6)	-	-	(4)

Note 31 Defined Benefit Pension Scheme (continued)

j) Sensitivity Analysis of significant actuarial assumptions

IAS19 requires a sensitivity analysis for each significant actuarial assumption, and how the defined benefit obligation would be affected by a change. These are set out below as at 31 March 2020:

Present value of total obligation at 31 March 2020	+ 0.1%	0.0%	- 0.1%
	£'000	£'000	£'000
Adjustment to discount rate	792,561	807,451	822,637
Adjustment to long term salary increase	808,389	807,451	806,521
Adjustment to pension increases and deferred valuation	821,751	807,451	793,411
Adjustment to life expectancy assumptions	841,887	807,451	774,524

Note 32 Leases

Authority as Lessor - Operating Leases

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

31 March 2019		31 March 2020
£'000		£'000
8,282	No later than one year	8,214
30,352	Later than one year but no later than five years	29,534
135,986	Later than five years	129,101
174,620	Total Operating Lease Income	166,849

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

Note 33 Events after the Balance Sheet date

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

At the date of authorisation the Council is not aware of any events that would require adjustment to these statements. The ongoing global Covid-19 pandemic has resulted in uncertainty around aspects reported within these statements, as set out in Note 4. The Council is unable to estimate the financial impact of these events.

6. Housing Revenue Account (HRA)

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

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



Housing Revenue Account (HRA) Income and Expenditure Statement

2018/19	HRA Income and Expenditure Statement	Notes	2019/20
£'000			£'000
	Expenditure		
14,418	Sutton Housing Partnership management fee		14,040
2,214	Other operating costs		2,089
269	Rents, rates, taxes and other charges		340
6,195	Depreciation of fixed assets	9	6,549
15,396	Impairment costs - revaluations and disposals	10	18,284
465	Increase in bad debt provision		315
38,957	Total Expenditure		41,617
	Income		
(32,297)	Gross rent from Council dwellings		(33,587)
(934)	Gross non dwellings rent		(851)
(3,092)	Charges for services and facilities		(3,035)
-	Contributions towards expenditure		(5)
(36,323)	Total Income		(37,478)
2,634	Net Cost of HRA Services		4,139
63	Add HRA services share of Corporate and Democratic Core		27
2,697	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		4,166
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
6,272	Interest payable and similar charges		6,545
(24)	Interest and investment income		(75)
453	(Profit)/Loss on disposal of non current assets		(1,427)
94	Pensions interest cost and expected return on pension assets		67
9,492	(Surplus)/Deficit for the Year on HRA Services		9,276

Statement of Movement on the Housing Revenue Account Balance

2018/19	Statement of Movement on the Housing Revenue Account Balance	2019/20
£'000		£'000
(2,498)	Balance on the Statutory HRA at the end of the previous year	(2,511)
9,492	Surplus/(Deficit) on the HRA Income and Expenditure Account for the year	9,276
	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	
(286)	- Net Charges made for Retirement Benefits in Accordance with FRS17	(234)
(453)	- Profit/(Loss) on disposal of non current assets	1,427
(15,396)	- Impairment Costs and Disposals	(18,284)
	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	
161	- Employers Contributions Payable to the Pension Fund	140
(6,482)	Net increase before transfers to or from reserve	(7,675)
6,474	Transfer to the Major Repairs Reserve	3,687
-	Transfers (to)/from Heating Reserve Freeholders Contributions	-
4	Transfers (to)/from Heating Reserve	(23)
(9)	Transfer to Hostel Services Reserve	(5)
(2,511)	Balance on the Statutory HRA Reserve Carried Forward	(6,527)
(553)	Heating Reserve - Accumulated Surplus	(530)
(48)	Hostel Services Reserve - Accumulated Surplus	(43)
(3,112)	Total HRA Balances and Reserves	(7,100)

Notes to the Housing Revenue Account

HRA 1. Sutton Housing Partnership Limited (SHP)

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

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

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

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

HRA 2. Balance Carried Forward

A HRA Reserve balance of at least 5% of income is considered necessary to provide a sound level of prudence. The current balance at 31 March 2020 of £6,527,305 (£2,510,637 at 31 March 2019) equates to 5.74% of income.

In addition the HRA carries a Heating Reserve of £529,991 which holds the net balance of tenants' charges and recoveries for heating and hot water and will be used to help smooth future price volatility. Surplus service charges on the Council's Hillcrome Road / Harrow Road properties are held in reserve against future expenditure.

HRA 3. Housing Stock

At 31 March 2020 the Council owned and managed 5,996 tenanted dwellings plus it manages a further 1,425 leasehold properties. The Council also owned a proportion of 11 equity share/shared ownership dwellings, being the equivalent of 6 fully-owned dwellings.

Total 2018/19		Bedsits	Flats	Houses	Total 2019/20
5,868	Dwellings at 1 April	184	2,976	2,755	5,915
-	Demolitions / Transfers	-	-	-	-
(27)	Right-to Buy Sales	-	(10)	(18)	(28)
59	Acquisitions	-	31	-	31
15	Net changes through change of use or refurbishment	-	57	21	78
5,915	Dwellings at 31 March	184	3,054	2,758	5,996

HRA 4. Stock Valuation

The latest Council Dwellings valuation is as at the 31 March 2020. The following valuations are included in the Council's balance sheet:

Balance Sheet Valuation of HRA Assets:

At 31 March 2019		At 31 March 2020
£'000		£'000
	Operational Assets:	
411,118	Council Dwellings	423,687
4,964	Other Land and Buildings	5,324
5	Investment Properties	5
416,087	Total	429,016

This valuation reflects the use of HRA dwellings as tenanted stock. The vacant possession value on the balance sheet at 31 March 2020 is £1,696m. The balance sheet valuation (£423.687m) after applying the 25% social housing factor for London, i.e. a reduction of 75%) is considerably lower because dwellings are tenanted and the rents charged reflect that the properties are used to provide social housing, and discounts are available to tenants who purchase their dwelling under the statutory Right-to-Buy scheme.

HRA 5. Major Repairs Reserve

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

2018/19		2019/20
£'000		£'000
(2,603)	Balance at 1 April	(2,230)
(6,195)	Major Repairs Allowance (MRA) received	(6,549)
(71)	Depreciation on non-dwellings	(68)
6,568	MRA used on capital projects	4,458
71	Transfer to Statement of Movement on HRA balance	68
(2,230)	Balance carried forward at 31 March	(4,321)

HRA 6. Capital Financing

2018/19		2019/20
£'000		£'000
(34,566)	HRA Capital Expenditure	(18,438)
	Financed by:	
(13,454)	Borrowing	(6,959)
(6,568)	Major Repairs Reserve	(4,458)
(5,323)	Revenue Contributions	(2,646)
(7,268)	Right to Buy receipts	(3,245)
(1,600)	Leaseholders Contributions	(432)
(65)	Capital Receipts	-
(26)	Other Public Bodies - London Fire Brigade	-
(237)	Private Contributions	-
-	S106 Contribution	(672)
(25)	Grants	(26)
(34,566)	Total Financing	(18,438)

HRA 7. Capital Receipts

2018/19		2019/20
£'000		£'000
(4,913)	Right to Buy Sales	(4,804)
(843)	Other Disposals	(1,231)
(2)	Mortgage Repayments	-
(5,758)	Total	(6,035)

HRA 8. Revenue Contribution to Capital Outlay (RCCO)

2018/19		2019/20
		£'000
(1,971)	Balance at 1 April	(3,122)
-	RCCO Existing Stock	(3,687)
(2,730)	RCCO Property Acquisitions	-
(3,744)	RCCO New Build	-
-	RCCO used on capital projects - Existing Stock	1,602
2,796	RCCO used on capital projects -Property Acquisitions	-
2,527	RCCO used on capital projects - New Build	1,044
(3,122)	Balance carried forward at 31 March	(4,163)

HRA 9. Depreciation

The Council's depreciation policy is to write down asset values over their estimated life, on a straight line basis. For Council dwellings, depreciation is based on componentisation of housing stock. On this basis depreciation for 2019-20 equates to £6.5m and has been posted to the HRA Income and Expenditure Statement.

2018/19	Depreciation	2019/20
£'000		£'000
	Operational Assets:	
(6,124)	Council Dwellings	(6,481)
(71)	Other Land and Buildings	(68)
(6,195)	Total	(6,549)

HRA 10. Impairment

Impairment charges totalling £18.284m have been made during 2019/20. This charge is a result of the following:

- £4.984 million impairment after applying the social housing factor to the cost of capital works of £6.646m during the year.
- £13.320 million impairment resulting mainly from the EUV social housing valuation of 31 dwellings acquired and 78 new built occupied this year
- Offset by £0.020 million net gain 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.

HRA 11. Contributions to and from the Pension Reserve

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

HRA 12. Rent and Service Charge Arrears

Rent and service charge arrears at 31 March 2020 totalled £714,242 compared to £731,615 at 31 March 2019. As a proportion of gross rent and service income, this represents 1.9% (2.1% in 2018/19). These arrears include charges due from tenants for rent, heating and hot water, garages and other tenancy related charges.

Total provision for uncollectible rent and service debt totalled £1,033,435 at 31 March 2020 compared to £969,771 at 31 March 2019

At 31 March 2019	Tenant Rent and Service Charge Arrears	At 31 March 2020
£'000		£'000
1,738	Current Tenant Arrears	1,922
440	Former Tenant Arrears	443
2,178	Total	2,365
(1,446)	Accounts in credit	(1,651)
732	Net Arrears	714
Provision included in the accounts for potential bad debts at 31 March:		
(970)	Tenants rent and heating charges	(1,033)
(970)	Total Bad Debt Provision	(1,033)

HRA 13. Provisions

A High Court ruling, published in March 2016, established that a London Borough had, for several years, not passed on discounts to its tenants for water and sewerage charges.

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.

7. Collection Fund

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



Collection Fund Income and Expenditure Account 2019/20

2018/19			Note	2019/20		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
Income						
-	(117,070)	(117,070)			(124,515)	(124,515)
(55,199)	-	(55,199)	4	(55,406)	-	(55,406)
(1,435)	-	(1,435)		(1,436)	-	(1,436)
(280)	-	(280)		(245)	-	(245)
(56,914)	(117,070)	(173,984)		(57,087)	(124,515)	(181,602)
Expenditure						
Precepts, Demands and Shares:			3			
34,348	95,178	129,526		27,297	100,626	127,923
19,321	21,401	40,722		15,355	23,476	38,831
-	-	-		14,217	-	14,217
192	-	192		188	-	188
1,429	-	1,429		1,430	-	1,430
6	-	6		6	-	6
Charges to Collection Fund:						
654	290	944		115	17	132
(194)	-	(194)		156	613	769

Collection Fund Income and Expenditure Account 2019/20 (continued)

2018/19			Note	2019/20		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
Charges to Collection Fund (continued)						
(941)	-	(941)	Increase/(decrease) in allowance for appeals	(1,339)	-	(1,339)
418	-	418	Transition Payment to Central Government	(165)	-	(165)
Contributions Prior Year (Deficit)/Surplus:						
(1,557)	1,280	(277)	London Borough of Sutton	580	529	1,109
(1,788)	289	(1,499)	Greater London Authority	221	118	339
(1,845)	-	(1,845)	Central Government	(173)	-	(173)
50,043	118,438	168,481	Total Expenditure	57,889	125,379	183,267
(6,871)	1,368	(5,503)	Total Income Less Expenditure	802	864	1,666
Movements on the Collection Fund:						
5,714	(2,215)	3,499	(Surplus) / Deficit brought forward at 1 April	(1,156)	(848)	(2,004)
(6,871)	1,368	(5,503)	(Surplus) / Deficit for year	802	864	1,666
(1,157)	(847)	(2,004)	(Surplus) / Deficit carried forward at 31 March	(354)	16	(338)
Distribution of Fund Balance						
(918)	(691)	(1,609)	London Borough of Sutton	(254)	13	(241)
(412)	(155)	(567)	Greater London Authority	(144)	3	(141)
174	-	174	Central Government	44	-	44
(1,156)	(847)	(2,003)	Total Allocation of Fund Balance	(354)	16	(338)

Notes to the Collection Fund

CF 1. General

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

CF 2. Council Tax

The basic amount of Council Tax due for a property is derived by multiplying the Council Tax for a Band D property (£1,694.32 in 2019/20, split London Borough of Sutton £1,373.81 and GLA £320.51) by the ratio applicable to the property.

The Council Tax Base is affected by the Council Tax Reduction Scheme which treats council tax support as a discount to Council Tax. This together with technical changes to other discounts resulted in the Council Tax Base being set by the Strategic Director - Resources, under delegated authority, at 73,245.6 Band D equivalents, compared to 72,737.1 in 2018/19.

Council tax income is derived from charges on residential properties classified into eight valuation bandings established and inclusive of changes arising during the year for successful appeals against valuation banding. The Council's tax base, i.e. the number of chargeable dwellings in each band (adjusted to reflect relevant discounts and exemptions) converted to an equivalent number of Band D dwellings, was calculated for 2019/20 as follows

CF 2. Council Tax (continued)

Valuation Office estimated market value as at April 1991	Band	Estimated Number of Taxable Properties After Effect of Discounts	Ratio	Band D Equivalent Dwellings	
					£ %
Less Than £40,000	A	558.2	6/9	372.1	
£40,000 - £52,000	B	4,778.9	7/9	3,716.9	
£52,000 - £68,000	C	21,075.5	8/9	18,733.8	
£68,000 - £88,000	D	21,560.8	9/9	21,560.8	
£88,000 - £120,000	E	11,353.4	11/9	13,876.4	
£120,000 - £160,000	F	6,513.2	13/9	9,408.0	
£160,000 - £320,000	G	3,491.7	15/9	5,819.5	
£320,000 or more	H	249.0	18/9	498.0	
		69,580.7		73,985.5	
Deduct:-					
Adjustment for anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief, reduced second homes discount and exempt properties.				0.0	
				73,985.5	
Adjustment for estimated collection rate				739.85	1.00%
Council Tax Base				73,245.6	99.00%
Band D council tax charge				£1,373.81	
Total Precept raised				£100,625,595	

CF 3. Precepts and Demands

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

CF 4. Business Rates

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

2018/19		2019/20
pence per £		pence per £
49.3	Standard non-domestic multiplier	50.4
48.0	Small business non-domestic multiplier	49.1

The total rateable value for business premises in Sutton as at 31 March 2020 was £144.404 (£142.188m at 31 March 2019).

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform basis set nationally by Central Government. Under the business rates retention scheme, local authorities retain a proportion of the total collectable rates due with the rest distributed to preceptors. The distribution rates have changed in 2019/20 and are shown below, along with the 2018/19 rates for comparison;

2018/19		2019/20
%		%
64	London Borough of Sutton	48
36	Greater London Authority	27
-	Central Government	25

CF 4. Business Rates (continued)

The net business rates shares payable for 2019/20 were estimated before the start of the financial year as follows:

2018/19		2019/20
£'000		£'000
32,983	London Borough of Sutton	27,297
17,533	Greater London Authority	15,355
(1,845)	Central Government	14,217
48,671		56,869

These sums have been paid in 2019/20 and charged to the Collection Fund in year.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency and are therefore required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. The total provision charged to the collection fund for 2019/20 has been calculated at £2.241m. This leaves a total end of year provision for appeals balance of £5.523m of which the London Borough of Sutton's share is £2.651m.

8. Group Accounts

Group accounts have been prepared to give an overall picture of the activities and financial position of the Council including those activities carried out by Sutton Housing Partnership Limited, Encompass LATC Limited, Cognus Limited and Opportunity Sutton Limited on behalf of the Council. Opportunity Sutton Limited has is itself a group of companies, consisting of: Sutton Living Limited, Sutton Living Design & Build Limited and Sutton Decentralised Energy Network Limited. The 2018-19 figures have been restated to include the consolidation of Opportunity Sutton Limited.

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



Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2020

* 2018-19 Restated to include new subsidiaries

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£000	£000	£000		£000	£000	£000
34,723	(8,321)	26,402	Chief Executive's	34,607	(13,984)	20,623
53,897	(17,616)	36,281	Environment, Housing and Regeneration	50,711	(18,661)	32,050
266,560	(153,242)	113,318	Peoples Services	270,683	(157,853)	112,830
87,912	(65,544)	22,368	Resources	81,836	(59,332)	22,504
			Housing Revenue Account			
26,103	(38,802)	(12,699)	- Main HRA Revenue Account	23,713	(37,831)	(14,118)
15,396	-	15,396	- Revaluation loss/(gain) - Dwellings	18,284	-	18,284
17,490	(16,031)	1,459	- Sutton Housing Partnership	16,316	(15,445)	871
4,871	(4,581)	290	Non Service Revenue Accounts	6,137	(99)	6,038
506,952	(304,137)	202,815	Cost of services	502,287	(303,205)	199,082

Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2020 (continued)

* 2018-19 Restated to include new subsidiaries

Gross Expenditure 2018/19 £000	Gross Income 2018/19 £000	Net Expenditure 2018/19 £000		Gross Expenditure 2019/20 £000	Gross Income 2019/20 £000	Net Expenditure 2019/20 £000
26,212	(875)	25,337	Other operating expenditure	10,708	-	10,708
25,861	(603)	25,258	Financing and investment income and expenditure	22,411	(2,680)	19,731
-	(186,751)	(186,751)	Taxation and non-specific grant income		(178,619)	(178,619)
559,025	(492,366)	66,659	(Surplus) or deficit on the provision of services	535,406	(484,504)	50,902
		195	Tax expenses of Subsidiaries			23
-	-	66,854	Group (surplus) / deficit	-	-	50,925
			Group (Surplus) / Deficit attributable to:			
-	-	66,795	Council's share (London Borough of Sutton)			50,603
		59	Minority Interest	-	-	322
		66,854				50,925
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
-	-	(21,366)	Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets	-	-	(18,550)
-	-	(51,001)	Remeasurement of the net defined benefit liability on the pensions reserve	-	-	(64,063)
		(72,367)	Other comprehensive income and expenditure			(82,613)
		(5,513)	Total comprehensive income and expenditure (surplus) / deficit			(31,688)
			Comprehensive income and expenditure (surplus) / deficit attributable to:			
		(5,457)	Council's share (London Borough of Sutton)			(31,362)
		(56)	Minority interest			(326)
		(5,513)				(31,688)

Group Movement in Reserves Statement

2019/20	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance*	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000					
Balance at 31 March 2019	(13,316)	(21,295)	(34,611)	(3,112)	(20,815)	(5,352)	(11,328)	(75,218)	(131,141)	(206,359)	11,722	1,028	(193,609)
Movement during 2019/20:													
Total Comprehensive Expenditure and Income	40,519	-	40,519	9,277	-	-	-	49,796	(77,140)	(27,344)	808	322	(26,214)
Adjustments between accounting basis and funding basis under regulations	(45,167)	-	(45,167)	(13,265)	4,796	(3,132)	83	(56,685)	56,685	-	(4,825)	(648)	(5,473)
Net Increase/(Decrease) before transfers to Earmarked Reserves	(4,648)	-	(4,648)	(3,988)	4,796	(3,132)	83	(6,889)	(20,455)	(27,344)	(4,017)	(326)	(31,687)
Transfers to / (from) Earmarked Reserves	6,936	(6,936)	-	-	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in Year	2,288	(6,936)	(4,648)	(3,988)	4,796	(3,132)	83	(6,889)	(20,455)	(27,344)	(4,017)	(326)	(31,687)
Balance at 31 March 2020	(11,028)	(28,231)	(39,259)	(7,100)	(16,019)	(8,484)	(11,245)	(82,107)	(151,596)	(233,703)	7,705	702	(225,296)

Group Movement in Reserves Statement (continued)

*Restated 18/19 to include new subsidiaries

2018/19 Comparative	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance*	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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)	12,033	971	(188,085)
Movement during 2018/19:													
Total Comprehensive Expenditure and Income	55,191	-	55,191	9,492	-	-	-	64,683	(69,953)	(5,270)	2,114	59	(3,097)
Adjustments between accounting basis and funding basis under regulations	(53,337)	-	(53,337)	(15,974)	1,553	5,696	6,314	(55,748)	55,748	-	(2,425)	(2)	(2,427)
Net Increase/(Decrease) before transfers to Earmarked Reserves	1,854	-	1,854	(6,482)	1,553	5,696	6,314	8,935	(14,205)	(5,270)	(311)	57	(5,524)
Transfers to / (from) Earmarked Reserves	(2,432)	2,694	262	6,474	-	(6,474)	4	266	(266)	-	-	-	-
Increase / (Decrease) in Year	(578)	2,694	2,116	(8)	1,553	(778)	6,318	9,201	(14,471)	(5,270)	(311)	57	(5,524)
Balance at 31 March 2019	(13,316)	(21,295)	(34,611)	(3,112)	(20,815)	(5,352)	(11,328)	(75,218)	(131,141)	(206,359)	11,722	1,028	(193,609)

Group Balance Sheet

*Restated 18/19 to include new subsidiaries

31 March 2019*		31 March 2020
£'000		£'000
	Non-Current Assets	
775,296	Property, Plant and Equipment	767,240
96,228	Investment Properties	123,454
11	Long Term Investments	1,875
4,199	Long Term Debtors	4,145
875,734	Total Non-Current Assets	896,714
	Current Assets	
22,496	Short Term Investments	34,138
1,009	Assets Held for Sale	485
60	Inventories	4
42,393	Debtors	52,173
7,537	Cash and Cash Equivalents	8,666
73,495	Total Current Assets	95,466

Group Balance Sheet (continued)

*Restated 31 March 19 to include new subsidiaries

31 March 2019*		31 March 2020
£'000		£'000
	Less Current Liabilities	
(27,438)	Short Term Borrowing	(60,797)
(4,451)	Capital Grants Receipt in Advance	(3,036)
(57,301)	Creditors	(57,199)
(89,190)	Total Current Liabilities	(121,032)
	Less Non-Current Liabilities	
(9,236)	Provisions	(8,370)
(284,527)	Long Term Borrowings	(312,130)
(372,667)	Liability Related to Defined Benefit Pension Scheme	(325,352)
(666,430)	Total Non-Current Liabilities	(645,852)
193,609	Net Assets	225,296
(115,422)	Total Non-usable Reserves	(139,747)
(79,215)	Total Usable Reserves	(86,251)
1,028	Minority Interest	702
(193,609)	Total Reserves	(225,296)

Group Cash Flow Statement

*Restated 18/19 to include new subsidiaries

2018/19*		2019/20
£000		£000
(66,494)	Net (surplus) or deficit on the provision of services	(52,593)
102,504	Adjustment to the net surplus or deficit on the provision of services for non-cash movements	75,282
(40,504)	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	(26,161)
(4,494)	Net cash flows from operating activities	(3,472)
(14,009)	Net cash flows from investing activities	(56,971)
28,139	Net cash flows from financing activities	61,573
9,636	Net (increase)/decrease in cash and cash equivalents	1,130
	Represented by:	
(2,099)	a Cash and cash equivalents at the beginning of the reporting period	7,537
7,537	b Cash and cash equivalents at the end of the reporting period	8,667
9,636	Net (increase)/decrease in cash and cash equivalents (b-a)	1,130

Notes to the Group Accounts

G1. Introduction

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

The Council has an interest in a number of entities and the most significant of these are Sutton Housing Partnership CIC (SHP), established in April 2016 to manage and improve the Council's housing stock and estates, Encompass LATC Ltd provide a wide range of services including advice on housing, Social care, and innovation. Cognus Limited, which the Council owns 75%, supports schools, families and children/ young people.

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

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

G2. Accounting Policies

The group has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, issued by the Chartered Institute of Public Finance and Accounting (CIPFA). The accounting policies of the subsidiaries are in line with the Council's accounting policies.

G3. Consolidation

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

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

G4. Group Defined Benefit Pension Schemes

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

G4. Group Defined Benefit Pension Schemes (continued)

The cost of pension benefits earned during the year were:

*2018/19 Restated to include new subsidiaries						
2018/19			Comprehensive Income and Expenditure Statement:	2019/20		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
Service cost comprising:						
20,031	2,522	22,553	- Current service cost	20,411	3,038	23,449
889	610	1,499	- Past service cost	4,015	581	4,596
(4,362)	-	(4,362)	- (gain)/loss from settlements	(1,846)	-	(1,846)
16,558	3,132	19,690		22,580	3,619	26,199
9,847	389	10,236	Net interest expense	8,327	371	8,698
349	31	380	Administration expenses	519	46	565
26,754	3,552	30,306	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	31,426	4,036	35,462
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
28,014	1,979	29,993	- Return on plan assets (excluding the amount included in the net interest expense	(35,670)	(2,188)	(37,858)
51,900	2,434	54,334	- Actuarial (gains) and losses arising on changes in demographic assumptions	26,760	1,638	28,398
(31,327)	(2,009)	(33,336)	- Actuarial (gains) and losses arising on changes in financial assumptions	74,312	5,683	79,995
-	-	-	- Other actuarial (gains)/losses on assets	1,851	627	2,478
-	-	-	- Experience gain on defined benefit obligation	(8,663)	(456)	(9,119)
75,341	5,956	81,297	Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	90,016	9,340	99,356
Movement in Reserves Statement:						
(9,925)	1,970	(7,955)	Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	14,356	(1,465)	12,891

G4. Group Defined Benefit Pension Schemes (continued)

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

*2018/19 Restated to include new subsidiaries

*2018/19				2019/20		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
884,645	62,122	946,767	Present value of defined benefit obligation	807,451	57,721	865,172
(527,697)	(46,403)	(574,100)	Fair value of plan assets	(494,737)	(45,083)	(539,820)
356,948	15,719	372,667	Net Liability arising from defined benefit obligation	312,714	12,638	325,352

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

*2018/19				2019/20		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
889,159	57,955	947,114	Balance at 1 April	884,645	62,122	946,767
20,031	3,047	23,078	Current Service Cost	20,411	2,874	23,285
22,641	1,488	24,129	Interest Cost	20,852	1,495	22,347
3,460	546	4,006	Contributions by Members	3,651	517	4,168
(51,900)	(3,042)	(54,942)	Actuarial (gains)/losses arising from changes in demographic assumptions	(26,760)	(1,835)	(28,595)
31,327	2,774	34,101	Actuarial (gains)/losses arising from changes in financial assumptions	(74,312)	(6,483)	(80,795)
-	-	-	Experience gain on defined benefit obligation	8,663	149	8,812
889	610	1,499	Past Service Cost	4,015	581	4,596
(28,710)	(1,257)	(29,967)	Benefits Paid	(31,015)	(1,699)	(32,714)
(2,252)	1	(2,251)	Liabilities extinguished on settlements	(2,699)	-	(2,699)
884,645	62,122	946,767	Balance at 31 March	807,451	57,721	865,172

G4. Group Defined Benefit Pension Schemes (continued)

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

*2018/19 Restated to include new subsidiaries

*2018/19				2019/20		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
493,549	42,457	536,006	Balance at 1 April	527,697	46,403	574,100
12,794	1,099	13,893	Interest income	12,525	1,124	13,649
			Remeasurement gain/loss:			
28,014	2,147	30,161	- Return on plan assets, excluding the amount included in the net interest expense	(35,670)	(3,188)	(38,858)
-	-	-	- Other actuarial gains/(losses)	1,851	492	2,343
16,480	1,442	17,922	Contributions from employer	17,070	1,480	18,550
3,460	546	4,006	Contributions from employees into the scheme	3,651	517	4,168
(28,710)	(1,257)	(29,967)	Benefits Paid	(31,015)	(1,699)	(32,714)
2,110	(31)	2,079	Other	(1,372)	(46)	(1,418)
527,697	46,403	574,100	Balance at 31 March	494,737	45,083	539,820

9. Pension Fund Accounts 2019/20

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 Account for the year ended 31 March 2020

2018/19			2019/20
£'000		Note	£'000
	Dealings with members, employers and others directly involved in the Fund		
(31,323)	Contributions	7	(32,534)
(16,050)	Transfers in from other pension funds	8	(6,565)
(47,373)			(39,099)
27,193	Benefits	9	27,513
39,334	Payments to and on account of leavers:	10	5,412
66,527			32,925
19,154	Net (additions) / withdrawals from dealings with members		(6,174)
6,308	Management expenses	11	6,015
25,463	Net (additions)/withdrawals including fund management expenses		(159)
	Returns on Investments		
(7,554)	Investment income	12	(9,399)
(52)	Taxes on income	13	45
(40,070)	(Profit) loss on disposal of investments and changes in the market value of investments	14b	33,264
(47,677)	Net (Return)/Loss on Investments		23,910
(22,214)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		23,751
(641,603)	Opening Net Assets of the Scheme		(663,817)
(663,817)	Closing Net Assets of the Scheme		(640,066)

Sutton Pension Fund Net Assets Statement for the year ended 31 March 2020

2018/19		Note	2019/20
£'000			£'000
673,044	Investment Assets	14	632,628
673,044	Total Net Investments		632,628
4,545	Current Assets	20	7,998
(13,772)	Current Liabilities	21	(560)
663,817	Net Assets of the Fund available to fund benefits at the end of the reporting period		640,066

Notes to the Pension Fund

PF Note 1 - Description of the Fund

a) General

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

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

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

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

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

b) Pension Committee

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

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

c) Membership

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

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

PF Note 1 - Description of the Fund (continued)

Member bodies at 31 March 2020 were as follows:

Scheduled Bodies

Sutton Housing Partnership

Academy Schools (x 38)

Admitted Bodies

Citizens Advice Bureau - Sutton Borough

Indigo (formerly Vinci Park)

Beddington and Wallington Citizens Advice Bureau

DB Services (previously NVIRO))

Caterlink

Sports and Leisure Management Ltd

Ambient Support formerly Community Options
(Heritage Care)

Orchard Hill College

Compass Catering (Overton Grange Academy)

Orchard Childcare

Compass Catering (St Philomena's)

Orchard Hill College Academy Trust

Eldercare

Playwise Learning CIC

Mitie (facilities and security management)

Ridgecrest Cleaning

Cognus (formally Sutton Education Service)

Encompass

PF Note 1 - Description of the Fund (continued)

The following table summarises the membership numbers of the scheme:

2018/19		2019/20
No.		No.
55	Number of Employers with active members	58
	Active Members	
2,763	London Borough of Sutton	2,856
2,286	Scheduled bodies	2,469
502	Admitted bodies	512
5,551		5,837
	Deferred Members	
3,875	London Borough of Sutton	3,935
549	Scheduled bodies	697
121	Admitted bodies	158
4,545		4,790
	Pensioners (including Dependents)	
3,689	London Borough of Sutton	3,763
229	Scheduled bodies	282
74	Admitted bodies	89
3,992		4,134
14,088	Total	14,761

PF Note 1 - Description of the Fund (continued)

d) Benefits

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

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

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

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

e) Funding

The Pension Fund is financed by contributions from employees, employers (including the Council, admitted and scheduled bodies) and from the Fund's investments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2020. Under the current scheme members can opt for the 50:50 option where they pay half their contributions for half the benefits.

In 2019/20, employer contribution rates ranged from 15.0% to 26.2% of pensionable pay. Employer contribution rates payable from 1 April 2017 were set by the triennial valuation as at 31 March 2016, the results of which were published on 31 March 2017. The Fund excludes teachers, who have a separate Teachers Pensions Scheme managed by the Teachers Pensions Agency. The Fund also excludes those contributing to the NHS Pensions Scheme.

PF Note 2 - Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its position as at 31 March 2020. The Accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2019/20' (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The Accounts have been prepared on a going concern basis.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not provide for obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an IAS 19 basis, is disclosed at Note 19 of these Accounts.

Accruals Concept

Income and expenditure has been included in the Accounts on an accruals basis. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The adequacy of the Fund to pay future pensions and other benefits is reported upon separately in these accounts.

Valuation of Investments

Investments are stated at their market values as at 31 March 2020 and are determined as follows:

- All investments priced within the Stock Exchange Electronic Trading Service (SETS), a Recognised or Designated Investment Exchange or Over-The-Counter market, are valued at the bid-market prices at close of business on the exchange or market on which the investment trades, or at the last trading price recorded.
- Securities which are not covered by the above are valued at their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review.
- Investments held in foreign currency have been valued on the relevant basis and translated into Sterling at the rate ruling at the balance sheet date.
- Transactions in foreign currency are translated into Sterling at the exchange rate ruling at the time of transaction.

PF Note 3 - Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution Income

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer's augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. (Augmentation is the cost of additional membership awarded by an employer).

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions

to purchase scheme benefits are accounted for on a receipts basis.

c) Investment income

• Interest income

Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of the financial instrument and its amount as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

• Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset

• Distributions from pooled funds

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

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

d) Benefits payable

Pensions and lump sum benefits include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Interest from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Investment income, Note 12, is shown gross of irrecoverable taxes deducted. The Fund is reimbursed VAT by HM Revenue and Customs, and the accounts are shown exclusive of VAT.

PF Note 3 - Summary of significant accounting policies (continued)

f) Management Expenses

Pension Fund management expenses are accounted for in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)*.

- Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the Pension Administration Team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund

- Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management and accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

- Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change. The cost of obtaining investment advice from external consultants is included here.

Net Assets Statement

g) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

h) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (Note 19).

i) Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the Pension Fund (see Note 22). AVCs are paid to the AVC providers by employers, specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement from the AVC provider company showing the amount held in their account and the movements in year.

PF Note 4 - Critical judgements in applying accounting policies

In applying the accounting policies as set out in Note 3 above, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

Pension Fund Liability

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

PF Note 5 - Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different in the forthcoming year, as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>There is further uncertainty arising from a legal challenge to the Government's transitional arrangements following the public sector pension reforms in 2015. The McCloud case was upheld by the Court of Appeal in December 2018 which found the transitional arrangements to be discriminatory on the grounds of age and gender. The Government was refused appeal to the Supreme Court in June 2019, leaving it for the Scheme Advisory Body to determine how this matter is to be resolved. In July 2020 MHCLG released a further consultation paper outlining potential remedies, but it should be noted that this approach is not yet finalised. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>The sensitivity of the net Pension Fund liability to a change in assumptions can be measured. For example a 0.1% increase in the discount rate assumption would result in an approximate reduction of £15m 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 rate of salary increase would increase the liability by approximately £1m.</p> <p>The potential impact of the McCloud case has been assessed by the Government Actuary Department (GAD) on a national LGPS-wide basis using a range of assumptions about potential remedies.</p> <p>The Council's actuaries have applied the same assumptions as used in the GAD review to prepare the IAS26 report, and have allowed for a potential increase in pension liabilities of 0.7%, or £7.0m. This figure was calculated before the July 2020 consultation paper was released, but the actuaries believe that the remedies proposed in the consultation paper are in line with the assumptions they used when preparing the IAS26 report, and so do not believe any further adjustment to the allowance is warranted at this time.</p>
Unquoted investments	<p>The valuation of unquoted private equity including property and infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using comparable market data, indices and data from third parties, as well as projected revenue streams associated with the assets.</p> <p>The current response to COVID-19 means property and infrastructure assets held by the Pension Fund Managers as at 31st March 2020 are reported on the basis of 'material valuations uncertainty' as set out in VPGA 10 of the RICS Valuation Global Standards. Consequently, less certainty and a high degree of caution should be attached to the valuations than would normally be the case.</p>	<p>The potential impact of this uncertainty cannot be measured accurately. Total property and infrastructure funds held by the Pension Fund are valued at £74.9m, and a 10% change in the valuation of property and infrastructure would therefore equate to a difference of £7.49m in Fund value.</p>

PF Note 6 - Events after the reporting period end

The Statement of Accounts was authorised for issue by the Strategic Director - Resources (S151 Officer) on 15 July 2020. At this date there was one non-adjusting event to report:

The value of the investments of the Fund at 31 May 2020 show an increase in market movement from £632.6m to £707.1m. This is an increase of £74.5m or 11.8%.

At the date of authorisation the Council is not aware of any events that would require adjustment to these statements. The ongoing global Covid-19 pandemic has resulted in uncertainty around aspects reported within these statements, as set out in Note 4. The Council is unable to estimate the financial impact of these events.

PF Note 7 - Contributions receivable

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain solvency of the Fund. The tables below show a breakdown of the total amount of employers' and employees' contributions.

By Category

*2018/19		2019/20
£'000		£'000
(6,072)	Employees' contributions	(6,555)
	Employers' contributions	
(16,767)	Normal Contributions	(17,721)
(7,731)	Deficit Recovery Contributions	(8,092)
(753)	Augmentation contributions	(166)
(25,251)		(25,979)
(31,323)		(32,534)

*2018/19 Contribution Receivable restated

PF Note 7 - Contributions receivable (continued)

By Authority

2018/19		2019/20
£'000		£'000
(20,736)	London Borough of Sutton	(18,777)
(7,532)	Scheduled bodies	(10,639)
(3,055)	Admitted bodies	(3,118)
(31,323)		(32,534)

PF Note 8 - Transfers in from other pension funds

2018/19		2019/20
£'000		£'000
(4,932)	Individual transfers	(6,565)
(11,118)	Group transfers	-
(16,050)		(6,565)

During the year ended 31 March 2020, no group transfers were received into the Fund.

During the year ended 31 March 2019, the following group transfers were receivable from the Royal Borough of Kingston upon Thames:

- In respect of the transfer of the Shared Finance Service, estimated at £9.6m
- In respect of the transfer of the Customer Contact Centre, estimated at £1.5m

PF Note 9 - Benefits payable

The tables below show a breakdown of the total amount of benefits payable by category and by authority:

By Category

2018/19		2019/20
£'000		£'000
22,023	Pensions	22,926
4,709	Commutation and Lump sum retirement benefits	3,884
461	Lump sum death benefits	703
27,193		27,513

By Authority

2018/19		2019/20
£'000		£'000
23,895	London Borough of Sutton	23,996
2,445	Scheduled bodies	2,410
853	Admitted bodies	1,107
27,193		27,513

PF Note 10 - Payments to and on account of leavers

2018/19		2019/20
£'000		£'000
124	Refunds to members leaving service	154
35,189	Group transfers	-
4,021	Individual transfers	5,258
39,334		5,412

PF Note 11 - Management expenses

2018/19		2019/20
£'000		£'000
507	Administration Expenses	815
5,661	Investment Management Expenses	4,881
124	Oversight and Governance	319
6,292		6,015

The above table includes audit costs within Oversight and Governance which total £16,170 in 2019/20 (£16,170 in 2018/19)

PF Note 11a - Investment management expenses

Investment Management Expenses are further analysed below in line with CIPFA Guidance on Accounting for Management Costs in the LGPS.

2018/19		2019/20
£'000		£'000
4,197	Management Fees	3,213
250	Performance Fees	209
96	Custody Fees	37
1,118	Transaction Costs	1,422
5,661		4,881

PF Note 11b - External audit costs

2018/19		2019/20
£'000		£'000
16	External audit costs	16
16		16

PF Note 12 - Investment income

2018/19		2019/20
£'000		£'000
	Pooled Investments:	
(3,027)	- Equities	(5,130)
(1,940)	- Fixed Income	(1,271)
(1,648)	- Property	(1,190)
(836)	- Other	(1,789)
(104)	Interest on Cash Deposits	(18)
(7,554)		(9,399)

PF Note 13 - Taxes on income

2018/19		2019/20
£'000		£'000
(52)	Withholding tax - pooled	45
(52)		45

PF Note 14 - Investments

2018/19	Investment Assets	2019/20
£'000		£'000
	Pooled Investment Vehicles - UK:	
33,810	Equities	27,897
108,501	Fixed Income - Public Sector	107,708
31,792	Fixed Income - Corporate	26,077
41,210	Property	39,449
328	Credit	-
5,280	Other	10,475
	Pooled Investment Vehicles - Overseas:	
368,458	Equities	339,553
22,438	Fixed Income - Public Sector	13,433
22,596	Fixed Income - Corporate	26,671
14,668	Property	14,870
22,841	Infrastructure	25,048
	Other Investment Balances:	
150	London CIV share capital	150
940	Cash deposits	1,266
31	Accrued income and recoverable taxes	31
673,044	Total Net Investment Assets	632,628

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

PF Note 14a - Analysis of Pooled Investment Vehicles

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

2018/19	Pooled Investment Vehicles:		Other managed funds:				Total
	Unit trusts	Unitised insurance policies	OEIC	SICAV	Insurance contract	Partnership	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equities	360,412	41,856					402,268
Fixed Income	51,403	35,279	48,500		50,144		185,327
Property	40,845			15,033			55,879
Infrastructure				22,841			22,841
Credit						328	328
Other	5,280						5,280
	457,941	77,135	48,500	37,874	50,144	328	671,923

PF Note 14b - Reconciliation of movements in investments

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

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

2018/19	Value 31 March 2018	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:					
- Equities	404,029	81,605	(114,393)	31,829	403,069
- Fixed Income	143,920	35,940	(1,292)	5,304	183,871
- Property	54,925	368	(490)	1,182	55,985
- Infrastructure	15,729	7,275	(1,932)	1,769	22,841
- Credit	435	-	(103)	(4)	328
- Other	5,922	111	(71)	16	5,978
Sub-total Investments	624,959	125,299	(118,281)	40,095	672,073
Other Investment Balances:					
Cash deposits	5,497			(10)	940
Accrued income and recoverable taxes	94			(15)	31
Net Investment Assets	630,550			40,070	673,044

PF Note 14c - Investments analysed by fund manager

The market value of the investment assets under the management of each fund manager as at 31 March 2020 is shown below. The Fund's major investments representing more than 5% of net investment assets are also identified in the table.

31 March 2019			31 March 2020	
Market Value	% of total	Fund Manager	Market Value	% of total
£'000	%		£'000	%
Investments managed by London Collective Investment Vehicle				
43,603	6.5%	Pyrford - LCIV Global Total Return Fund	42,270	6.8%
47,165	7.0%	Baillie Gifford - LCIV Diversified Growth Fund	42,538	6.7%
112,263	16.7%	Newton - LCIV Global Equity Fund	103,658	16.4%
203,031	30.2%		188,466	29.9%
Investments managed outside of London Collective Investment Vehicle				
101,192	15.0%	Schroder Life QEP Global Active Value Fund	84,349	13.4%
116,940	17.4%	Harding Loevner Funds Plc Global Equity Fund	110,664	17.5%
41,856	6.2%	Legal & General All World Equity Index Fund	39,235	6.3%
35,279	5.2%	Legal & General Over 5 Year Index Linked Gilts Fund	36,110	5.7%
48,500	7.2%	M&G Alpha Opportunities Fund	48,067	7.6%
50,144	7.5%	M&G PP Index Linked Fund	49,459	7.8%
445	0.1%	M&G UK Companies Financing Fund LP	-	0.0%
13,123	2.0%	LaSalle Investors UK Real Estate Fund of Funds	12,569	1.9%
24,144	3.6%	BlackRock UK Property Fund	22,202	3.5%
15,033	2.2%	Invesco Real Estate UK Residential Fund SCSp	15,013	2.4%
23,206	3.4%	Partners Group Direct & Global 2015 S.C.A., SICAV-SIF & Global 2012 S.C.A., SICAR	25,048	4.0%
469,863	69.8%		442,716	70.1%
672,894	100.0%	Total	631,182	100.0%

PF Note 15 - Fair value – basis of valuation

The basis of the valuation of each class of investment asset is in accordance with the guidance contained in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). Asset and liability valuations are classified into three levels, according to the quality and reliability of information used to determine fair values. The investment assets of the Pension Fund are classed, as set out in the table below.

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Cash and short term investment debtors and creditors are classified as level 1.

Level 2

Quoted prices are not available and valuation techniques use inputs that are based significantly on observable market data. Investment assets classified at level 2 are those where quoted market prices are not available; for example, where an investment is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

At least one input that could have a significant effect on valuation is not based on observable market data. Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data, and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments. Assurances over the valuations are gained from the independent audit of the accounts.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Recognised at market value	Not required	Not required
Market quoted investments - pooled equity and bond funds	Level 1	Published bid market price on final day of the accounting period	Not required	Not required
Pooled investments - equity and bond funds	Level 2	Closing bid price where bid price published. Closing single price where single price published	NAV based pricing set on a forward pricing basis. Evaluated price feeds	Not required
Pooled investments - UK and overseas property funds	Level 3	Closing bid price where bid price published	NAV based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between reporting date and 31/03/20
Pooled investments - infrastructure fund and loans to companies fund	Level 3	Discounted cashflow method	Projected cashflow information based on agreed investment terms and expected growth rates	Valuations could be affected by material events occurring between reporting date and 31/03/20

PF Note 15a - Fair value hierarchy

31 March 2019					31 March 2020			
Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total		Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
					Pooled Investment Vehicles:			
130,740	271,528	-	402,268	Equities	214,322	153,131	-	367,453
29,802	155,525	-	185,327	Fixed Income		173,887	-	173,887
-	4,039	51,840	55,879	Property	-	4,535	49,784	54,319
-	-	22,841	22,841	Infrastructure	-	-	25,048	25,048
-	-	328	328	Credit	-	-		-
-	5,280	150	5,430	Other	-	10,475	150	10,625
160,542	436,372	75,159	672,073	Financial Assets at fair value through profit and loss	214,322	342,028	74,982	631,332

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

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

2018/19	Value 31 March 2018	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2019
	£'000			£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Property	50,824	-	-	284	(439)	1,171	51,840
- Private Equity/Infrastructure	15,729	-	-	7,275	(1,932)	1,769	22,841
- Credit	434	-	-	-	(103)	(4)	327
- Other	150	-	-	-	-	-	150
Total	67,138	-	-	7,559	(2,474)	2,936	75,159

PF Note 16a - Classification of financial instruments

2018/19			2019/20		
Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets					
Pooled Investment Vehicles:					
402,268	-	-	Equities	367,453	-
185,327	-	-	Fixed income	173,887	-
55,879	-	-	Property	54,319	-
22,841	-	-	Infrastructure	25,048	-
328	-	-	Credit	-	-
5,430	-	-	Other*	10,625	-
	4,168	-	Cash deposits		7,918
	1,347	-	Sundry debtors		800
672,073	5,516	-		631,332	8,718
Financial Liabilities					
-	-	(13,772)	Creditors	-	16
-	-	(13,772)		-	16
672,073	5,516	(13,772)	Total	631,332	16

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

2018/19		2019/20
£'000		£'000
	Financial Assets	
40,095	Designated at fair value through profit and loss	(33,261)
(25)	Designated at amortised cost	(3)
40,070		(33,264)

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

Key risks

The Pension Fund's activities expose it to a variety of financial risks:

- market risk – the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.
- credit risk – the possibility that other parties might fail to pay amounts due to the Pension Fund.
- liquidity risk – the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.

Overall Procedures for Managing Risk

The Pension Fund's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2013 and the associated regulations. These regulations set out permissible financial instruments, require the Administering Authority to maintain and invest on behalf of the Pension Fund in accordance with its investment principles, to take professional advice, to review investment performance and to operate a separate Pension

Fund bank account. Overall these procedures require the Administering Authority to manage Pension Fund risk by maintaining and investing in accordance with a:

- Investment Strategy Statement;
- Funding Strategy Statement;
- Statement of Governance Policy;
- Governance Compliance Statement.

The Pension Fund Investment Strategy is reviewed at least triennially following actuarial valuation by the Pension Fund Panel who monitor investment performance and compliance quarterly, including the internal control arrangements of external fund managers and the custodian.

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

a) Market risk

Market risk is the risk of loss from fluctuations in equity, bond and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters whilst optimising the return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset classes, geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short, is unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as shown in the table below.

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

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

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data, the council considers the likely volatility associated with foreign exchange rate movements to be 10.0%. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following table summarises the Fund's currency exposure as at 31 March 2020, along with the impact that a 10.0% strengthening / weakening of the pound against the various currencies in which the Fund holds investments would have on the values

The value on increase and value on decrease for an individual currency exposure is calculated with reference to that currency's volatility, relative to GBP, over the three years to March 2020. Because currency changes are not necessarily correlated it is not appropriate to sum the outputs from each currency. In calculating the increase and decrease at a total fund level, it is necessary to establish the change in value of the aggregate of currencies held. It is this change that is applied to the overall currency exposure.

Value as at 31/03/2019	Value on 10% price increase	Value on 10% price decrease	Currency Exposure - Asset Type	Value as at 31/03/2020	Value on 10% price increase	Value on 10% price decrease
£'000	£'000	£'000		£'000	£'000	£'000
368,458	405,304	331,612	Overseas equities	339,555	373,511	305,600
45,034	49,537	40,530	Overseas fixed income	40,103	44,114	36,093
14,668	16,135	13,202	Overseas property	14,870	16,357	13,383
22,841	25,125	20,557	Overseas infrastructure	25,048	27,553	22,543
451,001	496,101	405,901	Total assets available to pay benefits	419,577	461,535	377,619

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

Other Price Risk -Sensitivity Analysis

Value as at 31/03/2019	Change +/-	Value on increase	Value on decrease	Asset Type	Value as at 31/03/2020	Change +/-	Value on increase	Value on decrease
£'000	%	£'000	£'000		£'000	%	£'000	£'000
402,268	16.8	469,849	334,687	Equities	367,453	28.0	470,339	264,566
185,327	9.5	202,933	167,721	Fixed income	173,887	8.5	188,668	159,107
55,879	14.3	63,869	47,888	Property	54,319	14.6	62,249	46,388
22,841	15.9	26,473	19,209	Infrastructure	25,048	15.6	28,956	21,141
328	0.5	330	326	Credit	-	0.3	-	-
940	0.5	944	935	Cash	1,266	0.3	1,269	1,262
5,461	9.1	5,958	4,964	Other	10,656	9.7	11,690	9,623
673,044		770,356	575,730	Total	632,628		763,171	502,087

The value on increase and value on decrease for an individual currency exposure is calculated with reference to that currency's volatility, relative to GBP, over the three years to March 2020. Because currency changes are not necessarily correlated it is not appropriate to sum the outputs from each currency. In calculating the increase and decrease at a total fund level, it is necessary to establish the change in value of the aggregate of currencies held. It is this change that is applied to the overall currency exposure.

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In

essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Pension Fund has selected bond managers who have an investment strategy which requires investment only in high investment grade and collateralised products and who use research and market knowledge to minimise exposure to credit risk. The Pension Fund uses a custodian to ensure that all money due is paid in full and on time. Internally invested cash is placed in a special interest bearing account with the Council's bankers.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash

resources to meet its commitments. This will particularly be the case to meet the pensioner payroll costs; and also cash to meet investment commitments. The Pension Fund currently remains cash flow positive with contributions exceeding payable pensions, though this is regularly monitored. The Council has immediate access to a proportion of its Pension Fund cash holdings, as these are held in an instant access special interest bearing account maintained by Council officers. The remainder is invested in fixed term deposits taking into account likely future cash flows. Surplus funds are invested externally with fund managers. In the event of a funding shortfall the LGPS regulations permit the administering authority to borrow on behalf of the Pension Fund for up to 90 days. If required, funds can also be called back from investment managers to meet liabilities.

PF Note 18 - Funding arrangements

Rates of contributions paid by the participating Employers during 2019/20 were based on the actuarial valuation carried out as at 31 March 2016 by the Fund's actuary, Barnett Waddington. A further actuarial valuation was carried out by the actuary as at 31 March 2019, which will be used to set contribution rates from 2020/21 to 2022/23. The following table shows a summary of the results of the 2019 valuation including the funding position:

Past Service Position	31/03/2019
	£m
Past Service Liabilities	(732)
Market Value of Assets	661
Surplus (Deficit)	(71)
Funding Level	90%

Financial Assumptions	31/03/2019
	Nominal
Discount Rate	4.7%
Salary Increases	3.6%
Pension Increases	2.6%

Contribution Rates	
Employer Future Service Rate	19.2%
Past service adjustment (21 year spread)	6.6%
Total Employer Contribution Rate	25.8%

The majority of employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority. Their contribution rates are calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of employers using the projected unit actuarial method.

The rates of contributions payable by each participating employer over the period 1 April 2017 to 31 March 2020 are set out in a certificate dated 31 March 2017 which is appended to the actuary's report on the actuarial valuation. For those bodies which have become separate employers within the Fund since the valuation date, their contribution rates have been calculated individually and certified by the Fund's actuary. Revised contribution rates will apply from 1 April 2020, based on the actuarial valuation as at 31 March 2019.

PF Note 19 - Actuarial present value of promised retirement benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2020, of the actuarial valuation of promised retirement benefits as set out in IAS26, and that the actuarial present value should be calculated on an IAS 19 basis.

IAS26 is the accounting standard that sets out the requirements for accounting and reporting in respect of retirement and the requirements for accounting and reporting of promised retirement benefit plans following the move to financial reporting of the Pension Fund Accounts under the International Financial Reporting Standards (IFRS).

31 March 2019		31 March 2020
£'000		£'000
(1,074,915)	Actuarial Fair Value of Promised retirement benefits	(996,923)
663,817	Net Fund Assets available to fund benefits	631,450
(411,098)	Net Liability	(365,473)

PF Note 20 - Current assets

Restated for 2018-19

31 March 2019		31 March 2020
£'000		£'000
1,231	Contributions	1,321
85	Other debtors	24
2,914	Current receivables	5,609
315	Cash at Bank	1,044
4,545	Total Current Assets	7,998

PF Note 21 - Current liabilities

31 March 2019		31 March 2020
£'000		£'000
(35)	Refund of contributions	(8)
(313)	Unallocated contributions	-
(13,424)	Other Creditors	(552)
(13,772)	Total Current Liabilities	(560)

Other creditors as at 31 March 2019 includes £13.1m accrual for Carshalton College bulk transfer.

PF Note 22 - Additional voluntary contributions

A number of active Fund members have elected to pay additional voluntary contributions to increase their personal benefits. Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require that these are not paid into the Pension Fund.

The total AVCs paid by members in Clerical Medical during 2019/20 were £98k (£109k in 2018/19), as below. AVCs paid by members in Utmost (formerly Equitable Life) are not available until up to 12 weeks after the anniversary of the scheme renewal date at the end of May.

31 March 2019		31 March 2020
£'000		£'000
109	Clerical Medical	98
109		98

These are invested with the Council's approved AVC providers and are money purchase arrangements. At 31 March 2020, the total estimated value of the AVC funds with Clerical Medical and Utmost was £632k (£762k at 31 March 2019).

PF Note 23 - Related party transactions

The Council is a related party to the Fund and in accordance with the regulations the Council's expenses in administering the Scheme are charged to the Fund. The amount charged by the Council for 2019/20 was £524,197 (£395,312 in 2018/19)

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

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

PF Note 24 - Contingent liabilities and contingent assets

The Fund has a contingent liability in respect of a guarantee provided to the City of London Pension Fund for the pension liabilities of the London CIV. There are no known material contingent assets as at 31 March 2020. There are no outstanding contractual commitments and no material relating non-adjusting events occurring subsequent to the period end.

10. Annual Governance Statement 2019/20

This provides assurances on the Council's governance framework, that comprises the systems, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community.

The Annual Governance Statement is published alongside but does not form part of the Accounts and so is not subject to the same inspection of accounts regime.



Annual Governance Statement

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 This statement sets out how the Council has complied with the Code and meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6 (1), which requires all relevant bodies to prepare and approve an annual governance statement. The governance framework has been in place for 2019/20 and up to the date of approval of the Statement of Accounts. Its key elements are summarised below along with supporting evidence.
- 1.4 The Audit and Governance Committee is responsible for receiving and considering reports relating to matters of probity and ethics and to consider matters relating to the Code of Conduct.

2. Purpose

- 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 in 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 governance framework in place at Sutton Council up to the beginning of March 2020 concludes that it is fit for purpose in accordance with the governance framework.
- 2.4 The impact of the COVID-19 pandemic, in March 2020, changed the governance arrangements in the Council as it focuses on the crisis.

- The Council adopted formal major emergency response arrangements (Gold, Silver) to manage the coronavirus response in the Borough. Council Gold Group, consisting of Corporate Management Team members, convened daily to discuss the changing situation and impacts, make complex decisions, and take strategic actions to direct the Council's response. The Councils Silver Group convened daily to undertake work as directed by the Gold Group across the workstreams established in response to the pandemic and to monitor the impacts across directorates.
 - Decision making committees were cancelled during March, except for the Strategy and Resources Committee on 30 March where emergency arrangements were agreed.
 - Additional funding has been provided by the Government to local authorities to cover additional costs. These costs are being regularly monitored and reported to MHCLG. Grants announced to date do not cover the total expected financial impact on the Council.
 - Funding has also been provided for Business and the voluntary sector.
 - Redeployment of council employees to key areas in place.
- 2.5 During 2020/21, the Council will need to consider preparations to return to a new 'normal', lessons learnt and to assess the long term impact and consequences of the pandemic.

Annual Governance Statement (continued)

3. The governance framework

- | | | |
|--|--|--|
| <p>3.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and the activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.</p> | <p>3.4 The Scrutiny Committee scrutinises decisions made by other committees and decisions delegated to officers.</p> | <p>2020 and Council on the 2nd March 2020. This is updated annually supporting the Council's strategic objectives.</p> |
| <p>3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of London Borough of Sutton policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.</p> | <p>3.5 The Council's Standards function is undertaken by the Audit and Governance Committee.</p> <p>3.6 The Council's Constitution sets out how decisions are made and the procedures that are followed to evidence open and transparent policy and decision making and compliance with established policies, procedures, laws and regulations.</p> <p>3.7 The Council has a designated Monitoring officer, who, after consulting with the Head of Paid Service (Chief Executive) and Strategic Director of Resources, report to the Full Council, or the Leader in relation to an executive function, if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission would give rise to unlawful action. The Monitoring Officer also oversees Member complaints and conduct matters referred by the Audit and Governance Committee and delivers reports and recommendations in respect of those to this Committee.</p> | <p>3.9 Internal audit is responsible for monitoring the quality and effectiveness of internal controls. Using the Council's risk registers and an audit needs assessment, a plan of internal audit work is developed. The outcome of the internal audit work is reported to all relevant Strategic Directors and regularly to the Audit and Governance Committee. Implementation of recommendations is monitored and progress reported. Regular Fraud update reports are presented to the Audit and Governance committee by the South West London Fraud Partnership.</p> |
| <p>3.3 The Full Council sets the policy and budgetary framework and is responsible for the appointment of Members, other Committees and local committees. It also adopts the Code of Conduct for Councillors, agrees any changes to the Councils constitution and terms of reference for committees, panels and other member bodies. These meetings are open to the public, except where personal or confidential matters are being discussed.</p> | <p>3.8 The financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution. The Council has designated the Strategic Director of Resources, as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a four year medium-term financial strategy set out in the Commission and Financial Planning 2020/21 to 2023/23 that was agreed at Strategy and Resources Committee on 10th February</p> | <p>3.10 The Council has a performance planning process supplemented by detailed business planning to establish, monitor and communicate Sutton Council's objectives. This includes a performance management system that sets key targets and reports on performance monitoring. The performance management framework is utilised to measure the quality of services for users, to ensure that they are delivered in accordance with the Council's objectives and that these services represent the best use of resources and value for money.</p> <p>3.11 The Council has a risk management process to identify, assess and manage significant risks to the Council's objectives including the risks of its key strategic partnerships. The risk management process includes a risk management strategy, corporate and directorate risk registers. Key corporate risks are regularly reviewed by the Corporate</p> |

Annual Governance Statement (continued)

- Management Team and by the Audit and Governance Committee.
- 3.12 The Council has adopted codes of conduct for its staff and its Members, including co-opted members. These are provided to all staff as they are inducted into the organisation. Members and co-opted members sign an undertaking to abide by their Code of Conduct at the point of their election or appointment. These Codes are available for reference at all times and reminders and training are provided as necessary.
- 3.13 To ensure that concerns or complaints from the public can be raised, the Council has adopted a formal complaints policy which sets out how complaints can be made, what should be expected and how to appeal. Arrangements are in place for Freedom of Information requests, Subject Access Requests and publishing of data under the Transparency Agenda .
- 3.14 A whistleblowing policy has been adopted to enable staff, partners and contractors to raise concerns of crime or maladministration confidentially. This has been designed to enable referrals to be made without fear of being identified.. These arrangements are part of ensuring effective safeguarding, counter-fraud and anti-corruption arrangements are developed and maintained in the Council.
- 3.15 Members' induction training is undertaken after each local government election. In addition, an on-going programme of training and awareness is available for Members with formal and informal events each year, including all major changes in legislation and governance issues.
- Details of training provided are also reported to the Audit and Governance Committee.
- 3.16 A corporate induction programme is delivered to all new staff joining the Council, supplemented by department specific elements. In addition, further developmental needs are identified through the Council's Appraisal Scheme.
- ### 4. Partnerships and joint working
- 4.1 The Council's control framework extends to partnerships' and other joint working and this is reflected in the Council's overall governance arrangements. The Council has many different partnership arrangements for example with other public bodies, health, police and with the voluntary sector and businesses, as well as partnerships with other councils and arrangements where Council-owned companies have been set up. All these arrangements have governance structures in place, either through a Board of representatives or a Member Committee. Separate reviews of these arrangements are undertaken either through Internal Audit reviews, Monitoring Officer reviews or by external bodies.
- 4.2 A review of the governance arrangements for LATC and Shared Services was undertaken by the Monitoring Officer in 2019/20 and revised governance arrangements put in place for LATCs through the Sutton Shareholdings Board, and a new Strategic and Operational Shared Service Board for the services shared with RB Kingston. These arrangements will be kept under review by the Monitoring Officer (see Table 1).
- 4.3 The Strategic Partnership includes representatives from themed partnerships, business development partnerships and the voluntary sector. The Local Strategic Partnership hosts a meeting twice a year for key stakeholders from the community, voluntary, business to contribute to strategy and policy of the local area.
- 4.4 The thematic partnerships undertake a range of consultation exercises to enable all residents and customers to contribute to; and shape the strategic themed plans such as the Health and Wellbeing Strategy and the Safer Sutton Partnership Community Safety Strategy..
- 4.5 The Council undertakes surveys with a representative sample of its residents who provide the Council with feedback on important issues that helps to improve services as part of establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- ### Council owned companies
- 4.6 The Committee on Standards in Public Life carried out a review on Local Government Ethical Standards in January 2019 which recommended areas of best practice.
Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

Annual Governance Statement (continued)

- 4.7 From 2013 the Council created a number of wholly or majority owned private limited companies. Six businesses have been registered with Companies House, as follows:

Company Name/number and purpose	Inc. Date	Annual accounts filed
Opportunity Sutton Ltd 08529735 Non trading company	15/05/2013	Full accounts filed for the year ending 31 March 2019.
Sutton Living Ltd 09897512	01/12/2015	Accounts for a small company have been filed for the year ending 31 March 2019.
Sutton Decentralised Energy Network Ltd 10022446	23/02/2016	Accounts for a small company have been filed for year ending 31 March 2019
Encompass LATC Ltd 10184775	17/05/2016	Accounts for a small company have been filed for the year ending 31 March 2019.
Cognus Ltd 10276456 Educational Support Services (75% council owned, 25% owned by schools governing bodies and academy trusts)	13/07/2016	Accounts for a small company have been filed for the year ending 31 March 2019.
London Cancer Hub (LCH) Co Ltd 10635978 non trading company	23/02/2017	Accounts for a dormant company have been filed to 28th February 2019.

Annual Governance Statement (continued)

4.8 The following changes have happened during 2019/20:-

Cognus Ltd -Following an independent review, approval was given by the People Committee on the 16th January 2020 and Strategy and Resources Committee on the 10th February 2020 for the Council to work towards Cognus becoming a wholly owned local authority trading company for the financial year 2020/21. The Board Shareholder Director post is currently still vacant despite previous recruitment activity.

Opportunity Sutton Ltd still had a director listed who has since left the employment of the Council. This has now been updated.

London Cancer Hub (LCH) Co Ltd still has a director listed that has since left the employment of the Council. This has now been updated.

4.9 The Sutton Shareholdings Board is a sub-committee of the Strategy and Resources Committee and comprises five elected members. They meet three times a year, the agenda and minutes are published on the council website.

4.10 The Sutton Shareholder board met twice during 2019/20 (the March 2020 meeting was cancelled due to the coronavirus). The Board considered performance and update reports from the companies and changes to directors. On the 1st May 2019, a review of non executive directors and the terms of reference was approved by the Board.

5. Internal Audit Outcomes

5.1 The Head of Audit is required to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment. In the Annual Report on the work of Internal Audit during 2019/20 the Head of Internal Audit is satisfied that sufficient internal audit work has been undertaken to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's control environment.

6. Review of effectiveness

6.1 Sutton Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, by the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectors. .

6.2 This review process includes:

- A revised Code of Governance has been completed during 2019/20, which has reviewed the Councils arrangements in place against CIPFA guidance.

- The Monitoring Officer's annual review of the Constitution to ensure its aims and principles are given full effect.
- The Scrutiny Committee's ability to "call in" the Council's key executive decisions prior to implementation to consider the appropriateness of the decision..
- The Audit and Governance Committee's responsibility for discharging the functions of an audit committee, including reviewing the risk management process, the performance of Internal Audit and agreeing the External Audit plan. Training for Members was offered, covering Risk Management, Internal Audit, external audit and the Annual Governance Statement.
- Members are asked to declare their interests each year (after Annual Council) and at the start of all committee meetings. Senior officers are required to make annual declarations of interest.
- The Council's financial management arrangements conform to the requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (CIPFA 2016).
- The Council maintains an effective internal audit service that has operated, in accordance with the Public Sector Internal Audit Standards. The Council's assurance arrangements conform to the governance requirements of the CIPFA

Annual Governance Statement (continued)

Statement on the Role of the Head of Internal Audit (2019). A Public Sector Internal Audit Standards internal review for 2019/20 of the Internal Audit service concluded that the service is satisfactory and fit for purpose. A five yearly external review was also undertaken in May 2018 and provided a compliance assurance.

- A revised Anti Fraud and Anti Corruption strategy was approved by the Audit and Governance Committee in October 2019. A revised Whistleblowing policy was approved by Members 2020/21.
- An Internal Audit review on the effectiveness of the Councils risk management arrangements was undertaken in 2019/20 and provided a substantial assurance.
- Quarterly Information Security and Governance board meetings are held to review policy, procedures and breaches, with representatives from each department and key officers.
- Considerations of the council's Corporate risks and action in place.
- Partnership governance reviews. Review of the governance arrangements for LATC's and shared service arrangements with Kingston undertaken in 2019/20.

- The opinion of the external auditors in their reports and annual letter.
- Ofsted and the Care Quality Commission (CQC) visited Sutton 2-4 March 2020, to re-inspected the areas of weakness identified in Sutton in January 2018: they assessed services across the Council, Health and Cognus, and have confirmed that Sutton's Local Area services for children and young people with special educational needs and disabilities (SEND) have made "sufficient progress" in all three areas identified in the SEND Local Area inspection, and therefore Sutton no longer requires a Written Statement of Action (WSOA).
- A governance self assessment was sent to Directors and Assistant Directors by Internal Audit to obtain their understanding and compliance in 7 key areas:
 - Risk and Business Continuity
 - Performance Management
 - Financial Management
 - Legal
 - HR
 - Commissioning and Procurement
 - Information Governance and Data Protection

At the time of this review, no significant issues were identified. A few policies require a refresh and awareness of these changes need to be made available to managers. An action plan will be prepared in 2020/21.

- 6.3 The annual review has shown that the governance framework is consistent with the principles of the CIPFA / SOLACE best practice framework and the examples of the arrangements that should be in place. In particular, Internal Audit has reviewed the effectiveness of the system of internal control for 2019/20. 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.

Annual Governance Statement (continued)

Table 1

Based on the review the following key issues have been identified:

Key Issues	Action	Responsible Officer
1. A recovery plan for the easing of the lockdown and an assessment of the long-term disruption and consequences arising from the coronavirus pandemic	During 2020/21, as the lockdown eases, the Council will start planning for recovery. This will require short term, medium term and long term changes in place as an assessment is undertaken on services to restart, stop, retain or changes. A workstream for business recovery to review the impact on businesses in the short, medium, long term is in place. The Council will review it's Corporate Plan to ensure it reflects any revised priorities.	Chief Executive
2. Overseeing and managing the various delivery models (shared, outsourced, spun out) .	Revised governance arrangements have been put in place for LATCs through the Sutton Shareholdings Board, and new Strategic and Operational Shared Service Board for the services shared with RB Kingston. The effectiveness of these arrangements is being kept under review by the Monitoring Officer	Monitoring officer / Section 151 officer
3. Delivery of Health and Social Care integration	Integration is integral to the NHS's Sustainability and Transformation Plan and a key priority for the delivery of the Sutton Plan. Local partners are meeting weekly and agreeing a set of priorities based on the Sutton Health and Care Plan to improve services for local people and to drive forward the recovery phase of the response to COVID-19. This integration will be supplemented with an appropriate programme of organisational development for the new Sutton Health and Care System which now also includes the newly-formed Primary Care Networks.	Director of Public Health

Annual Governance Statement (continued)

Key Issues	Action	Responsible Officer
4. Increasing financial pressures.	<p>The Council's budget is under significant pressure in 20/21 as a result of the financial impact of Covid 19. Grants have been provided by the Government to fund these costs but to date are not sufficient to meet all costs and replace income lost.</p> <p>Further funding announcements may be made that will help the in year position, but there is also an impact on future years to consider. It looks likely a deep recession will follow the pandemic lockdown but it is extremely difficult to predict how long this may last and how far reaching the consequences will be. It is likely that the Council's MTFP will be adversely affected through loss of income from Council Tax and Business Rates, potential changes to Government funding, and increased demand for support across a number of areas. This is being modelled to produce a number of scenarios that can be used to shape our strategy and response over the next two years.</p> <p>CMT considered these scenarios in July and worked across the summer period to further refine the model as the economic situation developed and began to identify opportunities that could be explored to help manage the pressure. An updated MTFP forecast will be reported to the Committee in September and a budget process will be launched to identify firm proposals to meet the gaps in 21/22 and 22/23.</p>	Strategic Director - Resources
5. Impact of Brexit on the Council's ability to deliver services	<p>The Council has participated in London-wide planning and information-sharing arrangements to mitigate uncertainty. A programme of communication is also underway, which will include communicating with providers of goods and services, the public, voluntary and community partners as well as business.</p> <p>The Council has undertaken all actions on Brexit advised by the government.</p> <p>This risk is deferred to the end of the transition period, 31 December 2020, and will need to be reviewed again in the autumn.</p>	Chief Executive

Annual Governance Statement (continued)

Key Issues	Action	Responsible Officer
<p>6. Continuing increase in Education Health Care Plans (EHCP) beyond our financial means creates significant budget pressures in DSG in a context of low general reserves.</p>	<p>The number of EHCP continues to rise each month (av = 17/month).</p> <p>There has been an increase in school funding in recent years although the demand for high needs provision has exceeded the High Needs Block (HNB) allocation. The HNB increased by £3.5m (9%) in 2020/21 with a further provisional increase due of £3.4m (8%) for 2021/22. These increases reflect, but do not fully fund, the significant increase in pupils with Special Educational Needs and Disabilities (SEND). This is the case across most of London and is mirrored in national trends, so is a significant challenge for all Education authorities</p> <p>High Needs Block Review work has commenced, but this will be a two year process before any significant impact on budgets can be achieved. Intended outcomes are to:</p> <ul style="list-style-type: none"> • Work collaboratively with schools/settings to jointly own and resolve issues through the Sutton Education Partnership • Implement 'predictable' and 'exceptional' need model and the SENCO Cluster practice • Support mainstream settings to address SEN Support needs effectively through reviewing and revising the formula for Notional Funding • Clarify and improve funding mechanisms for specialist settings • Improve our pathways to adulthood 	<p>Assistant Director, Education and SEND</p>
<p>7. Internal Audit work during the year raised issues in relation to Starters and Leavers. This audit received a limited assurance. Managers were not completing starters and leavers forms in a timely manner for agency and interim staff. This increased the risk of unauthorised access to system networks, unauthorised spending on leavers procurement cards and the failure to return leavers mobile phones.</p>	<p>HR and IT have communicated to managers the importance of completing the leavers form on time.</p> <p>The Leavers Form has been enhanced to prompt the return of any procurement cards from leavers.</p> <p>A Security Breach Report will be completed if a manager fails to inform HR/IT of a leaver.</p>	<p>Assistant Director Digital & IT and Assistant Director People and OD.</p>

Annual Governance Statement (continued)

Key Issues	Action	Action
8. Internal Audit work during the year found a significant number of schools with concerns relating to deficit budgets and other control issues. There were five limited assurance audits. Three schools have a significant deficit balance at 2019/20 year end, (£117k, £249k, and £671k)	Deficit recovery plans are in place, or are due to be put in place, with detailed plans to repay advance payments, over the next 3 years.	Strategic Director- People and Strategic Director -Resources

Table 2 Issues raised in 2018/19 Statement and progress to date

Key Issues	Action	Action
1 Embedding GDPR arrangements	Continuing the work of ensuring that the Council is GDPR compliant. Ensuring privacy notices have been updated, and that consent where required has been obtained etc. Implementation of Internal Audit actions	There are four outstanding actions. A further internal Audit review will be undertaken in 2020/21.
2. Review of company governance	Review of arrangements in place for Council owned companies against the code of practice agreed by the Sutton Shareholding board in September 2018	A review was undertaken by the Monitoring Officer. The effectiveness of this review is being monitored in 2020/21.
3 Brexit -impact on the Council to deliver services	CMT is closely monitoring progress with Brexit and a working group has been set up to identify, track and mitigate risks where appropriate	The Council has undertaken all actions on Brexit advised by the government. This risk is deferred to the end of the transition period, 31 December 2020, and will need to be reviewed again in autumn.

Annual Governance Statement (continued)

Key Issues	Action	Action
4. Financial pressures	The comprehensive spending review and fair funding review is due in 2019 and will determine how much funding the council will receive. It is anticipated that there will be a significant budget gap in 2020/21. The Medium Term financial strategy and saving plans including the Outcomes Based Commissioning Reviews will be kept under close review by CMT	The MHCLG confirmed on 4/5/20 that there would be a delay to the fair funding review due to the coronavirus. This is going to require on-going review. The current situation may cause additional pressures.

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

Chief Executive:



Date: 13 July 2020

On Behalf of the Council

Leader:



Date: 14 July 2020

11. Glossary of Terms

An explanation of financial terms and abbreviations used in the Statement of Accounts



Glossary of Terms

Accounting Policies

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

Accruals

Amounts that are charged to the accounts for goods and services rendered/received during the year for which payments have not been received/made.

Active Member

A member of an occupational pension scheme who is building up pensions benefits, in either a defined benefit or a defined contribution scheme, from their current job.

Actuarial Valuation

Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

Actuary

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

Admitted Body

A body which can be admitted to the LGPS with the agreement of the Administering Authority, it must be non-profit-making and will normally be in receipt of a grant from either central or local government.

Amortisation

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

Appropriations

The transfer of resources to and from various revenue reserves.

Capital Expenditure

Expenditure on the acquisition of a non-current asset or expenditure that adds value to an existing non-current asset. Expenditure can only be treated as 'capital' if it meets statutory definitions and is in accordance with accounting practice and regulations.

Capital Receipts

Income from the sale of capital assets such as council dwellings, land and buildings.

Carrying Amount

This is the nominal value of the loan / investment plus accrued interest due to the end of the financial year.

Council Tax

A tax on domestic properties, introduced 1 April 1993 as a replacement for the Community Charge (Poll Tax), based on their value.

Creditors

Amount of money owed by the Council for goods or services received.

Debtors

Amount of money owed to the Council for goods or services received.

Depreciation

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

Earmarked Reserves

Amount set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Effective Interest Rate

This method calculates the rate of interest that is necessary to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount at initial recognition.

General Fund

The fund within which most transactions of a local authority take place. It includes the cost of all services provided (excluding the Housing Revenue Account) which are paid from government grants, generated income and the borough's share of Council Tax and business rate income.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future; in particular, that the revenue accounts and balance sheet are not based on the assumption of an intention to curtail significantly the scale of operations.

Housing Revenue Account (HRA)

A local authority statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Glossary of Terms (continued)

Impairment

A reduction in the value of a non-current asset below its carrying value (but not through economic consumption).

Intangible Assets

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

Levies

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

Minimum Revenue Provision

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

Non-Domestic Rates (NDR)

Business rates, or non-domestic rates, collected by councils are the way that those who are responsible for non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1 April 2013, authorities keep a proportion of the business rates paid locally.

Precept

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

Property, plant and equipment

Tangible assets (ie assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Provisions

Amounts set aside for liabilities or losses which are certain or very likely to be incurred but where exact amounts and dates on which these will arise are uncertain.

Reserves

Amounts set aside in one financial year which can be carried forward to meet expenditure in future years. Earmarked reserves are allocated for specific purposes. Unallocated reserves are often described as balances.

Revenue Expenditure

The regular day-to-day running costs an authority incurs in providing services e.g. salaries and wages, premises costs and supplies and services.

Support Services

Services that are provided by the administrative and professional service groups that support all the Council's services. They include financial, legal, personnel, information technology, property and general administrative support.

Glossary of Terms (continued)

Abbreviations used in the accounts

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