LONDON BOROUGH OF SUTTON

STATEMENT OF ACCOUNTS

2012/13

Gerald Almeroth CPFA
Strategic Director - Resources

LONDON BOROUGH OF SUTTON

STATEMENT OF ACCOUNTS

2012/13

CONTENTS

.

Section 1

Explanatory Foreword

2012/13

1. Introduction

The accounts on the following pages set out the Council's financial performance for the year to the 31 March 2013, and its financial position at that date. This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position.

2. Revenue Expenditure

In March 2012 the Council set a net general fund expenditure budget for 2012/13 of £137.083m , taking advantage of the government's offer to provide additional grant at the level of a 2.5% council tax increase. Unlike the Council Tax Freeze Grant in 2011/12 the 2012/13 grant was provided for one year only. The Band D Council Tax for Sutton purposes was frozen at £1,140.89 and a total Band D Council Tax including the Greater London Authority precept was £1,447.61.

The General Fund revenue budget outturn to be reported to the Strategy and Resources Committee on 8 July shows a net underspend of £2.977m (2.2%) against a net revenue budget of £137.1m. This is summarised in the table below

	Final Estimate	Provisional Outturn Variance	Provisional Outturn Variance
	£'000	£'000	%
Commissioning Directorates			
Children, Young People & Learning	42,639	(69)	(0.2)
Environment & Neighbourhoods	38,572	741	1.9
Adult Social Services, Housing & Health			
- Adult Services and Health	63,444	(4,908)	(7.7)
- Housing General Fund	6,881	(806)	(11.7)
Corporate Core			
Chief Executive's	6,343	(136)	(2.1)
Resources	18,253	137	0.8
Non-service revenue budgets	15,731	(477)	(3.0)
Adjustment for support cost recharge	(20,046)	0	0.0
Previously agreed use of general underspend	(2,541)	2,541	(100.0)
	169,276	(2,977)	(1.8)
Core grants	(32,193)	0	0.0
Outturn 2012/13	137,083	(2,977)	(2.2)

The outturn position for services shown above includes budget virements agreed by committee in year. It also takes account of recommended budget carry forwards and further proposed adjustments that are being recommended for approval giving a net variance of £2.977m.

As shown in the table above, the overall outturn position also includes the previously agreed movement to reserves totalling £2.541m as follows:

- £1m to meet the implementation costs of the Smarter Council change programme and other key business change projects that will deliver revenue savings

- £1m to support expenditure to deliver Opportunity Sutton and other regeneration and renewal projects

- £0.541m to fund the one off investment items included within the 2013/14 budget

The aggregate underspend reflects positive achievements over the year. In particular:

- overall achievement of the planned savings from the Smarter Services Sutton (SSS) programme in 2012/13 have been at the most optimistic end of forecast amounts so the contingency sum earmarked to offset slippage has not been required and has been returned to reserves;
- specifically in Adult Social Services the strategy has been to deliver savings by reducing the use of residential care settings as far as possible and by ensuring that the needs of eligible vulnerable adults are met in the community, making maximum use of existing community facilities. This has been very successful and has delivered savings ahead of schedule while improving outcomes for service users;
- a significant underspend on expenditure related to homelessness reflects the success of measures to prevent homelessness, although medium term risks of increased demand remain; and;
- measures to avoid redundancy through natural wastage, redeployment within the Council and TUPE transfers of staff to external providers have meant that redundancy costs have been lower than expected despite the reduction in staff numbers being broadly in line with expectations.

The outturn figures by service group are reclassified to comply with the Service Reporting Code of Practice and to include full recognition of International Accounting Standard 19 (IAS 19) on retirement benefits in the Comprehensive Income and Expenditure Statement.

3. Capital Expenditure 2012/13

In March 2012 the Council approved a capital budget, adjusted for slippage, of £57.4 million. This was amended to £61.7 million at revised estimates, and compares with a final outturn of £56.2 million. The Service Groups' profile of the Capital Outturn is shown below

Capital Programme 2012/13	Latest Budget 2012/13	Provisional Outturn April 2012 to March 2013	Variation
EXPENDITURE	£'000	£'000	£'000
Adult Social Services, Housing & Health	27,413	26,084	(1,329)
Children, Young People & Learning	13,901	14,164	263
Environment and Neighbourhoods	16,451	14,023	(2,428)
Resources	3,635	1,653	(1,982)
Chief Executive’s	280	236	(44)
TOTAL EXPENDITURE	**61,680**	**56,160**	**(5,520)**

During the year the Council worked on a number of key capital projects. The largest of which, the redevelopment of the Westcroft Leisure Centre was completed In January 2013 at a cost of £11 million.

4. External Audit

The Council’s independent external auditor Grant Thornton prepares an Annual Governance Report which will be reported to the Audit Committee on the 26 September and reports their findings from the annual audit of these accounts. Grant Thornton also prepares an Annual Audit and value for money letter, which summarises their findings and recommendations on audit work undertaken during the year. The 2012/13 letter will be considered by the Strategy and Resources Committee during the winter cycle of meetings. When available, a copy can be obtained from the Strategic Director – Resources or viewed on the Council’s website.

5. The main statements in this document are:

Movement in Reserves - this statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'surplus or (deficit) on the provision of services' line shows the true ‘net’ economic cost of providing the authority's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'net increase /decrease before transfers to earmarked reserves' line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement – this statement shows the accounting cost in the year of providing services in accordance with the requirements of IFRS as applied by the Code of Practice on Local Authority Accounting in 2012/13, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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

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

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. The increase or decrease in the year, on the basis of which rents are raised, is shown in the **Movement on the HRA statement**.

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.

Pension Fund Accounts – this shows the income and expenditure of the pension fund in relation to current employees and pensioners, investment transactions and the position of the Fund at year end including future liabilities.

Statement of Responsibilities for the Statement of Accounts – sets out the different responsibilities of the Council and the Strategic Director – Resources in terms of financial administration and accounting.

Annual Governance Statement - 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.

Section 2

Core Financial Statements

2012/13

.

Movement in Reserves Statement

2012/13

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'.

Movement in Reserves Statement

2011/12	General Fund Balance *	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Non-usable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2011	16,954	18,968	847	4,421	0	0	41,190	416,878	458,068
Surplus or (Deficit) on provision of services (accounting basis)	(28,401)	0	(157,920)	0	0	0	(186,321)	0	(186,321)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(14,425)	(14,425)
Total Comprehensive Expenditure and Income	**(28,401)**	**0**	**(157,920)**	**0**	**0**	**0**	**(186,321)**	**(14,425)**	**(200,746)**
Adjustments between accounting basis and funding basis under regulations	36,617	0	158,851	12,241	298	1,008	209,015	(209,015)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	**8,216**	**0**	**931**	**12,241**	**298**	**1,008**	**22,694**	**(223,440)**	**(200,746)**
Transfers to / from Earmarked Reserves	(5,666)	5,712	0	(5)	0	0	41	(41)	0
Increase / (Decrease) in Year	**2,550**	**5,712**	**931**	**12,236**	**298**	**1,008**	**22,735**	**(223,481)**	**(200,746)**
Balance at 31 March 2012	**19,504**	**24,680**	**1,778**	**16,657**	**298**	**1,008**	**63,925**	**193,397**	**257,322**

* (General Fund Balance at 31 March 2012 = General Fund £9,049k, schools £10,455k

2012/13	General Fund Balance *	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Non-usable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	19,504	24,680	1,778	16,657	298	1,008	63,925	193,397	257,322
Surplus or (Deficit) on provision of services (accounting basis)	36,261	0	(10,485)	0	0	0	25,776	0	25,776
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(16,829)	(16,829)
Total Comprehensive Expenditure and Income	**36,261**	**0**	**(10,485)**	**0**	**0**	**0**	**25,776**	**(16,829)**	**8,947**
Adjustments between accounting basis and funding basis under regulations (Note 5)	(17,116)	0	11,557	18,468	(298)	4,447	17,058	(17,058)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	**19,145**	**0**	**1,072**	**18,468**	**(298)**	**4,447**	**42,834**	**(33,887)**	**8,947**
Transfers to / from Earmarked Reserves	(14,457)	7,492	45	252	0	0	(6,668)	6,668	0
Increase / (Decrease) in Year	**4,688**	**7,492**	**1,117**	**18,720**	**(298)**	**4,447**	**36,166**	**(27,219)**	**8,947**
Balance at 31 March 2013	**24,192**	**32,172**	**2,895**	**35,377**	**0**	**5,455**	**100,091**	**166,178**	**266,269**

* (General Fund Balance at 31 March 2013 = General Fund £12,174k, schools £12,018k

Comprehensive Income & Expenditure Statement

2012/13

This details income and expenditure for each of the Council's services and consolidates the income and expenditure for the General Fund and the Housing Revenue Account.

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2013

2011/12					2012/13		
Expenditure	Income	Net Expenditure		Notes	Expenditure	Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
21,914	17,214	4,700	**Central Services to the Public**		19,959	15,169	4,790
16,311	1,820	14,491	**Cultural & Related Services**		15,087	2,183	12,904
20,277	3,719	16,558	**Environmental & Regulatory Services**		20,299	3,825	16,474
3,970	1,464	2,506	**Planning Services**		4,213	1,895	2,318
			Children's & Education				
130,531	119,777	10,754	- Schools		133,207	115,383	17,824
14,646	919	13,727	- Non-School Funding		13,094	478	12,616
23,452	1,747	21,705	- Children's Services		25,421	1,753	23,668
21,298	5,407	15,891	**Highways & Transport**		21,301	5,569	15,732
			Housing Services				
84,024	76,201	7,823	- General Fund Housing		89,789	82,741	7,048
			- Housing Revenue Account				
32,662	33,906	(1,244)	- Main HRA Revenue Account	*	25,955	36,355	(10,400)
141,126	0	141,126	- HRA Self Financing		0	0	0
1,935	0	1,935	- Impairment – Demolitions		1,582	0	1,582
15,730	0	15,730	- Revaluation loss – Dwellings		13,397	0	13,397
72,148	13,718	58,430	**Adult Social Care**		65,158	12,333	52,825
5,585	0	5,585	**Corporate and Democratic Core**		4,777	0	4,777
2,680	30	2,650	**Non Distributed Costs**		1,609	432	1,177
0	11,698	(11,698)	- Settlements and curtailments	**37**	0	550	(550)
608,289	**287,620**	**320,669**	**Cost of services**		**454,848**	**278,666**	**176,182**
		89,848	**Other Operating Expenditure**	**7**			(2,579)
		(3,130)	**Financing and Investment Income and Expenditure**	**8**			14,110
		(221,066)	**Taxation & Non-Specific Grant Income**	**9**			(213,489)
		186,321	**(Surplus)/deficit on provision of services**				**(25,776)**
		(13,309)	Net (surplus) arising on revaluation of Property, Plant and Equipment Assets	**20a**			(7,430)
		27,734	Actuarial (gains)/losses on pension fund assets and liabilities	**20d**			24,259
		14,425	**Other comprehensive income and expenditure**				**16,829**
		200,746	**Total comprehensive income and expenditure**				**(8,947)**

***** Includes £14.318 million management fee paid to Sutton Housing Partnership, a wholly owned subsidiary of the London Borough of Sutton

Balance Sheet

2012/13

This sets out the financial position of the Council as at 31 March 2013 and consolidates the individual balance sheets for the General Fund, Housing Revenue Account and Collection Fund.

Balance Sheet as at 31 March 2013

31 March 2012 £'000		Notes	31 March 2013 £'000	31 March 2013 £'000
	Non-Current Assets			
	Property, Plant and Equipment	10		
250,335	- Council Dwellings			252,245
294,043	- Other Land and Buildings			351,654
4,376	- Vehicles, Plant, Furniture and Equipment			5,219
19,005	- Infrastructure Assets			21,636
1,353	- Community Assets			1,359
68,803	- Assets Under Construction			12,999
10,086	- Surplus Assets Held for Disposal			9,326
648,001	Sub Total			654,438
39,110	Investment Properties	11		39,206
301	Long Term Investments	14		0
1,731	Long Term Debtors	14		1,673
689,143	**Total Non-Current Assets**			**695,317**
	Current Assets			
39,587	Short term investments	14	61,517	
3,022	Assets Held for Sale	12	1,306	
291	Inventories		313	
27,834	Debtors	15	29,776	
0	Cash and cash equivalents	16	4,584	
70,734	**Total Current Assets**			**97,496**
	Less Current Liabilities			
1,236	Short term borrowing	14	1,260	
3,204	Capital Grants Receipt in Advance	33	1,208	
39,054	Creditors	17	39,811	
3,772	Provisions	18	4,002	
1,887	Bank Overdraft	16	0	
49,153	**Total Current Liabilities**			**46,281**
	Less Non-Current Liabilities			
3,245	Provisions	18	4,086	
220,797	Long term borrowings	14	220,721	
229,360	Liability Related to Defined Benefit Pension Scheme	37	255,456	
453,402	**Total non-current liabilities**			**480,263**
257,322	**Net Assets**			**266,269**
	Non-usable reserves			
85,526	Revaluation Reserve	20a	91,719	
340,764	Capital Adjustment Account	20b	333,568	
208	Deferred Capital Receipts/Income	20e	139	
(229,360)	Pensions Reserve	20d	(255,456)	
(1,267)	Financial Instruments Adjustment Account	20c	(1,188)	
(3,772)	Accumulated Absences Account	20g	(4,002)	
1,298	Collection Fund Adjustment Account	20f	1,398	
193,397				**166,178**
	Usable Reserves			
16,657	Capital Grants & Contributions Unapplied	6	35,377	
1,008	Capital Receipts Reserve	6	5,455	
298	Major Repairs Reserve	6	0	
1,778	Housing Revenue Account	6	2,895	
19,504	General Reserves – General Fund	6	24,192	
24,680	Earmarked Reserve	6	32,172	
63,925				**100,091**
257,322	**Total Reserves**			**266,269**

Cash Flow Statement

2012/13

This summarises the inflows and outflows of cash relating to the General Fund, Housing Revenue Account and Collection Fund

Cash Flow Statement

2011/12		Notes	2012/13
£'000			£'000
(186,321)	**Net (Surplus) or Deficit on the Provision of services**		**25,776**
569,395	Adjust net surplus or deficit on the provision of services for non cash movements	21	474,824
(521,271)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(466,349)
(138,197)	**Net Cash Inflow/(Outflow) from operating activities**		**34,251**
(25,305)	**Investing Activities**	23	(26,533)
160,005	**Financing Activities**	24	(1,247)
(3,497)	**Net (increase) or decrease in cash and cash equivalents**		**6,471**
1,610	Cash and cash equivalents at the beginning of the reporting period	16	(1,887)
(1,887)	Cash and cash equivalents at the end of the reporting period	16	4,584

Section 3

Notes to the core financial statements

2012/13

1. Accounting Policies

a General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 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 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 Act.
The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b Accruals of Income and Expenditure

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

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

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

c Cash and Cash Equivalents

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

d Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the authority's financial performance.

e Changes in Accounting Policies

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

f Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund balance [Minimum Revenue Provision], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

g Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, 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 estimated as applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

h Post Employment Benefits

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

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

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

However, the national arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- the liabilities of the London Borough of Sutton pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees;
- Liabilities are discounted to their value at current price, which is based on the single average gilt yield which gives the same present value as the (Bank of England nominal) gilt curve applied to the cash flows of a typical LGPS employer, plus the mean credit spread applying to AA corporate bonds within the iBoxx over 15 years index. Using this approach, the discount rate at 31 March 2013 was 4.5%pa.
- the assets of London Borough of Sutton pension fund attributable to the Authority are included in the Balance Sheet at bid value as required under IAS 19;
- the change in the net pensions liability is analysed into seven components:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the London Borough of Sutton pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

i Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

j Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

Contingent Assets

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

k Reserves

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

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

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

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

l Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

m Value Added Tax (VAT)

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

n Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The full cost of overheads and support services are shared between users in proportion to the benefits received, the main bases for allocation are floor area for administrative buildings and estimated staff time for central services. The exception to this are:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation, and;
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

o Intangible Fixed Assets

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

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

p Interests in Companies and other Entities

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

q Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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 heritage assets are considered to be immaterial.

Further details of Heritage Assets are disclosed in note 10.

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 – fair value, determined using the basis of existing use value for social housing (EUV-SH), and;
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minumum every five years. Increase in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

Depreciation is calculated on the following bases:

- council dwellings – depreciation is charged on a componentisation basis as detailed in the HRA business plan 2012/13 to 2014-42 and will rise from £7.048 million in 2012/13 to £13.634 million in 2041/42 ;
- other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – depreciated on a straight-line basis over the life of the asset as advised by a suitably qualified officer, and;
- infrastructure – gross book value is depreciated at 6% per annum

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

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

t Revenue Expenditure Funded from Capital Under Statute

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

u Leases

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

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

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

The Authority as Lessee

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

The Authority as Lessor

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

v Financial Instruments

i. Financial Liabilities

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

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

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

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

ii. Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

w Inventories and Long Term Contracts

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

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

2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts are that although there is a degree of uncertainty about future levels of funding for local government, it has been determined that the level of uncertainty is not yet sufficient to provide an indication that the activities of the Authority might be affected by the need to reduce levels of service provision, or that the assets of the authority might be impaired as a result of the need to close facilities following a reduction in service provision.

3. 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 be determined with certainty, it is possible that actual results could be materially different from the assumptions and estimates.

The items in the Authority’s Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £100k for every year that useful lives had to be reduced.
	Our accounting policy is to depreciate assets on their brought forward values at the 1 April and any affects of in-year revaluations are not taken into account until the year following the revaluation.	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.
	Revaluations of property, plant and equipment carried out by the Asset Management Team 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.	The effect of any over or under estimation on the revaluation of property, plant and equipment cannot be quantified until an asset is disposed
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £60m.
Arrears	At 31 March 2013, the Authority had a balance of sundry debtors for £13,725k. A review of significant balances suggested that an impairment of doubtful debts of 49% (£6,740k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase of 1% of the amount of impairment of doubtful debts would require an additional £137k to set aside as an allowance.

4. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Strategic Director - Resources on 28 June 2013. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

5. Adjustment Between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

	Usable Reserves					
2012/13	General Fund Balance £'000	Housing Revenue Account £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Non-usable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	10,255	7,102				(17,357)
Revaluation losses on Property Plant and Equipment	14,250	13,285				(27,535)
Movements in the market value of Investment Properties	105	23				(128)
Amortisation of intangible assets	2,175					(2,175)
Revenue expenditure funded from capital under statute	6,565					(6,565)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,433	1,582				(5,015)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(3,731)					3,731
Capital expenditure charged against the General Fund and HRA balances	(1,312)	(3,406)				4,718
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(44,197)		44,197			0

	Usable Reserves					
2012/13	General Fund Balance £'000	Housing Revenue Account £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Non-usable Reserves £'000
Application of grants to capital financing transferred to the Capital Adjustment Account	(4)		(25,729)			25,733
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,048)	0			7,048	0
Use of the Capital Receipts Reserve to finance new capital expenditure					(2,077)	2,077
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	524				(524)	0
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						0
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(7,048)		7,048		0
Use of the Major Repairs Reserve to finance new capital expenditure				(7,346)		7,346
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(79)					79

2012/13	Usable Reserves: General Fund Balance £'000	Usable Reserves: Housing Revenue Account £'000	Usable Reserves: Capital Grants Unapplied £'000	Usable Reserves: Major Repairs Reserve £'000	Usable Reserves: Capital Receipts Reserve £'000	Non-usable Reserves £'000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37)	20,338	179				(20,517)
Employer's pensions contributions and direct payments to pensioners payable in the year	(18,520)	(160)				18,680
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(100)					100
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	230					(230)
Total Adjustments	**(17,116)**	**11,557**	**18,468**	**(298)**	**4,447**	**(17,058)**

	Usable Reserves					
2011/12 Comparative Figures	General Fund Balance £'000	Housing Revenue Account £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Non-usable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	11,895	6,825				(18,720)
Revaluation losses on Property Plant and Equipment	4,026	15,730				(19,756)
Movements in the market value of Investment Properties	(10,844)					10,844
Amortisation of intangible assets	1,822					(1,822)
Revenue expenditure funded from capital under statute	6,773					(6,773)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	93,079	0				(93,079)
HRA Self-financing settlement	0	141,126				(141,126)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(3,778)					3,778
Capital expenditure charged against the General Fund and HRA balances	(539)					539
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(50,394)		50,394			0

	Usable Reserves					
2011/12 Comparative Figures	General Fund Balance £'000	Housing Revenue Account £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Non-usable Reserves £'000
Application of grants to capital financing transferred to the Capital Adjustment Account	65		(38,153)			38,088
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,376)	0			4,376	0
Use of the Capital Receipts Reserve to finance new capital expenditure					(3,052)	3,052
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	316				(316)	0
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						0
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(4,836)		4,836		0
Use of the Major Repairs Reserve to finance new capital expenditure				(4,538)		4,538
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(85)					85

	Usable Reserves					
2011/12 Comparative Figures	General Fund Balance £'000	Housing Revenue Account £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Non-usable Reserves £'000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37)	9,101	116				(9,217)
Employer's pensions contributions and direct payments to pensioners payable in the year	(18,711)	(110)				18,821
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(42)					42
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,691)					1,691
Total Adjustments	**36,617**	**158,851**	**12,241**	**298**	**1,008**	**(209,015)**

6. Transfers to/from Earmarked 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 2012/13:

	Balance at 1 April 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
General Fund Balances	7,549	0	1,500	9,049	0	3,126	12,175
DSG Balances	1,610	0	1,217	2,827	(941)	1,169	3,055
Balances held by schools under a scheme of delegation	7,795	(2,038)	1,871	7,628	(210)	1,544	8,962
Sub-Total	**16,954**	**(2,038)**	**4,588**	**19,504**	**(1,151)**	**5,839**	**24,192**
Earmarked Reserves:-							
- Insurance Fund	4,206	(48)	0	4,158	(348)	899	4,709
- Revenue Reserve for financing capital expenditure	1,925	(51)	233	2,107	(1,953)	429	583
- General Pooled Reserve	1,815	(318)	6,229	7,726	(7,726)	2,970	2,970
- Renewals and Repairs Fund	118	(114)	0	4	0	250	254
- Catering Reserves	438	0	180	618	0	169	787
- Invest to Save Reserve	1,189	(566)	215	838	(609)	300	529
- Sustainable Investment Fund	329	0	8	337	0	5	342
- Revenue Grants Unapplied	3,518	(1,190)	455	2,783	(591)	1,116	3,308
- Redundancy Costs	1,750	0	1,000	2,750	0	1,678	4,428
- Transforming Social Care	1,000	(250)	195	945	(945)	0	0
- Strategic Priorities Investment Reserve	1,193	(294)	0	899	(56)	0	843
- Extreme Weather Reserve	304	(176)	0	128	0	0	128
- Freedom Pass Equalisation	400	0	0	400	0	0	400
- Olympic Forum Reserve	23	(10)	0	13	0	0	13
- Treasury Management & Capital Programme	660	0	214	874	(661)	919	1,132
- Innovation Fund	100	0	0	100	(100)	0	0
- Risk Reserve	0	0	0	0	0	9,746	9,746
- Opportunity Sutton Reserve	0	0	0	0	0	1,000	1,000
- Business Change	0	0	0	0	0	1,000	1,000
Sub-Total	**18,968**	**(3,017)**	**8,729**	**24,680**	**(12,989)**	**20,481**	**32,172**
HRA:							
Housing Revenue Account	326	0	856	1,182	0	1,161	2,343
Heating Reserve	521	0	75	596	(49)	0	547
Freeholders Contributions	0	0	0	0	0	5	5
Sub-Total	**847**	**0**	**931**	**1,778**	**(49)**	**1,166**	**2,895**
Capital Grants & Contributions Unapplied	4,421	(38,158)	50,394	16,657	(23,064)	41,784	35,377
Capital Receipts Reserve	0	(3,368)	4,376	1,008	(2,079)	6,526	5,455
Major Repairs Reserve	0	(4,538)	4,836	298	(7,346)	7,048	0
Total	**41,190**	**(51,119)**	**73,854**	**63,925**	**(46,678)**	**82,844**	**100,091**

Additional information on reserves

General Fund balance

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

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

The current balance of £12.174m equates to 8.9% of net General Fund expenditure (excluding the schools budget).

Earmarked Reserves

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

  The Fund also provides for risk management initiatives across the Council.
- The Revenue Reserve for Financing Capital Expenditure has been established for the purpose of financing capital expenditure in future years.
- The General Pooled Reserve is in place to act as a way of holding approved carry forwards to be released in the following financial year.
- The Renewals and Repairs Fund is maintained primarily for Information Technology investment.
- The Catering Reserves comprise two separate accounts:
  - Catering Reserve Account (£243,524) representing the accumulated surplus from the Schools and Welfare Trading Account, and;
  - School Meals Delegated Funds (£542,725) representing the surplus made by schools within the Catering DSO and which is ringfenced for future use by schools.
- The Invest to Save Reserve was originally established to provide upfront investment to schemes and projects where the funding can be demonstrated to lead to improved outcomes/efficiencies for Council services and in recent years has been funding the management of the Smarter Services Sutton programme.
- Sustainable Investment Fund has been established to finance energy and carbon reduction measures where financial payback will be within 3 to 5 years.
- The Revenue Grants Unapplied reserve is in place to record grants received in year for revenue purposes but for which the expenditure will occur in future years.
- The Redundancy Costs Reserve has been established for future redundancy costs anticipated from the continuing drive to secure cost reductions in light of reductions in national public spending.

- The Transforming Social Care Reserve was established to provide investment to develop processes and infrastructure to support the delivery of social care.
- The Strategic Priorities Investment Reserve will be allocated in accordance with members future strategic priorities.
- Extreme Weather Reserve has been created to deal with additional expenditure arising from extreme weather conditions.
- Freedom Pass Equalisation Reserve will be used to smooth costs arising from changes in the way concessionary fares costs are allocated across boroughs.
- The Olympic Forum Reserve will be used to deliver a series of events and activities in the run up to the 2012 London Olympics and to support the legacy of the 2012 London Olympics.
- The Treasury Management and Capital Programme Reserve was established to provide cover against any potential loss on the frozen Heritable Bank deposits and to support the capital programme in the future.
- The Innovation Fund is a sum set aside to be used to support innovative ideas for service improvements and efficiency in the Council.
- The Risk Reserve has been created to mitigate the risk of demographic growth and services with demand volatility such as adult social care services and the possibility of an increase in the numbers of Looked After Children.
- The Opportunity Sutton Reserve has been set aside to deliver the Opportunity Sutton Programme. The Programme is the Boroughs flagship Economic Growth Programme that aims to deliver sustainable econcomic growth throughout the Borough.
- The Business Change Reserve was approved by the Strategy and Resources Committee at its meeting on 11 February 2013 and has been set aside to meet the implementation costs of the Smarter Council change programme and other key business change projects.

Housing Revenue Account

- The HRA Reserve balance carried forward at 31 March 2013 of £2,343,109 (£1,182,196 at 31 March 2012) reflects the decision taken in 2010/11 to raise the balance to a more prudent level over 3 years.
- The Heating Reserve of £547k holds the net balance of tenants' charges and recoveries for heating and hot water. It will be used to help smooth future volatility.
- The Freeholders Contribution to Capital Works Reserve of £5k holds the net balance of freeholders contributions to improvements works.

7. Other Operating Expenditure

2011/12 £'000		2012/13 £'000
964	Levies paid to Other Local Public Authorities	894
316	Payment to the Government Housing Capital Receipts Pool	524
88,704	Losses/(Profit) on the disposal of non-current assets	(3,904)
(136)	Deficit/(Surplus) on Trading Undertakings not included in Net Cost of Services	(93)
89,848	**TOTAL**	**(2,579)**

8. Financing and Investment Income and Expenditure

2011/12 £'000		2012/13 £'000
3,809	Interest payable and similar charges	8,767
6,993	Pension interest costs and expected return on pension assets	8,449
(1,291)	Interest receivable and similar income	(1,160)
(12,641)	Income and expenditure in relation to investment properties and changes in their fair value	(1,946)
(3,130)	**TOTAL**	**14,110**

9. Taxation and Non Specific Grant Incomes

2011/12 £'000		2012/13 £'000
(85,190)	Council Tax income	(85,373)
(42,209)	Share of National Non domestic rates	(50,729)
(43,342)	Non-ringfenced government grants	(33,190)
(50,325)	Capital grants and contributions	(44,197)
(221,066)	**TOTAL**	**(213,489)**

10. Property, Plant and Equipment

Movement on balances

Movements in 2012/13	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2012	**257,104**	**309,725**	**11,678**	**38,888**	**1,613**	**68,803**	**10,315**	**698,126**
- Adjustments between depreciation and gross book value on the revaluation of assets	(6,769)	(3,417)	124	0	0	0	0	(10,062)
Sub total	**250,335**	**306,308**	**11,802**	**38,888**	**1,613**	**68,803**	**10,315**	**688,064**
- Additions	24,397	1,488	1,927	4,964	6	14,638		47,420
- Revaluation decreases recognised in the Revaluation Reserve	0	(2,655)	0	0	0	0	(386)	(3,041)
- Revaluation increases recognised in the Revaluation Reserve	25	10,447	0	0	0	0	0	10,472
- Revaluation decreases recognised in the surplus/deficit on the provision of services	(13,397)	(14,106)	0	0	0	0	(33)	(27,536)
- Revaluation increases recognised in the surplus/deficit on the provision of services	1	156	0	0	0	0	0	157
- Derecognition - disposal	(2,558)	(466)	0	0	0	(284)	0	(3,308)
- Reclassifications	490	69,668	0	0	0	(70,158)	(223)	(223)
- Assets reclassified (to)/from Held for Sale								0
At 31 March 2013	**259,293**	**370,840**	**13,729**	**43,852**	**1,619**	**12,999**	**9,673**	**712,005**
Accumulated Depreciation and Impairment								
At 1 April 2012	**(6,769)**	**(15,682)**	**(7,302)**	**(19,883)**	**(260)**	**0**	**(229)**	**(50,125)**
- Adjustments between depreciation and gross book value on the revaluation of assets	6,769	3,508	(124)	0	0	0	0	10,153
Sub total	**0**	**(12,174)**	**(7,426)**	**(19,883)**	**(260)**	**0**	**(229)**	**(39,972)**
- Depreciation Charge:								
- Depreciation written out to the surplus/deficit on the provision of services	(7,048)	(6,506)	(1,084)	(2,333)	0	0	(118)	(17,089)
- Derecognition - disposal	0	9	0	0	0	0	0	9
- Derecognition - other		(515)	0	0	0	0	0	(515)
At 31 March 2013	**(7,048)**	**(19,186)**	**(8,510)**	**(22,216)**	**(260)**	**0**	**(347)**	**(57,567)**
Net Book Value								
At 31 March 2012	**250,335**	**294,043**	**4,376**	**19,005**	**1,353**	**68,803**	**10,086**	**648,001**
At 31 March 2013	**252,245**	**351,654**	**5,219**	**21,636**	**1,359**	**12,999**	**9,326**	**654,438**

Comparative Movements in 2011/12	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At April 2011	**257,622**	**381,343**	**11,085**	**34,756**	**1,528**	**46,915**	**10,315**	**743,564**
- Additions	15,177	2,069	593	4,132	85	30,433	0	52,489
- Revaluation decreases recognised in the Revaluation Reserve	0	(47)	0	0	0	0	0	(47)
- Revaluation increases recognised in the Revaluation Reserve	0	14,047	0	0	0	0	0	14,047
- Revaluation decreases recognised in the surplus/deficit on the provision of services	(15,730)	(3,781)	0	0	0	0	0	(19,511)
- Revaluation increases recognised in the surplus/deficit on the provision of services	0	352	0	0	0	0	0	352
- Derecognition - disposal	(78)	(90,930)	0	0	0	(970)	0	(91,978)
- Reclassifications	113	7,461	0	0	0	(7,575)	0	(1)
- Assets reclassified (to)/from Held for Sale	0	(789)	0	0	0	0	0	(789)
At 31 March 2012	**257,104**	**309,725**	**11,678**	**38,888**	**1,613**	**68,803**	**10,315**	**698,126**
Accumulated Depreciation and impairment								
At 1 April 2011	**0**	**(10,260)**	**(5,884)**	**(17,798)**	**(260)**	**0**	**(111)**	**(34,313)**
- Depreciation Charge:								
- Depreciation written out to the surplus/deficit on the provision of services	(4,834)	(8,330)	(1,418)	(2,085)	0	0	(118)	(16,785)
- Derecognition - disposal	0	2,885	0	0	0	0	0	2,885
- Derecognition - other	(1,935)	23	0	0	0	0	0	(1,912)
At 31 March 2012	**(6,769)**	**(15,682)**	**(7,302)**	**(19,883)**	**(260)**	**0**	**(229)**	**(50,125)**
Net Book Value								
At 31 March 2011	**257,622**	**371,083**	**5,201**	**16,958**	**1,268**	**46,915**	**10,204**	**709,251**
At 31 March 2012	**250,335**	**294,043**	**4,376**	**19,005**	**1,353**	**68,803**	**10,086**	**648,001**

Depreciation

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

- Council dwellings - the depreciation is based on the componentisation of housing stock, £7.048 million;
- Other Land and Buildings – Buildings element - 50 years; Services element i.e. heating, electricity, water etc - 20 years; Land - not depreciated;

- Vehicles, plant, furniture and equipment - 4 to 16 years;
- Infrastructure – gross book value is depreciated at 6%;
- Community Assets - by nature are held in perpetuity. Depreciation charges are therefore immaterial and not included in the financial statements. Any expenditure, which is not considered to enhance the asset, is depreciated in full in the year it is incurred, and;
- Surplus Assets – is calculated as per its previous operational classification.

Capital Commitments

At 31 March 2013, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years which are budgeted to cost £164.9 million. Similar commitments at 31 March 2012 were £91.7 million. The major commitments are:-

	Expenditure to 31 March 2013	Estimated Total Cost
	£'000	£'000
Stanley Park High School (BSF Grant)	48,471	48,871
School Expansions	18,312	57,806
Westcroft Leisure Centre Development Project	11,181	11,405
Durand Close Housing Project*	10,049	16,498

* Council element of larger regeneration scheme

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured as fair value is revalued at least every 5 years. All valuations were carried out internally. The latest valuation was carried out as at 1 April 2012.

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

Council dwellings have been included on the basis of the lower of net current replacement cost and net realisable value. Council dwellings reflect vacant possession value adjusted to account for their status as social housing. For 2012/13 the social housing factor for London remains at 25%.

Infrastructure and community assets have been included at historical cost.

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Carried at historical cost	0	0	5,219	21,636	1,359	12,999	0	41,213
Valued at fair value as at:								
31-Mar-13	252,245	140,096	0	0	0	0	0	392,341
31-Mar-12	0	21,489	0	0	0	0	0	21,489
31-Mar-11	0	59,933	0	0	0	0	0	59,933
31-Mar-10	0	74,357	0	0	0	0	5,717	80,074
31-Mar-09	0	36,450	0	0	0	0	0	36,450
31-Mar-08	0	19,329	0	0	0	0	3,609	22,938
Total Cost or Valuation	**252,245**	**351,654**	**5,219**	**21,636**	**1,359**	**12,999**	**9,326**	**654,438**

All council dwellings are revalued every year, whilst other land and buildings are revalued over a 5 year rolling programme.

Heritage Assets

General

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

Nature and Significance of Assets Owned

The value of Heritage Assets not reported as a distinct class is immaterial when measured against the values being disclosed on the face of the financial statements. The Council's portfolio of Heritage Assets is unchanged in 2012/13 as no acquisitions or disposals took place. The nature and significance of these assets are detailed below.

Land and Buildings

a) Museums

<u>Honeywood £1.823 million and Whitehall £1.279 million.</u>

The Authority has two grade II listed museums, Honeywood and Whitehall. Both are operational, predominantly delivering services relating to knowledge and culture.

Honeywood, the borough's main museum, is a historically significant building with origins in the 17th Century. The core of the building includes several flint and chalk chequer board walls, once a significant local building style of which very few examples remain.

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

The value of both museums are included in Land and Buildings (note 11) and account for less than 0.5% of the value of Land and Buildings shown on the face of the financial statements.

Little Holland House - Value £328,000

Little Holland House is an Edwardian house built by Frank Dickinson in the Arts and Crafts style. The building is open to the public, but 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 Domesday. The current structure includes wheel pits dating from 1782, designed by John Smeaton and an early 19th century wheel. The wheel and pits are grade II listed. The remainder of the structure is a recreation of a late Victorian building designed to house an electric generator. The generator was adapted to hydro-electricity at an early date. The mill is not currently open to the public and has been damaged by vandalism. No valuation exists for this asset. However, the value is unlikely to be material.

The Dovecote, Carew Manor
The Dovecote dates from the early 18th century and is a scheduled monument. The Dovecote is opened to the public as part of guided tours on weekends during the summer months. No valuation exists for this asset. However, it is unlikely to be material.

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

The collection also including paintings by a number of artists with a more than local reputation including Frank Moss Bennett (1874-1953), Elva Blacker (1908-84), Thomas Dibdin (1810-1893), John Drage (1856-1914), William Gilpin (1724-1804), Horace Mann Livens (1862-1936), Dorothy Moore (1897-1973), Joseph Nash (1803-78), James Pollard (1792-1867), Joseph Powell (c1780-c1834), William Tatton Winter (1855-1928), Gideon Yates (early 19th cent) and Fred Yates (d.2008).

The collection has not been formally valued. A few items have an approximate value only. However the whole collection is not considered to be significant for insurance purposes and is covered in the standard contents cover. The collection is promoted to the public via the internet and the Council's libraries.

Museum Collection
The collection consists of objects connected to the borough's history. The majority are of a domestic nature including costume and household items. Of significance are finds

from the excavations of a medieval pottery kiln in Cheam ('Cheam-ware'), one of the earliest kilns excavated in England and finds from excavations at Carew Manor, including unusual late Elizabethan garden metalwork and ceramics.

The collection has not been formally valued, however a limited number of items have a purchase price and the value of the whole collection is not considered to be material.

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

11. Investment Properties

The following items of income and expenditure have been accounted for in the Comprehensive Income and Expenditure Statement:-

2011/12		2012/13
£'000		£'000
1,788	Rental income from investment properties	2,406
(97)	Direct operating expenses arising from investment property	(109)
1,691		**2,297**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2011/12		2012/13
£'000		£'000
28,356	Balance at the start of the year	39,110
0	Additions	0
(91)	Disposals	0
10,845	Net gains/(losses) from fair value adjustments (Revaluations and Impairments)	(127)
0	Transfers (Reclassifications)	223
39,110	**Balance at the end of the year**	**39,206**

12. Assets Held for Sale

Movement on balances

2011/12		2012/13
£'000		**£'000**
7,441	**Balance outstanding at 1 April 2012**	**3,022**
	Assets newly classified as Assets Held for Sale	
0	• Council Dwellings	0
766	• Other Land and Buildings	0
0	• Vehicles, Plant and Equipment	0
0	• Surplus Assets	0
(1,290)	Revaluation changes	0
(3,895)	Assets sold	(1,716)
3,022	**Balance outstanding at 31 March 2013**	**1,306**

13. Intangible Assets

This shows the capital expenditure on intangible assets. It is the Council's policy to write off such expenditure in the year in which it is incurred.

2012/13	Balance at At 1 April 2012	Expenditure	Written Out	Balance at 31 March 2013
	£'000	**£'000**	**£'000**	**£'000**
Intangible Assets				
Computer Software Licences				
& Installation costs	0	990	(990)	0
Health & Safety Works	0	444	(444)	0
Project Feasibility Works	0	741	(741)	0
Total	**0**	**2,175**	**(2,175)**	**0**

2011/12	Balance at 1 April 2011	Expenditure	Written Out	Balance at 31 March 2012
	£'000	**£'000**	**£'000**	**£'000**
Intangible Assets				
Computer Software Licences				
& Installation costs	0	682	(682)	0
Health & Safety Works	0	283	(283)	0
Project Feasibility Works	0	857	(857)	0
Total	**0**	**1,822**	**(1,822)**	**0**

14. Financial Instruments

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

a) Financial Instruments Balances

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

	Long Term		Current	
	31 March 2012	**31 March 2013**	**31 March 2012**	**31 March 2013**
	£'000	**£'000**	**£'000**	**£'000**
Investments				
Loans and receivable at amortised cost				
Loans & receivables principal amount	0	0	38,500	60,550
Heritable Deposit	301	0	770	572
Landfill Allowances Trading Scheme	0	0	4	2
Accrued Interest	0	0	313	393
Total Investments	**301**	**0**	**39,587**	**61,517**
Debtors				
Loans and Receivables	1,731	1,673	0	0
Financial assets carried at contract amounts	0	0	26,366	32,486
Total Debtors	**1,731**	**1,673**	**26,366**	**32,486**
Borrowings				
Financial liabilities carried at amortised cost				
Financial liabilities principal amount	220,797	220,721	1,931	0
Accrued Interest	0	0	1,192	1,260
Total Borrowings	**220,797**	**220,721**	**3,123**	**1,260**
Creditors				
Financial liabilities carried at contract amount	0	0	29,394	30,536
Total Creditors	**0**	**0**	**29,394**	**30,536**

Notes:

1. During 2012/13 the Council repaid all remaining annuity debt totalling £126k to the Public Works Loan Board.

2. The Councils long term borrowing total of £220.721 million includes a PWLB loan of £141.126 million to fund the HRA Settlement payment to central government. The annual cost of servicing the loans is funded by the ceasing of the previous annual subsidy payments to central government.

3. Borrowings include four Lenders Option, Borrowers Option (LOBO) Market Loans totalling £25.3 million with maturity dates between 2042-2077 three of which have entered their secondary period. This gives the lender the option to increase the interest rate. At pre-defined intervals the Council as borrower would then have the option to decline the increase and repay without penalty or accept the increase. The lender has not exercised this option to date on these three loans.

4. The Code of Practice requires authorities to include the accrued interest associated to both borrowing and investments with the carrying amount on the balance sheet. In accordance with proper accounting practice, the Council has shown accrued interest separately in current assets / liabilities where the payments / receipts are due within one year.

5. Investments include two deposits with Heritable Bank, which have been subject to an impairment charge in 2008/09. The amounts in the table above reflect the adjusted amortised cost for these assets as at 31 March 2013. Due to a change in accounting guidance any amounts that are due to be recovered in the period beyond one year are now included within long term investments. Additional information on this item is provided in the credit risk section of this disclosure note.

6. The Council had no material soft loans as at 31 March 2013.

b) Financial Instruments Adjustment Account

No debt restructuring was carried out in 2012/13 so there are no debt restructuring adjustments to this account to report.

c) Gains and Losses on Financial Instruments

The table below shows interest paid on existing borrowing in year (interest expense) and interest received on investments (interest income). The increase in the estimated recovery of funds from Heritable Bank is also included (see note 39 for more information).

	Financial Liabilities	**Financial Assets**		
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Fair value through I&E
	£'000	**£'000**	**£'000**	**£'000**
Interest Expense	(8,766)	0	0	0
Interest Income	0	751	0	0
Amounts recycled to the surplus or deficit on the provision of Services after impairment	(28)	0	0	0
Net gain / (loss) for the year	**(8,794)**	**751**	**0**	**0**

Fair Value and Reporting on Risks Arising From Financial Instruments

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

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

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- for loans from the Public Works Loan Board and other loans payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- for loans receivable prevailing benchmark market rates have been used to provide the fair value;
- no early repayment or impairment is recognised;
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount, and;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The calculated fair value of each class of financial asset and liability which are carried in the balance sheet are shown in the tables below. The prior year fair values as at 31 March 2012 are also provided for comparison.

Fair Value of Liabilities Carried at Amortised Cost

	31 March 2012		31 March 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB - maturity	196,289	180,616	196,362	192,830
PWLB - annuity	121	123	0	0
PWLB – EIP	0	0	0	0
LOBOs	25,623	23,340	25,618	24,135
Financial liabilities	**222,033**	**204,079**	**221,980**	**216,965**

The fair value is less than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date.

Fair Value of Assets Carried at Amortised Cost

	31 March 2012		31 March 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Deposits with banks and building societies	39,884	39,884	61,469	61,469
Financial assets	**39,884**	**39,884**	**61,469**	**61,469**
Long Term Debtors	**1,731**	**1,731**	**1,673**	**1,673**

The fair value is the same as the carrying value at March 2013 because the investments held are short term and their interest rates are equal to the rates available for similar loans at the balance sheet date.

The fair value of long term debtors is assumed to be the same as the carrying amount since there is no traded market for such receivables and liabilities and it is therefore not possible to provide equivalent market rates.

15. 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 2012		At 31 March 2013
£'000		**£'000**
3,958	Central Government bodies	6,374
4,502	Other Local Authorities	8,959
743	NHS bodies	718
1,574	HRA Tenants	1,691
18,594	Other entities and individuals	13,676
4,569	Council Tax payers	5,098
33,940	**Total**	**36,516**

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

At 31 March 2012		At 31 March 2013
£'000		**£'000**
(755)	HRA Tenants	(725)
(2,693)	Other entities and individuals	(2,941)
(2,658)	Council Tax payers	(3,074)
(6,106)	**Total**	**(6,740)**

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

At 31 March 2012		At 31 March 2013
£'000		**£'000**
3,958	Central Government bodies	6,374
4,502	Other Local Authorities	8,959
743	NHS bodies	718
819	HRA Tenants	966
15,901	Other entities and individuals	10,735
1,911	Council Tax payers	2,024
27,834	**Total**	**29,776**

Other enitities and individuals includes £129k due from Sutton Housing Partnership (£108k in 2011/12).

16. Cash and cash equivalents

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

At 31 March 2012		At 31 March 2013
£'000		**£'000**
110	Cash held by the authority	102
(1,997)	Bank current accounts	4,482
(1,887)	**Total**	**4,584**

17. 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 2012		At 31 March 2013
£'000		**£'000**
7,983	Central Government bodies	5,476
7,388	Other Local authorities	5,352
467	NHS Bodies	1,736
23,216	Other entities and individuals	27,247
39,054	**Total**	**39,811**

Other entities and individuals includes £143k due to Sutton Housing Partnership (£1.613 million in 2011/12)

18. Provisions

Provisions have been established for the following purposes:

	Balance b/fwd 1 April 2012	Additional provisions made in 2012/13	Amounts used in 2012/13	Unused amounts reversed in 2012/13	Balance c/fwd 31 March 2013
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Current Provisions					
a) Employee Accumulated Absences	**3,772**	**4,002**	**(3,772)**	**0**	**4,002**
Non-Current Provisions					
b) Insurance Claims	1,341	316	0	0	1,657
c) Potential Employee Litigation	360	0	0	0	360
d) Hexagon Provision	292	0	0	0	292
e) Reablement Refund Provision	150	0	(150)	0	0
f) Fairer charging	608	0	(506)	0	102
g) Independence Homes	338	0	0	0	338
h) Supported Living	156	22	0	0	178
i) Hillcroome	0	256	0	0	256
j) MMI	0	583	0	0	583
k) Land Charges	0	250	0	0	250
l) Substance Misuse costs of re-commissioning	0	70	0	0	70
	3,245	**1,497**	**(656)**	**0**	**4,086**
	7,017	**5,499**	**(4,428)**	**0**	**8,088**

a) This is required under IFRS to hold a liability in respect of annual leave which is owed to staff at the year end.

b) The Council maintains an insurance provision for claims which are likely or certain to be settled but the timing and amount of which cannot be determined accurately but can be reliably estimated. This has been established to meet claims not covered by our external insurer, including the first £150,000 of 3rd party and employee claims and the first £100,000 of property losses. The year end provision was evaluated at £1.657 million.

c) A provision of £360,000 was included in the 2011/12 accounts to cover several employment related matters which could involve the Council in a financial penalty. An assessment of the number of outstanding cases has been carried out and the provision at 31 March 2013 is to be maintained at £360,000.

d) A provision of £191,000 was created in 2010/11 to cover any potential recharge for clients supported by the mental health trust, and was increased by £101k to reflect clients supported by the mental health trust during 2011/12. It has not been considered necessary to increase the provision in 2012/13.

e) A provision of £150,000 was established in 2011/12 to cover repayment of charges for adult social care reablement. The provision has been fully utilised in the financial year.

f) A provision of £608,000 was established in 2011/12 to cover potential additional payments to providers where lower payments made under 'fairer charging' are in dispute. Payments totalling £506,000 have been made during the financial year, leaving a balance of £102,000.

g) A provision of £338,000 has been established to cover costs of clients in Independence Homes where identification of the ordinary residence is in dispute.

h) A provision of £156,000 has been established to cover costs of clients in Supported Living Homes where identification of the ordinary residence is in dispute.

i) A provision of £256,000 has been established to cover potential employee costs under TUPE arrangements following the transfer of the Mental Health Rehabilitation Support Service from Hillcroome to Community Options.

j) The Council has created a provision for the potential liability arising from its previous arrangement with the Municipal Mutual Insurance Company (MMI). MMI stopped writing insurance business on 30 September 1992 and a scheme of arrangements to achieve an orderly run-off become effective in 1994. MMI continued to pay all creditors in full until at any time in the future a solvent-run off could not be foreseen. At the board meeting on the 12 November 2012 the Directors of MMI could no longer foresee a solvent run-off and the contingent scheme of arrangement has been activated with responsibility of MMI’s management being passed to the scheme administrators, Ernst & Young LLP. The administrator can levy amounts from the scheme creditors and based on the current estimated deficit of 15% the estimated exposure for Sutton of £583,000.

k) A provision of £250,000 has been established to cover the potential cost of reimbursement to personal search companies of fees levied by local authorities for property searches Land Charges.

l) A provision of £70,000 has been established to cover potential pension costs under TUPE arrangements following the recommissioning of the Substance Misuse Treatment System.

19. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 5 and 6.

20. Non-usable Reserves

31 March 2012	Reserve / Balance	31 March 2013
£'000		**£'000**
85,526	Revaluation Reserve	91,719
340,764	Capital Adjustment Account	333,568
(1,267)	Financial Instruments Adjustment Account	(1,188)
208	Deferred Capital Receipts	139
(229,360)	Pensions Reserve	(255,456)
1,298	Collection Fund Adjustment Account	1,398
(3,772)	Accumulated Absences Account	(4,002)
193,397	**Total**	**166,178**

a) Revaluation Reserve

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

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

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

2011/12 £'000		2012/13 £'000	
94,432	**Balance as at 1 April**		**85,526**
14,174	Upward revaluation of assets	10,471	
(865)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(3,041)	
13,309	Surplus or deficit on revaluation of non current assets not posted to the surplus or deficit on the provision of services	7,430	
(958)	Difference between fair value depreciation and historical cost depreciation	(1,028)	
(21,257)	Accumulated gains on assets sold or scrapped	(209)	
(22,215)	Amount written off to the Capital Adjustment Account	(1,237)	
85,526	**Balance at 31 March**		**91,719**

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

2011/12	Capital Adjustment Account	2012/13	
£'000			£'000
538,986	**Balance at 1 April**		**340,764**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(18,720)	- Charge for depreciation and impairment of non-current assets	(17,357)	
(19,757)	- Revaluation losses on Property, Plant and Equipment	(27,535)	
(1,822)	- Amortisation of intangible assets	(2,175)	
(6,773)	- Revenue expenditure funded from capital under statute	(6,565)	
(93,079)	- 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	(5,015)	
(141,126)	- HRA self-financing payment	0	
(281,277)			(58,647)
958	Difference between fair value depreciation and historical cost depreciation		1,028
21,257	Accumulated gains on assets sold or scrapped		209
(259,062)	Net written out amount of the cost of non-current assets consumed in the year		(57,410)
	Capital financing applied in the year:		
3,052	- Use of the Capital Receipts Reserve to finance new capital expenditure	2,079	
4,539	- Use of the Major Repairs Reserve to finance new capital expenditure	7,346	
30,134	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	20,242	
7,954	- Application of grants to capital financing from the Capital Grants Unapplied Account	9,576	
3,778	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	3,731	
0	- Funded from Revenue Reserves	2,649	
539	- Capital expenditure charged against the General Fund and HRA balances	4,718	
49,996			50,341
10,844	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(127)
340,764	**Balance at 31 March**		**333,568**

c) Financial Instruments Adjustments 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.

The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2013 will be charged to the General Fund over the next 29 years.

2011/12		2012/13	
£'000		£'000	£'000
(1,352)	**Balance as at 1 April**		**(1,267)**
85	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	79	
85	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		79
(1,267)	**Balance at 31 March**		**(1,188)**

d) 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.

2011/12 £'000		2012/13 £'000
(211,230)	**Balance at 1 April**	**(229,360)**
(27,734)	Actuarial gains or (losses) on pension assets and liabilities	(24,793)
0	Assets acquired in a business combination	534
(9,217)	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	(20,517)
18,821	Employers pension contributions and direct payments to pensioners payable in the year.	18,680
(229,360)	**Balance at 31 March**	**(255,456)**

e) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority 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.

2011/12 £'000		2012/13 £'000
249	**Balance at 1 April**	**208**
(41)	Transfer to the Capital Receipts Reserve upon receipt of cash	(69)
208	**Balance at 31 March**	**139**

f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax 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.

2011/12 £'000		2012/13 £'000
1,256	**Balance at 1 April**	**1,298**
42	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	100
1,298	**Balance at 31 March**	**1,398**

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

2011/12 £'000		2012/13 £'000	
(5,463)	**Balance as at 1 April**		**(3,772)**
5,463	Settlement or cancellation of accrual at the end of the preceding year	3,772	
(3,772)	Amounts accrued at the end of the current year	(4,002)	
1,691	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(230)
(3,772)	**Balance at 31 March**		**(4,002)**

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

2011/12 £'000		2012/13 £'000
(186,321)	Net surplus / (deficit) on the Provision of Services	**25,774**
	Adjust net surplus or deficit for the provision of services for non-cash movements	
38,476	Depreciation and impairment	44,892
1,822	Amortisation	2,175
(8,767)	Increase / (Decrease) in creditors	914
(1,049)	(Increase) / Decrease in debtors	1,368
110	(Increase) / Decrease in inventories	(22)
(9,604)	Pension Liability	1,837
(311)	Contributions to / from provisions	1,071
93,080	Carrying amount of non-current assets sold	5,015
466,482	Carrying amount of short term and long term investments sold	417,449
(10,844)	Other movements	125
569,395		**474,824**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(50,329)	Capital Grants credited to surplus or deficit on the provision of services	(41,852)
(466,482)	Proceeds from the sale of short and long term investments	(417,449)
(4,376)	Proceeds from the sale of property plant and equipment, investments property and intangible assets	(7,048)
(84)	Premiums or Discounts on the repayment of financial liabilities	0
(521,271)		**(466,349)**
(138,197)	**Total**	**34,249**

22. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2011/12 £'000		2012/13 £'000
1,744	Interest received	1,034
(4,052)	Interest Paid	(8,835)
(2,308)	**Total**	**(7,801)**

23. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2011/12 £'000		2012/13 £'000
(53,931)	Purchase of property, plant and equipment, investment property and intangible assets	(48,490)
(470,704)	Purchase of short term and long term investments	(438,980)
4,419	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,824
466,482	Proceeds from short term and long term investments	417,449
28,429	Other receipts from investing activities	36,664
(25,305)	**Net cash flows from investing activities**	**(26,533)**

24. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2011/12 £'000		2012/13 £'000
156,062	Cash receipts of short term and long term borrowing	0
4,022	Other receipts from financing activities	100
(79)	Repayment of short term and long term borrowing	(120)
0	Other payments for financing activities	(1,227)
160,005	**Net cash flows from financing activities**	**(1,247)**

25. Amounts Reported for Resources Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice* . Decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across Groups in accordance with their key priorities and policies. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year, and;
- expenditure on some support services is budgeted for centrally and not charged to groups.

The income and expenditure of the Authority's principal groups recorded in the budget reports for the year is as follows:

Group Information 2012/13	Children, Young People & Learning Directorate	Adult Social Services, Housing and Health	Chief Executive's and Resources Directorate	Environment and Neighbour-hoods	TOTAL
	£'000	£'000	£'000	£'000	£'000
Fees, charges and other income	(7,099)	(11,016)	(4,276)	(13,943)	(36,334)
Government grants	(107,831)	(2,401)	(95,693)	(556)	(206,481)
Total Income	**(114,930)**	**(13,417)**	**(99,969)**	**(14,499)**	**(242,815)**
Employee Expenses	105,894	14,131	6,782	21,930	148,737
Other operating expenses	45,898	60,042	96,742	27,621	230,303
Support service recharges	4,543	3,853	1,521	4,077	13,994
Total Operating Expenses	**156,335**	**78,026**	**105,045**	**53,628**	**393,034**
Cost of Services	**41,405**	**64,609**	**5,076**	**39,129**	**150,219**

Group Information 2011/12 Comparative Figures	Children, Young People & Learning Directorate	Adult Social Services, Housing and Health	Chief Executive's and Resources Directorate	Environment and Neighbour-hoods	TOTAL
	£'000	£'000	£'000	£'000	£'000
Fees, charges and other income	(6,093)	(14,520)	(5,346)	(12,475)	(38,434)
Government grants	(116,073)	(45)	(89,756)	(597)	(206,471)
Total Income	**(122,166)**	**(14,565)**	**(95,102)**	**(13,072)**	**(244,905)**
Employee Expenses	89,325	16,930	7,268	23,318	136,841
Other operating expenses	73,090	63,611	92,503	23,776	252,980
Support service recharges	3,928	3,910	1,304	3,718	12,860
Total Operating Expenses	**166,343**	**84,451**	**101,075**	**50,812**	**402,681**
Cost of Services	**44,177**	**69,886**	**5,973**	**37,740**	**157,776**

Reconciliation of Group Income and Expenditure to Cost of Services in Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Group income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2011/12 £'000		2012/13 £'000
157,776	Net expenditure in the Group Analysis	150,219
6,030	Add services not included in main analysis	4,387
155,329	Add amounts not reported to management	20,009
1,536	Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	1,567
320,671	**Net Cost of Services in Comprehensive Income and Expenditure Statement**	**176,182**

Reconciliation of Subjective Analysis

This reconciliation shows how the figures in the analysis of Group income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/13	Service Analysis	Services not in main analysis	Not Reported to Management	Not Included in the Income & Expenditure Statement	Net Cost of Services	Corporate Amounts	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other income	(36,334)	0	(35,979)	4,217	(68,096)	(1,946)	(70,042)
Surplus or deficit on trading undertakings not in NCS	0	0	0	0	0	(93)	(93)
Interest and Investment Income	0	0	0	0	0	(1,160)	(1,160)
Income from Council Tax	0	0	0	0	0	(85,373)	(85,373)
Government grants and contributions	(206,481)	0	(4,089)	0	(210,570)	(128,116)	(338,686)
Total Income	**(242,815)**	**0**	**(40,068)**	**4,217**	**(278,666)**	**(216,688)**	**(495,354)**
Employee Expenses	148,737	151	(2,385)	0	146,503	8,449	154,952
Other operating expenses	230,303	3,565	24,339	(2,650)	255,557	0	255,557
Support service recharges	13,994	553	0	0	14,547	0	14,547
Depreciation, amortisation and impairment	0	118	38,123	0	38,241	0	38,241
Interest Payments	0	0	0	0	0	8,767	8,767
Precepts and Levies	0	0	0	0	0	894	894
Payments to Housing Capital Receipts Pool	0	0	0	0	0 0	524	524 0
Gain or loss on Disposal of Fixed Assets	0	0	0	0	0	(3,904)	(3,904)
Total Expenditure	**393,034**	**4,387**	**60,077**	**(2,650)**	**454,848**	**14,730**	**469,578**
Surplus or deficit on the provision of services	150,219	4,387	20,009	1,567	176,182	(201,958)	(25,776)

2011/12 **Comparative Figures**	Service Analysis	Services not in main analysis	Not Reported to Management	Not Included in the Income & Expenditure Statement	Net Cost of Services	Corporate Amounts	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other income	(38,434)	0	(46,081)	3,496	(81,019)	(12,641)	(93,660)
Surplus or deficit on trading undertakings not in NCS	0	0	0	0	0	(138)	(138)
Interest and Investment Income	0	0	0	0	0	(1,291)	(1,291)
Income from Council Tax	0	0	0	0	0	(85,190)	(85,190)
Government grants and contributions	(206,471)	0	(130)	0	(206,601)	(135,876)	(342,477)
Total Income	**(244,905)**	**0**	**(46,211)**	**3,496**	**(287,620)**	**(235,136)**	**(522,756)**
Employee Expenses	136,841	169	(4,065)	(2,648)	130,297	6,993	137,290
Other operating expenses	252,980	3,794	172,758	688	430,218	0	430,218
Support service recharges	12,860	1,949	0	0	14,809	0	14,809
Depreciation, amortisation and impairment	0	118	32,847	0	32,965	0	32,965
Interest Payments	0	0	0	0	0	3,809	3,809
Precepts and Levies	0	0	0	0	0	964	964
Payments to Housing Capital Receipts Pool	0	0	0	0	0	316	316
Gain or loss on Disposal of Fixed Assets	0	0	0	0	0	88,704	88,704
Total Expenditure	**402,681**	**6,030**	**201,540**	**(1,960)**	**608,289**	**100,786**	**709,075**
Surplus or deficit on the provision of services	157,776	6,030	155,329	1,536	320,669	(134,350)	186,319

26. Surplus on Trading Undertakings not Included in Net Cost of Services

The Authority has established 2 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details on the trading performance of these Revenue Trading Accounts are shown below:

		2010/11	**2011/12**	**2012/13**
		£'000	**£'000**	**£'000**
Fleet Service	Turnover	(4,095)	(4,042)	(3,726)
	Expenditure	3,987	4,042	3,726
	(Surplus)/Deficit	(108)	0	0
Schools Catering	Turnover	(2,883)	(2,858)	(2,954)
	Expenditure	2,717	2,848	2,954
	(Surplus)/Deficit	(166)	(10)	0
	Net (Surplus)/Deficit on Trading Operations	**(274)**	**(10)**	**0**

In addition the Council incurred a surplus of £93k (£126k surplus in 2011/12) from other trading activities accounted for in Other Operating Expenditure. These principally comprise of expenditure and income from construction and property services.

2011/12 £'000		2012/13 £'000
(10)	Net (surplus) on trading operations	0
(126)	Net (surplus)/deficit on other trading operations included in Other Operating Expenditure	(93)
(136)	**Net (surplus) credited to Other Operating Expenditure**	**(93)**

27. Pooled Budgets with NHS Bodies

Joint working arrangements between NHS bodies and local authorities operate under Section 75 of the NHS Act 2006. An integrated Community Equipment Service has been established between the Council and Sutton and Merton Primary Care Trust (PCT) to provide community based equipment for people with disabilities.

2011/12 £'000		2012/13 £'000
	Income	
(454)	London Borough of Sutton	(340)
(434)	Sutton and Merton PCT	(368)
(888)		**(708)**
	Expenditure	
500	Equipment and Adaptations	485
307	Other Costs	228
807		**713**
(81)	**Net Deficit/(Surplus) for the Year**	**5**
0	Deficit/ (Surplus) brought forward 1 April	0
0	Funded by London Borough of Sutton	0
(81)	**Deficit/(Surplus) Carried Forward 31 March**	**5**

28. Members Allowances

The Authority paid the following amounts to members of the Council during the year:

2011/12 £'000		2012/13 £'000
919	Allowances	890
0	Expenses	1
919	**Total**	**891**

29. Remuneration of Senior Staff

The following table gives the number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000. These figures include those senior staff who are individually disclosed below.

2011/12 Schools	2011/12 Non-Schools	Remuneration Band £	2012/13 Schools	2012/13 Non-Schools
Number of Employees			Number of Employees	
35	31	50,000 - 54,999	34	36
18	17	55,000 - 59,999	18	13
14	15	60,000 - 64,999	9	16
12	15	65,000 - 69,999	17	15
11	16	70,000 - 74,999	12	14
1	0	75,000 - 79,999	1	1
3	2	80,000 - 84,999	2	3
0	4	85,000 - 89,999	2	3
1	7	90,000 - 94,999	1	8
1	5	95,000 - 99,999	0	2
0	3	100,000 - 104,999	1	1
0	1	105,000 - 109,999	0	0
0	0	110,000 - 114,999	0	1
0	1	115,000 - 119,999	0	1
0	0	120,000 - 124,999	0	0
0	3	125,000 - 129,999	0	3
0	1	130,000 - 134,999	0	0
1	0	135,000 - 139,999	0	0
0	0	140,000 - 144,999	0	0
0	0	145,000 - 149,999	0	0
0	0	150,000 - 154,999	0	0
0	1	155,000 - 159,999	0	1
0	0	160,000 - 164,999	1	0
0	0	165,000 - 169,999	0	0
97	**122**	**Total**	**98**	**118**

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

2011/12 Salary, fees and allowances	2011/12 Employers pension contributions	2011/12 Total	Chief Officers	Note	2012/13 Salary, fees and allowances	2012/13 Employers pension contributions	2012/13 Total
£	£	£			£	£	£
156,195	33,582	189,777	Chief Executive – Niall Bolger (current)	1	156,195	27,178	183,373

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

2011/12 Salary, fees and allowances	2011/12 Employers pension contributions	2011/12 Total	Chief Officers	Note	2012/13 Salary, fees and allowances	2012/13 Employers pension contributions	2012/13 Total
£	£	£			£	£	£
129,528	27,849	157,377	Strategic Director – Resources		129,559	22,538	152,097
130,374	27,849	158,223	Strategic Director – Adult Social Services and Housing		129,878	22,538	152,416
14,516	3,121	17,637	Strategic Director - Children, Young People & Learning Services	1	129,528	22,538	152,066
129,841	27,849	157,690	Strategic Director – Environment and Neighbourhoods (to 1 July 2012)	2	33,955	5,695	39,650
N/A	N/A	N/A	Strategic Director – Environment and Neighbourhoods (Interim from 2 July to 12 December 2012)	2	N/A (see note)	N/A (see note)	N/A (see note)
N/A	N/A	N/A	Strategic Director – Environment and Neighbourhoods (start date 5 November 2012)	2	44,706	7,779	52,485
94,131	23,010	117,141	Executive Head of Policy and Communications		94,131	16,379	110,510
115,746	24,885	140,631	Executive Head of Human Resources	3	28,937	5,035	33,972
94,131	20,238	114,369	Executive Head of Community Safety		94,212	16,379	110,591
83,674	17,988	101,662	Executive Head of Legal and Democratic Services		83,667	14,558	98,225

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

A senior employee is a person whose salary is more than £150k per year, or whose salary is at least £50k per year and who is the designated head of paid service (the Chief Executive), a statutory chief officer or a non-statutory chief officer (which includes direct reports to the Chief Executive).

Note 1: The Strategic Director - Children, Young People and Learning Directorate took up the post in February 2012, so the comparative figures for 2011/12 are not for the full year.

Note 2: The Strategic Director - Environments and Neighbourhoods post was held by three different postholders in 2012/13. The first left the authority on 1 July 2012. The post was then covered on an interim basis between 2 July 2012 and 12 December 2012. The postholder was employed through an agency and so no figures are given here. The current post holder took up the post on 5 November 2012.

Note 3: Human Resources transferred to Resources Directorate on 1 July 2012 and so the Executive Head of Human Resources ceased to report directly to the Chief Executive and no longer falls under the category of a senior officer from that date.

30. Exit Packages

The following table gives details of exit packages paid to employees being made redundant in bands of £20k up to £100k, and thereafter in bands of £50k.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
£	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12** £	**2012/13** £
0 - 20,000	139	12	21	9	160	21	1,332,603	208,357
20,001 - 40,000	21	3	12	0	33	3	890,785	76,849
40,001 - 60,000	0	1	2	2	2	3	97,779	138,429
60,001 - 80,000	0	0	3	0	3	0	215,721	0
80,001 - 100,000	0	0	0	0	0	0	0	0
100,001 - 150,000	0	0	0	0	0	0	0	0
Total	**160**	**16**	**38**	**11**	**198**	**27**	**2,536,888**	**423,635**

31. External Audit Costs

2011/12 £'000		2012/13 £'000
205	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor	123
70	Fees payable to the Grant Thornton for the certification of grant claims and returns	32
275	**TOTAL**	**155**

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

The Council's expenditure on schools is funded primarily by grant monies provided by the Department Education (DfE), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2012. 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 2012/13 are as follows:-

	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2012/13 before Academy recoupment			155,225
Academy figure recouped for 2012/13			56,278
Total DSG after Academy recoupment for 2012/13			98,947
Brought forward from 2011/12			2,827
Carry forward to 2013/14 agreed in advance			1,891
Agreed budgeted distribution in 2012/13	21,919	77,964	99,883
Less Actual central expenditure	20,754		
Less Actual ISB deployed to schools		77,964	
Add Local authority contribution for 2012/13	0	0	0
Carry forward to 2013/14	1,165	0	3,056

In 2012/13, the Council received DSG funding of £98.947 million and this has been credited against the Education service revenue account.

DfE regulations require the underspending of £3.056 million against the central expenditure element of the grant to be carried forward to 2013/14 to support the Schools Budget in future years.

33. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13

2011/12		2012/13	
£'000		£'000	£'000
	Credited to Taxation and Non Specific Grant Income		
13,047	- Revenue Support Grant	983	
42,209	- Redistributed National Non-Domestic Rate	50,729	
17,586	- Learning Disabilites Grant	18,017	
7,923	- Early Intervention Grant	8,640	
2,109	- Council Tax Freeze Grant	2,115	
1,549	- Housing Benefit and Council Tax Admin Grant	1,398	
500	- Preventing Homelessness Grant	500	
428	- New Homes Bonus	1,350	
125	- Flood Prevention Grant	178	
7	- Extended Free Travel Grant	9	
85,483			**83,919**
	Capital Grants and Contributions		
44,243	- Education Grants	28,912	
0	- Decent Homes Grant	12,699	
1,889	- Mayors Grant	1,142	
0	- Outer London Fund	877	
612	- Disabled Facilities	656	
305	- Coldbusters and Empty Properites	343	
820	- Housing Associations	965	
214	- Leaseholder Contributions	293	
630	- Section 106 Contributions	675	
150	- Insurance Contribution	407	
282	- Heritage Lottery	66	
221	- Regional Heritage Pot	12	
377	- Adult Personal Social Services	387	
321	- Short Breaks for Disabled Children	321	
261	- Other Capital Grants and Contributions	531	
50,325			**48,286**
135,808			**132,205**

2011/12		2012/13	
£'000		£'000	£'000
	Revenue Grants Credited to Services		
105,845	- Dedicated Schools Grant	98,947	
7,046	- EFA funding	4,411	
1,122	- Skills Funding Agency	1,112	
136	- Standards Fund and Schools Standards Grant	260	
109	- Asylum Seekers	132	
17,942	- Rent Rebate Subsidy	19,365	
57,270	- Rent Allowances	61,644	
13,932	- Council Tax Rebates	13,910	
289	- Children's Workforce Dvelopment Council	48	
133	- Drug Intervention Programme	84	
45	- Homelessness Grant	0	
130	- Capacity Building Grant	130	
211	- NNDR cost of collection allowance	208	
189	- Safer Stronger Communities Funding	95	
1,572	- Pupil Premium	2,872	
79	- Warm Homes Healthy People Grant	109	
211	- Music Grant	88	
659	- Other	197	
206,920			**203,612**
342,728			**335,817**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned. The balances at the year-end are as follows:

2011/12		2012/13
£'000	**Capital Grants Receipts in Advance**	£'000
1,639	Standards Fund	0
1,565	S106 Contributions	1,208
3,204	**TOTAL**	**1,208**

34. Related Parties

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

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties, (e.g. housing benefit). Details of transactions with government departments are set out in note 33 to the Core Financial Statements.

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

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

Other Local Authorities

The Authority is a partner in the South London Waste Partnership, a Joint Committee established in September 2007 to secure waste treatment and disposal services for the London Boroughs of Croydon, Merton, Royal Borough of Kingston upon Thames and Sutton. The Royal Borough of Kingston upon Thames is the lead Borough for procurement and payments totalling £8.4 million, included in the comprehensive income and expenditure account were paid to the Royal Borough of Kingston Upon Thames as lead authority.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is £891,000.

One Member's wife is the chair of the trustees of the Sutton Carers Centre. The Council paid Sutton Carers Centre £414k during 2012/13.

The Pension Fund had an average balance of £9.3 million of surplus cash deposited with the Council during 2012/13. The Council charged the Fund £549,000 for expenses incurred in administering the Fund.

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 7,600 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 run the services.

In 2012/13 the turnover of SHP amounted to £15.179 million and net liabilities (including the pension deficit) were valued at £2.8 million. The Council is liable to contribute to the debts and liabilities of the organisation if it is wound up, to the value of £1.

An audited copy of SHP's 2012/13 accounts can be obtained from Brendan Crossan, Executive Director of Resources, Sutton Housing Partnership, Sutton Gate, 1 Carshalton Road, Sutton SM1 4LE. The accounts are also available on SHP's website, www.suttonhousingpartnership.org.uk

35. 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:-

2011/12 £'000		2012/13 £'000
111,628	Opening Capital financing requirement	263,893
	Capital Investment	
52,489	- Property, Plant and Equipment	47,420
1,822	- Intangible Assets	2,175
147,900	- Revenue Expenditure Funded from Capital Under Statute	6,565
	Sources of Finance	
(3,052)	- Capital Receipts	(2,079)
(38,088)	- Government grants and other contributions	(25,730)
	- Sums set aside from revenue	
(5,028)	- Direct revenue contributions	(18,801)
(3,778)	- MRP / Loans fund principal	(3,731)
263,893	**Closing Capital Financing Requirement**	**269,712**
	Explanation of movements in year	
151,126	- Increase in underlying need to borrowing (supported by government financial assistance)	0
1,139	- Increase in underlying need to borrowing (unsupported by government financial assistance)	5,819
152,265	**Increase in Capital Financing Requirement**	**5,819**

36. Authority as Lessee - Operating Leases

During 2012/13 no vehicles, plant or equipment were acquired under operating lease arrangements (acquisitions were funded through contract hire), no payments were made, and no obligations remain outstanding, in respect of operating leases.

2011/12 £'000		2012/13 £'000
25	Total rentals paid under operating leases	0
0	Estimated outstanding obligations undischarged at 31 March	0
25	**Total**	**0**
	Expiration of Undischarged Obligations	
	The value of annual lease rentals that expire in the following periods:	
0	Not later than one year	0
0	Later than one year and not later than five years	0
0	Later than five years	0
0	**Total**	**0**

37. Defined Benefit Pension Schemes

a) Participation in Pension Schemes

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

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

  The Authority contributes to the scheme at a rate of 14.1% of members' pensionable salaries and in 2012/13 the contribution amounted to £8.579 million (£12.082 million in 2011/12). The drop in contributions from the previous financial year is explained by the fact that Academy schools are now directly responsible for handling their own teachers pension contributions and no longer have to report these via the Local Education Authority.

  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 2012/13 totalled £0.4 million (£0.5m in 2011/12).

- The London Borough of Sutton participates in the Local Government Pension Scheme, a defined benefit scheme based on final pensionable salary. 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 2010, and has been updated by the Council's actuary, Hymans Robertson, to take account of the requirements of IAS19 in assessing the liabilities of the Fund as at 31 March 2013 as set out below. Pension Fund regulations require full actuarial valuations to be prepared every three years and the next valuation will be based on the financial position of the fund as at 31 March 2013

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:-

2011/12 £'000	Comprehensive Income and Expenditure Statement	**2012/13** £'000	£'000
	Cost of Services:		
13,922	- Current Service Costs	12,389	
0	- Past Service Costs / (Gain)	229	
(11,698)	- Impact of Settlements and Curtailments	(550)	
2,224			**12,068**
	Financing and Investment Income and Expenditure:		
29,049	- Interest Cost	27,458	
(22,056)	- Expected Return on Assets	(19,009)	
6,993			**8,449**
9,217	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**		**20,517**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
27,734	Actuarial gains and losses		24,793
0	Assets aquired in a business combination		(534)
36,951	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**		**44,776**

	Movement in Reserves Statement:	
(9,217)	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(20,517)
	Actual amount charged against the General Fund balance for pensions in the year:	
18,821	- Employers' Contributions Payable to Scheme	18,680

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £206.7 million.

c) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson, an independent firm of actuaries, with estimates for the Fund being based on the latest full valuation of the scheme as at 1 April 2010.

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

As at 31 March 2012		**As at 31 March 2013**
%		**%**
2.5	Rate of Inflation	2.8
4.8	Rate of Increase in Salaries	5.1
2.5	Rate of Increase in Pensions	2.8
5.5	Rate of Return on Assets	4.5
4.8	Rate for Discounting Scheme Liabilities	4.5
25	Take-Up of Option to Convert Annual Pension into Retirement Lump Sum	25
Years		**Years**
21.0	Longevity at 65 for Current Pensioners - Men	21.0
23.8	Longevity at 65 for Current Pensioners - Women	23.8
22.9	Longevity at 65 for Future Pensioners - Men	22.9
25.7	Longevity at 65 for Future Pensioners - Women	25.7

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

As at 31 March 2012		As at 31 March 2013
%		%
6.2	Equities	4.5
4.0	Bonds	4.5
4.4	Property	4.5
3.5	Cash	4.5
4.5	**Total Fund**	**4.5**

As at 31 March 2012		As at 31 March 2013
% of Fund		% of Fund
68	Equities	61
23	Bonds	30
6	Property	5
3	Cash	4
100	**Total Fund**	**100**

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

The application of these factors produced an expected return on assets of £19.0 million for 2012/13. However, the Council's actual return was positively affected by the upturn in the financial market during the year and the result for 2012/13 was a gain of £49.1 million.

d) Reconciliation of the Present Value of the Scheme Liabilities

2011/12		2012/13
£'000		£'000
544,805	**Balance at 1 April**	**574,361**
	Movements in period	
13,922	- Current Service Cost	12,389
29,049	- Interest Cost	27,458
4,723	- Contributions by Members	4,047
21,550	- Actuarial Gains and Losses	54,924
(21,331)	- Benefits Paid	(21,321)
0	- Past Service Costs	229
(18,357)	- Settlements and Curtailments	(1,000)
574,361	**Balance at 31 March**	**651,087**

e) Reconciliation of the Fair Value of the Scheme Assets

2011/12		2012/13
£'000		£'000
333,575	**Balance at 1 April**	**345,001**
	Movements in period	
18,821	- Contributions by Employers	18,680
4,723	- Contributions by Members	4,047
22,056	- Expected Return on Assets	19,009
(6,184)	- Actuarial Gains and Losses	30,131
(6,659)	- Assets Distributed on Settlements	(450)
0	- Assets Aquired in a Business Combination	534
(21,331)	- Benefits Paid	(21,321)
345,001	**Balance at 31 March**	**395,631**

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. The actual return on scheme assets in the year was £49.140 million (£12.724 million in 2011/12).

f) Scheme History

	31 March 2009	31 March 2010	31 March 2011	31 March 2012	31 March 2013
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	408,076	650,117	544,805	574,361	651,087
Fair Value of Assets	(232,676)	(322,353)	(333,575)	(345,001)	(395,631)
Deficit	175,400	327,764	211,230	229,360	255,456

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net liability of £255.4 million (based on IAS19 assumptions) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet.

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

Total employer's contributions for the year to 31 March 2014 are expected to be approximately £13.1 million.

g) Exceptional reduction in liability

The Pension Fund's net liability increased during the year by 11.38%, due to the effect on the IAS19 liabilities of falling real bond yields (offset partially by the effect on the assets of higher than expected investment returns over the year).

h) History of Experience Gains and Losses

The related experience gains and losses for 31 March 2013 and earlier years are as follows:-

	31 March 2009	31 March 2010	31 March 2011	31 March 2012	31 March 2013
	%	%	%	%	%
On assets as % of Fair Value	(35)	21	(5)	(2)	8
On liabilities as % of Present Value	0	0	3	1	(5)

38. Contingent Assets

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

The Council has created a provision to cover the potential cost of reimbursements to personal search companies of fees levied by local authorities for property searches Land Charges. The Local Government Association, on behalf of a number of local authorities are lobbying the DCLG to reopen the new burdens process whereby local authorities are given a nominal grant to cover such costs that are incurred following a change in legislation. This process of reopening the new burdens process is intended to recover most, if not all, of the liability that is likely to arise.

39. 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 - TMP's) covering specific areas such as interest rate risk, credit risk and the investment of surplus cash. These TMP's are a requirement of the Code of Practice and are reviewed periodically.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Council in March 2013 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 only using UK banks and high security money market funds. The Council has a policy of limiting deposits with individual institutions to a maximum of £15 million.

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

- Historical experience of default
- Historical experience adjusted for market conditions as at 31 March 2013

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

The maximum credit limit for individual institutions was not exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties except for two deposits made to Heritable Bank outlined below.

The maturity analysis of investments excluding Heritable Bank deposits is as follows:-

31 March 2012 £'000		31 March 2013 £'000
38,813	Less than three months	45,580
0	Three to six months	15,317
0	Six months to one year	0
0	More than one year	0
38,813	**Total**	**60,897**

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

31 March 2012		31 March 2013
£'000		**£'000**
27,834	Less than three months	29,776
0	Three to six months	0
0	Six months to one year	0
1,731	More than one year	1,673
29,565	**Total**	**31,449**

Heritable Bank

In October 2008, the Icelandic banks Landsbanki and Kaupthing & Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration.

At that time the Council had £5.5 million deposited with Heritable Bank, a subsidiary of Landsbanki. An impairment adjustment was made to those deposits in the 2008/09 accounts. This ensured that they were included in the financial statements at no more than their estimated recoverable value which was 80% at the time. Details of the deposits are as follows:

Investment	Date Invested	Maturity date	Amount invested	Interest rate	2008/09 Carrying Amount	2008/09 Impairment
			£'000		**£'000**	**£'000**
£3.5m	1.8.08	3.11.08	3,500	5.85%	3,636	1,105
£2m	30.9.08	7.10.08	2,000	6.50%	2,065	649
Total			**5,500**		**5,701**	**1,754**

Heritable Bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. The initial estimate from the administrators Ernst and Young of the recoverable amount was 80 pence in the pound and this was used to estimate the impairment included in the 2008/09 accounts. In the latest creditor progress report this estimate has been improved to between 86 and 90 pence in the pound.

In calculating the revised impairment the following assumptions on timing of recoveries have been made and this Council has used these estimates to calculate the impairment based on recovering 88p in the £:

July 2013 - 2.0%, Jan 2014 - 8.8%

Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 6 October 2008. As the available information is not certain in terms of amounts and timings of payments to be made by the administrators, further adjustments could be made to the 2013/14 accounts.

Under accounting requirements for calculating these impairments the Council will continue to accrue interest on these impaired investments at each investment's original interest rate until it is derecognised in the balance sheet. This will be the point at which the final payment from the administrators is received. The revised impairment charge is calculated by discounting the expected repayments by the original interest rate of each investment and comparing this against the carrying amount for each investment. This results in a reduction of £432k in the initial charge of £1.754 million included in the 2009/10 accounts and an overall charge of £0.620 million over the anticipated period that repayments will be made. The impact of the revision to the impairment charge and interest credits on the accounts between 2008/09 and 2012/13 is shown in the table below.

	08/09	09/10	10/11	11/12	12/13	13/14	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Recognition of Impairment	1,754	0	0	0	0	0	1,754
Revision to Impairment	0	(329)	4	(135)	28	0	(432)
Interest credited	(200)	(213)	(137)	(79)	(47)	(26)	(702)
	1,554	**(542)**	**(133)**	**(214)**	**(19)**	**(26)**	**620**

The overall net projected impairment on the accounts of £0.620 million represents the £0.660 million (12%) of the deposits that the administrators are currently advising may not be recovered, reduced by £0.040 million to allow for the recovery of 88% of the interest accrued on the deposits up to 6 October 2008.

The Council decided not to utilise the regulations issued in March 2009 which meant the Council did not charge amounts relating to impaired investments to the General Fund.

As a result it did not transfer any of the impairment loss to the Financial Instruments Adjustment Account. Instead the Council funded the impairment from a reserve specifically set up as part of the 2009/10 budget setting process to cover this cost.

Liquidity Risk

The Council has access to borrowing from the money markets to cover day to day cash flow needed and the Public Works Loans Board PWLB) and money markets for access to longer term funds. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The

Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

The maturity structure of financial liabilities is as follows (at nominal rate):

Analysis of Liquidity Risk

On 31 March 2012	Loans Outstanding	On 31 March 2013
£'000		£'000
195,541	Public Work Loans Board	195,421
25,300	Market debt	25,300
220,841	**Total**	**220,721**
44	Less than 1 year	0
27	Between 1 and 2 years	3,000
12,018	Between 2 and 5 years	9,250
607	Between 5 and 10 years	4,845
208,145	More than 10 years	203,626
220,841	**Total**	**220,721**

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

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

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

Market Risk

Interest rate risk

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

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

The Council has a number of strategies for managing interest rate risk. The spreading of loan maturity dates is explained above. Variable rate loans are limited to a maximum of 20% of overall borrowing. The Council continually tracks interest rates and uses its treasury management advisers, Sector, to identify opportunities for restructuring debt. In doing so, any premiums or discounts applicable are taken into consideration when assessing whether this may be beneficial to the Council. However following a change in the way in which the PWLB calculates premiums and discounts such opportunities are now more limited as costs are higher.

There is an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Analysis of Risk

	£'000
Increase in interest payable on variable rate borrowings	153
Increase in interest receivable on variable rate investments	(688)
Increase in government grant receivable for financing costs	0
Impact Surplus or Deficit on the Provision of Services	(535)
Share of overall impact debited to the HRA	(316)
Decrease in fair value of fixed rate investment assets	378
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(31,017)

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

Price Risk

The Council excluding the Pension Fund does not invest in equity shares or marketable bonds.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Section 4

Other Financial Statements

2012/13

.

Housing Revenue Account

2012/13

This shows the income from, and costs of providing, Council housing and related ancillary services to Council tenants.

HRA Income and Expenditure Account
For The Year Ended 31 March 2013

2011/12		Notes	2012/13
£'000			£'000
	Expenditure		
13,557	Sutton Housing Partnership Management Fee		14,318
1,972	Other Operating Costs		1,855
2,096	Rents, Rates, Taxes and Other Charges		2,404
9,882	HRA Subsidy Payable to central government	10	19
141,126	HRA Self-Financing Settlement	11	0
4,890	Depreciation of Fixed Assets	8	7,102
	Impairment Costs:	9	
1,935	- Demolitions		1,582
15,730	- Revaluations		13,397
173	Increase in Bad Debt Provision		262
191,361	**Total Expenditure**		**40,939**
	Income		
28,612	Gross Rent from Council Dwellings		30,582
696	Gross Non Dwellings Rent		720
4,072	Charges for Services and Facilities		4,442
187	Contributions Towards Expenditure		216
421	Other Government Grants		336
33,988	**Total Income**		**36,296**
157,373	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		4,643
65	HRA Services Share of Corporate and Democratic Core		33
157,438	**Net Cost of HRA Services**		**4,676**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement.		
467	Interest Payable and similar charges		5,753
(18)	Interest and Investment Income		(16)
35	Pensions Interest Cost and Expected Return on Pension Assets		72
157,922	**Deficit for the Year on HRA Services**		**10,485**

Statement of Movement on the Housing Revenue Account Balance

2011/12 £'000		2012/13 £'000
326	**Balance on the Statutory HRA at the end of the previous year**	**1,182**
(157,922)	Surplus/ (Deficit) on the HRA Income and Expenditure Account for the year	(10,485)
	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	
116	- Net Charges made for Retirement Benefits in Accordance with FRS17	178
17,665	- Impairment Costs	14,979
141,126	- HRA Self-Financing Settlement	0
	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	
(110)	- Employers Contributions Payable to the Pension Fund	(160)
875	**Net (decrease)/increase before transfers to or from reserves**	**4,512**
56	Transfer from the Major Repairs Reserve	(3,406)
0	Transfer to Freeholders Contributions to Capital Works	5
(75)	Transfer to Heating Reserve	50
1,182	**Balance on the Statutory HRA Reserve Carried Forward**	**2,343**
0	Freeholders Contributions to Capital Works	5
596	Heating Reserve – Accumulated Surplus	546
1,778	**Total Balance**	**2,894**

Notes to the Housing Revenue Account

1. Sutton Housing Partnership

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.

Sutton Housing Partnership prepares its own Statement of Accounts that is distinct from the Housing Revenue Account Statement presented above, which includes London Borough of Sutton income and expenditure.

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

2. Balance Carried Forward

The HRA Reserve balance carried forward at 31 March 2013 of £2,343,109 (£1,182,196 at 31 March 2012) reflects the decision taken in 2010/11 to raise the balance to a more prudent level over 3 years. In addition the HRA carries a Heating Reserve of £546,397 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.

3. Housing Stock

At 31 March 2013 the Council managed 6,211 tenanted and leasehold dwellings. The Council also owned a proportion of 14 equity share/shared ownership dwellings, being the equivalent of 8 fully-owned dwellings.

Analysis of HRA Dwellings at 31 March 2013

Total 2011/12		Bedsits	Flats	Houses	Total 2012/13
6,400	**Dwellings at 1 April**	**230**	**3,131**	**2,952**	**6,313**
(58)	Demolitions	(6)	(11)	(20)	(37)
(32)	Stock Transfers	0	0	0	0
(2)	Right to Buy Sales	(1)	(9)	(25)	(35)
5	Net Changes through Change of Use or Refurbishment	0	(32)	2	(30)
6,313	**Dwellings at 31 March**	**223**	**3,079**	**2,909**	**6,211**

37 properties were demolished during 2012/13, and carried a book value of £1.6 million prior to demolition. This has been treated as an impairment charge and written out through the HRA. The impairment charges do not impact on the HRA balance, and have been written back in the Statement of Movement on the HRA balance.

4. Stock Valuation

An interim revaluation of the Council’s housing stock was completed as at 1 April 2011, price changes to 31 March 2013 were reviewed but are not reflected in the following figures as the impact was immaterial. Disposals to 31 March 2013 have been accounted for in the valuation.

Balance Sheet Valuation of HRA Assets

As at 31 March 2012		As at 31 March 2013
£’000	Operational Assets:	**£’000**
250,335	- Dwellings	252,344
3,666	- Other Land and Buildings	3,666
4,099	Non Operational Assets	4,099
258,100	**Total**	**260,109**

This valuation reflects the use of HRA dwellings as tenanted stock. The vacant possession valuation at 31 March 2013 is £1,009 million (£1,001 million at 31 March 2012). The balance sheet valuation is considerably lower because dwellings are tenanted and the rents charged reflect the position of social housing, and discounts are available to tenants who purchase their dwellings under the statutory Right-to-Buy scheme.

5. Major Repairs Reserve

The reserve is credited with the 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.

2011/12		2012/13
£'000		**£'000**
0	Balance at 1 April	298
4,833	Contribution to Major Repairs Reserve	7,048
56	Depreciation on non-dwellings	54
(4,538)	MRA used on capital projects	(7,346)
(56)	Transfer to Statement of Movement on HRA balance	(54)
3	Capital Receipts Allowance on Improvements Relating to Right-to-Buy Properties	0
298	**Balance Carried Forward at 31 March**	**0**

6. HRA Capital Financing

2011/12		2012/13
£'000		**£'000**
15,121	HRA Capital Expenditure	**24,467**
	Financed by :	
10,000	Loan/Borrowing	533
0	Government Grants	12,711
4,538	Major Repairs Reserve	7,346
0	Revenue Contributions	3,406
2	Capital Receipts	0
581	Other	471
15,121	**Total**	**24,467**

7. HRA Capital Receipts

2011/12		2012/13
£'000		**£'000**
20	Roundshaw Stock Transfer	27
426	Right to Buy Sales	3,794
4	Mortgage Repayments	9
450	**Total**	**3,830**

8. Depreciation

The Council's depreciation policy is to write down asset values over their estimated life, on a straight line basis. For Council dwellings the policy under the subsidy system has been to provide for depreciation at an amount equal to the Major Repairs Allowance (MRA). From April 2012 the policy has been to provide at an amount equivalent to the uprated MRA allowance used in the self financing settlement for the allowed transitional period while a component based system is developed. On this basis depreciation equates to £7.1 million.

2011/12		2012/13
£'000		**£'000**
	Operational Assets:	
4,834	Dwellings	7,048
56	Other Land and Buildings	54
4,890	**Total**	**7,102**

9 Impairment

Impairment charges totalling £14.979 million have been made during 2012/13. This charge is a result of the following:

- £13.4 million impairment due to a reduction of £18.297 million after applying the social housing factor to the cost of capital works during the year, offset by a 2.2% increase (£4.901 million) in the House Price Index (HPI) used in the revaluation of Council Dwellings, and;
- £1.6m impairment due to a number of housing properties being demolished in year.

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

10 Housing Revenue Account Subsidy

Up to its closure in March 2012 and the implementation of self-financing, the HRA subsidy scheme redistributed rent income across all local authorities with housing functions. Sutton was a net contributor to the system.

This is made up of the following elements:

2011/12		2012/13
£'000		**£'000**
12,582	Allowance for Management & Maintenance	0
4,834	Allowance for Major Repairs	0
812	Charges for Capital	0
(28,689)	Guideline Rent Income	0
(1)	Interest on Receipts	0
580	Other	(19)
(9,882)	**Negative subsidy payable to Central Government**	**(19)**

11. Material item on the HRA Income and Expenditure Account

April 2012 marked a significant change in the way that council housing is financed. A new 'Self Financing Regime' became effective and the subsidy arrangements ceased. The self financing system was included within the Localism Act and received royal assent in the Autumn 2011. The abolition of the subsidy system required the Council to make a settlement payment to the Secretary of State of £141.126 million on 28 March 2012. The Council took advantage of the Public Works Loan Board (PWLB) special lower interest rate to finance the settlement and this was recognised on the Council's balance sheet.

12. Contributions to and from the Pension Reserve

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

13. Rent and Service Charge Arrears

Rent and service charge arrears at 31 March 2013 totalled £946,266 compared to £909,951 at 31 March 2012. As a proportion of gross rent and service income, this represents 2.80% compared to 3.69% in 2011/12.

Total provision for uncollectable rent and service debt totalled £735,116 at 31 March 2013 compared to £754,621 at 31 March 2012.

As at 31 March 2012		As at 31 March 2013
£'000		**£'000**
960	Current Tenant Arrears	1,056
696	Former Tenant Arrears	425
1,656	**Total**	**1,481**
(518)	Accounts in credit	(535)
1,138	**Net Arrears**	**946**

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

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

As at 31 March 2012		As at 31 March 2013
£'000		**£'000**
(755)	Tenants rent and heating charges	(735)
(755)	**Total**	**(735)**

Collection Fund

2012/13

This summarises income from the Council Tax and business rates (NNDR), precepts and demands upon the Fund.

Collection Fund Income and Expenditure Account 2012/13

2011/12 £'000		2012/13 £'000
	Income	
94,870	Council Tax collectable	95,203
13,656	Transfers from General Fund re Council Tax Benefits	13,728
48,874	Income Collectable from Business Ratepayers (Note 3)	50,601
1,428	Income Collectable in respect of Business Rate Supplement	1,398
158,828	**Total Income**	**160,930**
	Expenditure	
	Council Tax Precepts & Demands (Note 4)	
84,361	- London Borough of Sutton	84,586
21,430	- Greater London Authority - General	21,257
1,479	- Olympics	1,483
	National Non-domestic Rates (Business rates):	
48,663	- Payment to National Pool	50,393
211	- Costs of Collection	208
	Cross Rail (NNDR/Business rates additional precept):	
1,419	- Payment to GLA	1,390
9	- Costs of Collection	8
	Bad and Doubtful Debts (Council Tax):	
93	- Write-offs/(Write-back)	73
109	- Increase/(Decrease) in Provision	407
	Contributions:	
1,000	- Distribution of Surplus	1,000
158,774	**Total Expenditure**	**160,805**
1,596	Fund Balance 1 April	1,650
54	Surplus/ (Deficit) for the Year	125
1,650	**Surplus Carried Forward 31 March**	**1,775**
	Allocation of Fund Balance:	
1,298	- London Borough of Sutton	1,398
352	- Greater London Authority	377
1,650	**Total Allocation of Fund Balance**	**1,775**

1. General

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

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 (£1,447.61 in 2012/13, London Borough of Sutton £1,140.89 and GLA £306.72) by the ratio applicable to the property.

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

Valuation Office estimated market value as at April 1991	Band	Estimated Number of Taxable Properties After Effect of Discounts	Ratio	Band D Equivalent Dwellings	
Less Than £40,000	A	602	6/9	401	
£40,000 - £52,000	B	5,687	7/9	4,423	
£52,000 - £68,000	C	22,485	8/9	19,986	
£68,000 - £88,000	D	21,500	9/9	21,500	
£88,000 - £120,000	E	11,266	11/9	13,770	
£120,000 - £160,000	F	6,360	13/9	9,186	
£160,000 - £320,000	G	3,409	15/9	5,682	
£320,000 or more	H	228	18/9	456	
		71,537		75,404	
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.				133.9	
				75,537.9	
Adjustment for estimated collection rate.				1,397.4	1.85%
		Council Tax Base		74,140.5	98.15%
		Band D council tax charge		£1,447.61	
		Total Precept raised (Note 4)		£107,326,529	

3. Income From Business Ratepayers

Under the arrangements for uniform national non-domestic rates (business rates), the Council collects non domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn, is paid back to authorities as part of Formula Grant their share of the pool being based on a standard amount per head of resident population. In 2012/13 the Council received £50.7 million from the pool, and contributed £49.4 million.

The total non domestic rateable value at 31 March 2013 in Sutton was £132.588 million (£131.647 million at 31 March 2012). The Government advises local authorities of the two business rate multipliers annually. For 2012/13 these were:

- Small business non-domestic rating multiplier - 45.0p per £ (42.6p per £ in 2011/12)
- Non-domestic rating multiplier - 45.8p per £ (43.3p per £ in 2011/12)

4. Precepts and Demands

2011/12 £'000		2012/13 £'000
84,361	London Borough of Sutton	84,586
22,909	Greater London Authority	22,741
107,270	**Total**	**107,327**

In addition to the £107.327 million above, the estimated surplus on the Collection Fund at 31 March 2012 of £1.000 million was shared between the Council and the GLA in 2012/13, £0.786 million and £0.214 million respectively.

Section 5

Pension Fund Accounts

2012/13

These show the operation of the Sutton Local Government Pension Fund and do not form part of the Income and Expenditure Account or Balance Sheet.

London Borough of Sutton Pension Fund Accounts for the Year Ended 31 March 2013

2011/12 £'000		Notes	2012/13 £'000
	Contributions and Benefits		
	Contributions Receivable:		
20,393	From Employers	2	21,136
5,658	From Employees or Scheme Members	2	5,353
3,298	Transfers In	4	5,365
29,349	**Sub-Total Income**		**31,854**
	Benefits Payable:		
15,474	Pensions	3	16,910
6,070	Lump Sum Retirement Grants	3	2,634
300	Lump Sum Death Benefits	3	646
	Payments to and on account of Leavers:		
63	Refund of Contributions		15
2,034	Transfers Out		3,283
557	Administrative and Other Expenses		549
24,498	**Sub-Total Expenses**		**24,037**
4,851	**Net Addition from Dealings with Scheme Members**		**7,817**
	Return on Investments		
8,813	Investment Income	6d	7,382
(306)	Taxes on Income	6e	(347)
4,217	Increase/(Decrease) in Market Value of Investments		41,666
(906)	Investment Management Expenses		(1,445)
11,818	**Net Return on Investments**		**47,256**
16,669	**Net Increase/(Decrease) in Fund During Year**		**55,073**
355,355	Opening Net Assets of the Scheme		372,024
372,024	**Total Net Assets at 31 March**		**427,097**
	Net Assets Statement		
	Investment Assets:		
244,179	Equities		245,392
24,964	Fixed Interest Securities - Public Sector		43,941
51,169	- Other		69,249
8,840	Index Linked Securities - Public Sector		11,056
26,645	Property Fund		22,469
0	Other		11,449
355,797	**Sub-Total Securities**	6b	**403,556**
5,544	Loans to businesses	6b	6,485
3,430	Cash		3,099
1,011	Debtors		786
365,782	**Total Investment Assets**	6a	**413,926**
	Current Assets		
6,127	Cash in Hand		12,365
359	Debtors (Contributions from Employers)		901
(244)	Current Liabilities		(95)
372,024	**Total Net Assets at 31 March**		**427,097**

1. Membership

The Fund is established under the provisions of the Superannuation Act 1972 to provide pensions and other retirement benefits for the Council's employees (other than teachers) and the Scheduled and Admitted Bodies detailed below. The fund is administered by the Council.

Scheduled Bodies:
- Carshalton College
- Sutton Housing Partnership
- Academy Schools

Admitted Bodies:
- Bandon Hill Joint Cemetery Committee
- Citizens Advice Bureaux
  - Beddington & Wallington
  - Sutton
  - St Helier (office now closed)
- Housing21
- H21 (Dementia Voice)
- ThamesReach
- The former Sutton and District Water Company (no current contributors)
- Sports and Leisure Management

As at 31 March, membership of the fund comprised

31 March 2012 No.		31 March 2013 No.
3,962	Employees & Council Members	3,937
3,030	Pensioners and dependants	3,097
3,356	Former Employees - deferred benefits	3,593
10,348	**Total**	**10,627**

2. Contributions to the Fund

Scheme members make contributions to the Fund by deductions from earnings. From 1 April 2008 members’ contribution rates vary between 5.5% and 7.5% depending on their pay band. Following the 2010 actuarial valuation, the employers’ contribution rate was set at 21.5% of employees' earnings (17.4% future service rate and 4.1% deficit contribution).

For Scheduled Bodies the employers’ rates of contribution were:
- Carshalton College – 16.9% plus £216k
- Sutton Housing Partnership – 18.0% plus £89k and a capital payment for the deficit contribution

For Admitted Bodies the employers’ rates of contribution were:
- Bandon Hill Joint Cemetery Committee – 33.7%
- Citizens Advice Bureaux – 33.7%

- Housing21 – 22.4%
- H21 (Dementia Voice) – 19.0%
- ThamesReach – 16.7%
- Sports and Leisure Management – 18.7%

Contributions to the Pension Fund were as follows:-

2011/12		2012/13
£'000		**£'000**
	Employers Contributions	
15,078	London Borough of Sutton excl. Academy Schools	14,935
1,855	London Borough of Sutton - Academy Schools	2,479
1,972	London Borough of Sutton - Recovery of Early Retirement Costs	2,451
	Scheduled Bodies	
653	- Carshalton College	495
703	- Sutton Housing Partnership	679
132	Admitted Bodies	97
20,393		**21,136**
	Active Members Contributions	
4,677	London Borough of Sutton excl. Academy Schools	4,328
547	London Borough of Sutton - Academy Schools	677
	Scheduled Bodies	
174	- Carshalton College	106
228	- Sutton Housing Partnership	216
32	Admitted Bodies	26
5,658		**5,353**

3. Analysis of Benefits Payable

2011/12		2012/13
£'000		**£'000**
21,059	London Borough of Sutton excl. Academy Schools	19,521
109	London Borough of Sutton - Academy Schools	183
	Scheduled Bodies	
298	- Carshalton College	68
294	- Sutton Housing Partnership	341
84	Admitted Bodies	77
21,844	**Total Benefits Payable**	**20,190**

4. Transfers In

This includes £4,371,000 in respect of the bulk transfer of pension liabilities from the London Borough of Merton.

5. Accounting Policies

The accounts summarise the transactions and net assets of the fund. They do not take account of the liabilities to pay pensions and other benefits after 31 March 2013. This liability is included within the individual employer's balance sheet.

The financial statements have been prepared on a going concern basis. The accounts have also been prepared on an accruals basis and in accordance with the Statement of Recommended Practice (SORP) as applicable to Local Authorities, and the provisions of Chapter 2 Recommended Accounting Practice of the Pension SORP 2007. In particular:

a) Valuation of Investments

Investments have been recognised at market value, so far as these have been ascertainable, with any surplus or deficit on valuations being credited directly to the fund balance. Market values for all securities (current bid price) are determined by prices quoted on stock exchanges at 31 March 2013.

Where market values have not been available, the investments have been recognised on an appropriate fair value basis. Unitised insurance policy based investments, which are managed by L&G are valued by the manager at bid price, reflecting the bid value of the underlying assets. These prices are not quoted on recognised investment exchanges. Newton, Schroders, Harding Loevner, Pyrford, Baillie Gifford, BlackRock and Aberdeen are also unitised pooled funds, which are not quoted, however the underlying assets of these funds are quoted.

The pooled vehicle held with AVIVA is also not determined by valuation of listed exchanges, but is valued through calculation of the latest available net asset value of the underlying investments.

Investments held with M&G are unquoted and not listed on an exchange. The underlying net assets of the fund are valued on an amortised cost basis. This is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Direct investments by Partner's Group are valued at cost during construction and the ensuing initial period, after which direct equity investments are valued using a discounted cash flow or multiple approach, while direct debt investments are held at par. Primary and secondary partnership investments are valued based on latest available net asset values.

b) Investment income

i) Interest Income

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

ii) Dividend Income

Dividend income is recognised by the equity fund managers when the shares are quoted ex-dividend. At this point the income is accrued by the equity fund managers and then received on the offical pay date, at which point it is reflected in the daily Net Asset Value.

iii) Distributions from pooled funds

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

iv) Movement in net market value of investments

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

c) Investment management expenses

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

Fund manager, custodian and investment consultants fees are all agreed at the time of contractural arrangements. All fund manager fees are based on net asset values of the assets held, which can increase or reduce as the values change. One equity fund manager incorporates a performance related element to their fee structure. This applies when they have outperformed the relevant benchmark by more than 0.25%, in which case an additional fee of 20% of the performance value is payable. Following the termination of a segregated portfolio and resultant introduction of a new pooled fund mandate, a performance related termination fee was payable during 12/13, which related to the previous four year's fund performance and totalled £503K.

Investment consultant fees are included in investment management expenses and a proportion of relevant officers' salaries, including related oncosts, has been charged to the Fund.

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

e) Fund manager assets denominated in non-sterling currencies are translated to sterling by the asset custodian using its foreign exchange rates for the balance sheet dates.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about these assumptions.	The effects on the net pension fund liability for the London Borough of Sutton pension fund can be measured. For example a 0.5 decrease in the discount rate assumption would result in an approximate increase of £59.6m (9%) in the Council's pension liability; a one year increase in member life expectancy would increase the liability by approximately £19.5m (3%); a 0.5% increase in the salary increase rate would increase the liability by approximately £14.1m (2%).
Unquoted investments	Some investments, such as private equity, pooled property and company financing funds are valued using bases which are not quoted and therefore there is a degree of estimation involved in the valuation	The total of investments which are valued on an unquoted basis is £13.6m. There is a risk that these investments may be under or over-stated in the accounts.

6. Fund Management

a) Allocation of Assets

The Sutton Fund is mandated to nine different fund managers. In June 2012 Partner's Group, an infrastructure investment manager was appointed. Following the implementation of a new investment strategy in October 2012, a further four new fund managers were appointed; Harding Loevner and Schroder was appointed to two new pooled global equity fund mandates and Baillie Gifford and Pyrford was appointed to two new pooled absolute return mandates. An existing segregated mandate with Newton was transferred to a new pooled global equity fund mandate with them and an existing pooled global equity fund with L&G was transferred to a pooled UK equity fund. During December 2012 the existing RREEF UK Core Property Fund amalgamated with BlackRock's UK Property Fund.

Legal & General (L&G), Newton Investment Management (Newton), Harding Loevner, Schroder, Baillie Gifford, Pyrford, Aberdeen Asset Management (Aberdeen), BlackRock and Partner's Group are employed as investment managers. The Fund is also invested in two separate funds; M&G UK Companies Financing Fund and Aviva Investors UK Real Estate Fund of Funds Plan.

A strategic target benchmark allocation of 42% of the total fund value is invested in global equities managed in separate, equal sized portfolios by Newton, Harding Loevner and Schroder's. 13% of the fund is invested in UK equities by L&G and 15% of the fund is split equally in absolute return pooled vehicles managed by Baillie Gifford and Pyrford. 20% of the fund is targeted in bonds by Aberdeen, 10% in Property, split between 6% with BlackRock and 4% with AVIVA. Fees negotiated with fund managers for their services are on a sliding scale related to the overall value of funds managed, and include a performance element.

The market value of securities held by the fund managers at 31 March 2013 totalled £410.04 million split as follows:

	£m	% of Investment Assets
Legal & General (equities)	52.036	12.7%
Newton (equities)	59.544	14.5%
Aberdeen (bonds)	91.868	22.4%
Blackrock (Formerly RREEF - property)	17.328	4.2%
M & G Loans to businesses	6.485	1.6%
AVIVA (property)	4.930	1.2%
Partners Group (Private Infrastructure)	2.196	0.5%
Schroders (equities)	59.192	14.5%
Harding Loevner (equities)	57.382	14.0%
Baillie Gifford (equities)	29.940	7.3%
Pyrford (equities)	29.140	7.1%
Total	**410.041**	**100.0%**

£335.421 million of the Fund's assets are held in unitised form, comprising the bond and property assets and some equity unit trusts. Excluding equity unit trusts, the largest unitised holding is Aberdeen's Long Dated Sterling Credit Fund, representing 10.7% of net assets. There is no other individual holding of more than 5%.

b) Analysis of Investments

31/03/2012		31/03/2013
£'000		£'000
	Equities:	
111,259	UK Quoted	73,913
132,919	Overseas Quoted	171,479
	Fixed Interest Securities:	
	- UK	
13,019	Public sector quoted	25,205
13,404	Corporate quoted	33,415
	- Overseas	
11,945	Public sector quoted	18,736
37,766	Corporate quoted	35,834
	Indexed linked securities:	
8,840	UK Public sector quoted	9,543
0	Overseas Public sector quoted	1,513
	Property:	
	- UK	
21,814	Property fund quoted:	17,539
	- Overseas	
4,831	Property Unit Trust unquoted	4,930
	Loans to business:	
5,544	Unit Trust unquoted	6,485
	Other:	
0	Quoted	9,253
0	Unquoted - Private Equity Infrastructure	2,196
361,341		**410,041**
	Pooled funds - additional analysis:	
	- UK	
	Equities:	
59,328	Unit Trusts	62,889
0	Other pooled equities	11,024
	Fixed Interest Securities:	
76,132	Fixed income bonds	97,907
	Indexed Linked Securities:	
8,840	Indexed linked bond	9,543
	Property:	
21,814	Unit Trust	17,328
0	Other	211
	Loans to business:	
5,544	Unit Trust	6,485
	- Overseas	
	Equities:	
61,988	Unit Trust	107,883
0	Other pooled equities	63,596
	Fixed Interest Securities:	
0	Other	16,796
	Property:	
4,831	Unit Trust	4,930
	Other:	
0	Other pooled investments	11,449
238,477		**410,041**

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

c) Investment Movement Summary

Investment Movement Summary 2012/13	**Value at 31/03/2012**	Purchases at Cost	Sales Proceeds	Change in Market Value	**Value at 31/03/2013**
	£m	**£m**	**£m**	**£m**	**£m**
Equities	244.2	189.9	(206.8)	18.1	245.4
Bonds	85.0	55.9	(26.7)	10.1	124.3
Property	26.6	24.2	(23.8)	(4.6)	22.4
Total	355.8	270.0	(257.3)	23.6	392.1
Loans to:					
Businesses	5.5	1.2	0.0	(0.2)	6.5
Transition	0.0	262.3	(279.9)	17.6	0.0
Other	0.0	12.2	(1.5)	0.7	11.4
Cash	3.4				3.1
Debtors	1.0				0.8
Total Investment Assets	**365.7**			**41.7**	**413.9**

The Transition is related to the movement of funds from existing to newly appointed fund managers. Note 6(a) refers.

Comparative Movements in 2011/12	**Value at 31/03/2011**	Purchases at Cost	Sales Proceeds	Change in Market Value	**Value at 31/03/2012**
	£m	**£m**	**£m**	**£m**	**£m**
Equities	241.5	51.6	(45.5)	(3.4)	244.2
Bonds	74.6	56.3	(53.3)	7.4	85.0
Property	20.6	5.6		0.4	26.6
Total	336.7	113.5	(98.8)	4.4	355.8
Loans to:					
Businesses	2.7	3.0		(0.2)	5.5
Other Investment balances:					
Cash	4.9				3.4
Debtors	1.3				1.0
Total Investment Assets	**345.6**				**365.7**

Transition costs included in the cost of purchases and in sale proceeds total £152,000 (£122,000 in 2011/12)

d) Investment Income (Gross)

31/03/2012 £'000		31/03/2013 £'000
4,594	Equities	2,486
2,987	Bonds	2,743
752	Property	1,282
8,333		6,511
219	Loans to Business	284
261	Other	587
8,813		7,382

e) Taxes on Income

31/03/2012 £'000		31/03/2013 £'000
(212)	Tax Withheld - Equities	(149)
0	Tax Withheld - Bonds	0
(92)	Tax Withheld - Property	(193)
(2)	UK Income Tax - Property	(5)
(306)		(347)

7. Non-adjusting Post Balance Sheet Event

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

Given the current economic situation, it is possible that fluctuations in the value of assets may have occurred since the balance sheet date. In view of recent market trends, the Council has reviewed the latest valuation data available from its main fund managers. This revealed that as at 28 June 2013 the value of investments has decreased by just over 1%, equivalent to a net decrease of £5.5m.

There have been no events since the 31 March 2013, and up to the date when these accounts were authorised, that require any adjustment to these accounts. The accounts were authorised by the Strategic Director - Resources, Gerald Almeroth, on 28 June 2013.

8. Actuarial Position

Pension Fund regulations require actuarial valuations to be prepared every three years. The last triennial valuation as at 31 March 2010 was prepared by Hymans Robertson, the Council’s actuary. The valuation showed Fund assets , which at 31 March 2010 were valued at £337 million were sufficient to meet 69% of the liabilities (i.e. the present value of promised retirement benefits accrued up to that date). Following a stabilising exercise the overall employer contribution rate for LB Sutton will remain at 21.5% subject to a minimum cash sum being paid to meet the past service deficit (i.e. 17.4% of employees' earnings to fund future service deficit and the greater of 4.1% or £3,170,000 in 2011/12, £3,202,000 in 2012/13 and £3,371,000 in 2013/14 to fund past service liabilities.) This rate is intended to make good the deficit over a 22 year period, as assessed by the Council's actuary, following a separate stabilisation modelling exercise.

Funding Method

The funding method used identifies separately the estimated cost of members' benefits in respect of scheme membership completed before 31 March 2010 ('past service') and in respect of scheme membership expected to be completed after 31 March 2010 ('future service').

Actuarial Assumptions

In the actuarial valuation, the Actuary has used assumptions about the factors affecting the Fund's finances in the future. Broadly, these assumptions fall into two categories - financial and demographic. Demographic assumptions typically forecast when exactly benefits will come into payment and what form these will take. Financial assumptions typically try to anticipate the size of these benefits.

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

Financial Assumptions

A summary of the main financial assumptions adopted for the 2010 valuation of members benefits is shown below.

	31 March 2010	
	% p.a.	% p.a.
Financial assumptions	Nominal	Real
Funding basis discount rate	6.1%	2.8%
Pay increases*	5.3%	2.0%
Price inflation (CPI)/Pension increases	3.3%	-

* 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter. Plus an allowance for promotional pay increases

Longevity

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

	Males	Females
Current Pensioners	21.0 years	23.8 years
Future Pensioners*	22.9 years	25.7 years

* based on members aged 45 at the valuation date

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

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

The Actuary has calculated the actuarial present value of promised retirement benefits to be £714 million as at 31 March 2013 (£605 million as at 31 March 2012). The Council is required to provide a description of the significant actuarial assumptions made and the methods used in the calculation. This is detailed below.

a) Method

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. The Actuary estimates this liability at 31 March 2013 comprises £375 million in respect of employee members, £124 million in respect of deferred pensioners and £215 million in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the Actuary is satisfied that the aggregate liability is a reasonable estimate of the actuarial present value of benefits promised. The Actuary has not made any allowance for unfunded benefits.

b) Assumptions

The assumptions used are those adopted for the Sutton Council's (the administering authority's) IAS19 report as required by the Code of Practice. These are given below. The Actuary estimates that the impact of the change of assumptions to 31 March 2013 is to increase the actuarial present value by £80m.

(i) Financial Assumptions

The Actuary's recommended financial assumptions are summarised below:

Year ended	31 March 2013 % p.a.	31 March 2012 % p.a.
Inflation/Pension Increase Rate	2.8%	2.5%
Salary Increase Rate*	5.1%**	4.8%*
Discount Rate	4.5%	4.8%

*salary increases are 1% p.a. nominal until 31 March 2015, reverting to the longer term rate thereafter
**'salary increases were 1% p.a. nominal until 31 March 2016, reverting to the longer term rate thereafter

(ii) Longevity Assumption

The life expectancy assumption is based on the standard SAPS tables, with improvements from 2007 in line with the Medium Cohort and 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.0 years	23.8 years
Future Pensioners*	22.9 years	25.7 years

* Future pensioners are assumed to be currently aged 45

(iii) Commutation Assumption

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

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from the London Borough of Sutton, administering authority to the Fund.

The next formal actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.

10. Additional Voluntary Contributions

In accordance with regulation 4 (2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093), additional voluntary contributions are not included in the Pension Fund Accounts. AVC's are managed independently by a specialist AVC fund provider, and are invested separately from the fund in the form of personal accounts securing additional benefits on a money purchase basis, for those members electing to pay additional voluntary contributions. Members participating in this arrangement each received an annual statement made up to 31 May 2013 confirming the amounts held to their account and the movements in the year. In the year to May 2013 AVC's paid by members amounted to £192k (£232k in 2012) and £243k was paid out by the scheme (£229k in 2012). At 31 May 2013 the total value of these AVC's was £1,225k (£1,105k at 31 May 2012). Note this is an externally provided scheme and valuations are given at the scheme date which is 31 May.

11. Disclosure of Related Party Transactions

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

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

To comply with this requirement the London Borough of Sutton's Strategic Director - Resources has issued a declaration form with guidance notes to members and senior officers. Set out below are details of the declarations made which are material to the pension fund accounts.

The Pension Fund had an average balance of £9.3 million of surplus cash deposited with the Council during 2012/13. The Council charged the Fund £549,000 for expenses incurred in administering the Fund. The Council is also the single largest employer of members of the pension fund and contributed £19.865m to the fund (£18.905m in 2011/12), note 2 refers.

Key Management Personnel

The key management personnel disclosure requirement is satisfied by the disclosure of officer remuneration and members' allowances found in the Council's main accounts.

12. Financial Instruments

a) Classification of Financial Instruments

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

	Designated at fair value through profit and loss		Loans and receivables		Financial liabilities at amortised cost	
	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000
Financial Assets						
Fixed Interest Securities	76,133	113,190				
Index Linked Securities	8,840	11,056				
Equities	244,179	245,392				
Pooled property investments	26,645	22,469				
Other*		11,449				
Derivative contracts						
Investment Cash			3,430	3,099		
Other investment balances			5,544	6,485		
Investment Debtors			1,011	786		
	355,797	**403,556**	**9,985**	**10,370**	**0**	**0**
Cash in hand			6,127	12,365		
Debtors			359	901		
	355,797	**403,556**	**16,471**	**23,636**	**0**	**0**
Financial Liabilities						
Derivative contracts						
Other investment balances						
Creditors					(244)	(95)
Borrowings						
	0	**0**	**0**	**0**	**(244)**	**(95)**
	355,797	**403,556**	**16,471**	**23,636**	**(244)**	**(95)**

Current assets, which are separate to investment assets have been additionally disclosed in 2012/13.

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

b) Net Gains and Losses on Financial Instruments

	2011/12 £'000	2012/13 £'000
Financial Assets		
Fair value through profit and loss	7,896	41,960
Loans and receivables	58	(294)
Financial liabilities measured at amortised cost	0	0
Financial liabilities		
Fair value through profit and loss	0	0
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Total	**7,954**	**41,666**

c) Fair Value of Financial Instruments and Liabilities

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

	Carrying Value		Fair Value	
	2011/12	2012/13	2011/12	2012/13
	£'000	£'000	£'000	£'000
Financial Assets				
Fair value through profit and loss	323,505	365,124	355,797	403,556
Loans and receivables	9,985	10,370	9,985	10,370
Total financial assets	**333,490**	**375,494**	**365,782**	**413,926**
Financial Liabilities				
Fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(1,918)	0	(1,918)	0
Total financial liabilities	**(1,918)**	**0**	**(1,918)**	**0**

Only financial assets and liabilities that relate to investments are included in the table above.

d) Valuation of Financial Instruments Carried at Fair Value

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

Level 1
Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities

Level 2
Quoted prices are not available and valuation techniques use inputs that are based significantly on observable market data

Level 3
At least one input that could have a significant effect on valuation is not based on observable market data

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
Values at 31/03/13	**Level 1**	**Level 2**	**Level 3**	
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Financial assets at fair value through profit and loss	384,032	17,328	2,196	403,556
Loans and receivables	3,885	0	6,485	10,370
Total Financial Assets	387,917	17,328	8,681	413,926
Financial Liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(681)	0	0	(681)
Total Financial Liabilities	**(681)**	**0**	**0**	**(681)**
Net Financial Assets	**387,236**	**17,328**	**8,681**	**413,245**

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
Values at 31/03/12	**Level 1**	**Level 2**	**Level 3**	
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Financial assets at fair value through profit and loss	326,230	27,618	1,948	355,796
Loans and receivables	4,441	0	5,544	9,985
Total Financial Assets	330,671	27,618	7,492	365,781
Financial Liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(244)	0	0	(244)
Total Financial Liabilities	**(244)**	**0**	**0**	**(244)**
Net Financial Assets	**330,427**	**27,618**	**7,492**	**365,537**

13. Nature and Extent of Risks Arising from Financial Instruments

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

a) Market Risk

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

Price Risk

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

Potential price changes have been determined based on the observed historical volatility of asset class returns. More risky assets, such as equities display greater potential volatility than bonds. Potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. This has been applied to the year end asset mix for 2012/13 and 2011/12 as shown in the tables below.

Asset Type	Value as at 31/03/2013	% Change	Value on increase	Value on decrease
	£000	%	£000	£000
Cash and cash equivalents	3,099	0.8	3,124	3,075
Investment portfolio assets:				
UK bonds	43,909	7.9	47,378	40,440
Overseas bonds	65,026	10.4	71,789	58,263
UK equities	73,913	16.0	85,740	62,087
Overseas equities	171,479	19.0	204,060	138,898
Index linked gilts	15,311	5.9	16,215	14,408
Property	22,469	14.5	25,727	19,211
Other - Venture Capital	11,449	27.8	14,631	8,266
Loans to businesses	6,485	0.0	6,485	6,485
Other - Debtors	786	0.0	786	786
Total assets available to pay benefits	**413,926**		**475,935**	**351,919**

Asset Type	Value as at 31/03/2012	% Change	Value on increase	Value on decrease
	£000	%	£000	£000
Cash and cash equivalents	3,430	0.8	3,457	3,403
Investment portfolio assets:				
UK bonds	26,422	7.8	28,483	24,361
Overseas bonds	49,711	10.3	54,831	44,591
UK equities	111,259	17.0	130,173	92,345
Overseas equities	132,919	19.7	159,104	106,734
Index linked gilts	8,840	5.9	9,362	8,318
Property	26,645	14.5	30,509	22,781
Other - Venture Capital	0	28.5	0	0
Loans to businesses	5,544	0.0	5,544	5,544
Other - Debtors	1,011	0.0	1,011	1,011
Total assets available to pay benefits	**365,781**		**422,474**	**309,088**

Currency Risk

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

Following analysis of historical data in consultation with the fund investment advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 13% for 2012/13 and 2011/12. This is the one year expected standard deviation for an individual currency. This analysis assumes no diversification with other assets and in particular that interest rates remain constant.

A 13% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows;

Currency Exposure - Asset Type	Value as at 31/03/2013 £000	Change to net asets available to pay benefits 13%	-13%
Overseas Corporate Bonds	2,879	3,253	2,505
Overseas Unit Trust Bonds	8,340	9,424	7,256
Venture Capital & Partnerships	2,196	2,481	1,910
Total assets available to pay benefits	13,415	15,158	11,671

Currency Exposure - Asset Type	Value as at £000	Change to net asets 13%	-13%
Overseas Equities - Common Stock	69,406	78,429	60,384
Overseas Equities - Preferred Stock	1,048	1,184	911
Overseas Equities - Rights/Warrants	444	502	386
Overseas Corporate Bonds	0	0	0
Overseas Unit Trust Bonds	7,456	8,426	6,487
Venture Capital & Partnerships	0	0	0
Total assets available to pay benefits	78,354	88,541	68,168

Interest Rate Risk

The Pension Fund is exposed to significant risk in terms of exposure to interest rate movements on its investments. To mitigate this risk, the Fund invests in at least one investment fund which seeks to attain a fixed rate of return.

b) Credit Risk

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

The Council actively engages with its investment managers to monitor performance on a regular basis and to ensure that risk management and reduction is part of their investment approach. Investment risk is spread across fund managers and by investment category. The Fund also employs a custodian to ensure that all transactions are settled in an orderly fashion. Contractors in the scheme under Admission Agreements agree to the provision of a reviewable bond to save the risk of financial loss to the fund.

The Council holds some cash on behalf of the Pension Fund through its treasury management arrangements. As such these funds are only invested with institutions on the Council's approved counterparty list, which is carefully monitored to manage exposure to credit risk. The Fund's cash holding under its treasury management arrangements at 31/03/13 was £11.848m (£5.470m at 31/03/12)

c) Liquidity Risk

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

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

14. Audit Costs

An audit fee of £21,000 is payable to Grant Thornton UK LLP for external audit services used by the Pension Fund for the financial year 2012/13.

15. Pension Fund Annual Report

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

Section 6

Statutory Statements

2012/13

Statement of Responsibilities

2012/13

This sets out the responsibilities of the Council and the Chief Finance Officer in relation to the Statement of Accounts.

.

Statement of Responsibilites for The Statement of Accounts

The Responsibility of the Council

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

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

The Responsibilities of the Chief Finance Officer

The Strategic Director - Resources is responsible for the preparation of the Council's Statement of Accounts, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2013. The Strategic Director - Resources is also responsible for preparing the Pension Fund accounts administered by the Council in accordance with the current Code of Practice.

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

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

The Strategic Director - Resources has also:

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

My signature below certifies that the accounts were prepared in accordance with the requirements of the Accounts and Audit Regulations 2011 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 2013 and its income and expenditure for the year.

G. Al...

Strategic Director - Resources
26 September 2013

I certify that the Statement of Accounts was approved by the Audit Committee on 26 September 2013

Chair, Audit Committee
26 September 2013

.

Annual Governance Statement

2012/13

This explains the responsibilities of the Council for ensuring that sound and effective governance arrangements are in place.

Scope and Responsibility

1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that resources are safeguarded and properly accounted for, and used efficiently and effectively. There is also a responsibility to make arrangements to secure continuous improvement.

2. In discharging these responsibilities, the Council is required to put in place proper governance arrangements. This statement explains how the arrangements are embedded, developed and meet the requirements of the Accounts and Audit Regulations (2011).

Purpose of the Governance Framework

3. The governance framework comprises the systems, cultures and values by which the organisation is directed and controlled, and the activities through which it accounts to, engages with and leads the community. The framework enables the Council to monitor the achievement of its priorities and the delivery of cost-effective services.

4. The system of internal control is part of the governance framework and identifies the risks to the achievement of priorities, evaluates the likelihood of the risks being realised and potential impacts, and manages the risks proportionately. The system of internal control cannot eliminate all risk.

5. The governance framework has been in place for the year under review and up to the date of approval of the Statement of Accounts. Its key elements are evidenced below.

The Governance Framework

Element 1: Vision, policy and decision-making

6. The Corporate Plan 2011/12 to 2014/15 sets out the Council's key priorities and the outcomes that it aims to achieve. The Plan supports the vision to build a community in which all can take part and all can take pride and is framed around four key themes: Safer, Fairer, Greener and Smarter. There are themed strategies and plans. Annual Commissioning and Finance plans set out each Council Directorate's role in the delivery of the outcomes in the Corporate Plan and they are underpinned by equality and environmental policies.

7. The Constitution is reviewed annually and details the rules of procedure that ensure that decision-making is legal, transparent and accountable. The Monitoring Officer provides advice on the interpretation and application of the Constitution.

8. The system of governance comprises six main Committees, including the Health and Wellbeing Board with effect from 1 April 2013. There are also four Regulatory Committees (Audit, Pension Fund, Licensing and Development Control), a Standards Committee and four Local Committees. Opposition membership of the main Committees provides integrated scrutiny. There is a separate Scrutiny Committee focusing on statutory scrutiny responsibilities. There is a system of requisitioning (calling in a decision for further consideration before it can take effect). Overall business and financial planning is agreed by the Strategy and Resources Committee, subject to those matters that are reserved to full Council.

9. The Corporate Management Team, including the Section 151 Officer (Local Government Act 1972), supports Members in the policy and decision-making process by providing assessments and advice. The implementation of decisions made is in a manner that promotes the Council's vision and values.

Element 2: Service quality

10. During 2012-13, we renewed our focus on quality assurance processes and practices to improve service quality, particularly in the area of Children's Services. Assessments focus on outcomes and include the experiences of people who use services, quality standards and value for money profiles to benchmark performance.

11. Corporate complaints procedures and service specific statutory complaints procedures are in place based on best practice and regulations. The information derived from these processes is used to improve service quality.

Element 3: Roles, responsibilities and behaviour

12. The Constitution defines the roles and responsibilities of committees and it details the scheme of delegation and reservation of powers. The officer scheme of delegations includes arrangements for reporting to Committees on a regular basis.

13. The Constitution defines the personal conduct requirements of members and staff – they each have a code of conduct and registers of interest and hospitality. Reflecting the Localism Act 2011, Standards Committee has duties and powers for dealing with elected or co-opted members. Members' disclosure requirements and member - officer protocols are in the Constitution. In addition, the People Plan 2012 -15 includes a refreshed set of leadership behaviours for those in senior management roles and new core behaviours for all staff.

Element 4: Control framework, risk management and audit committee

14. Policies and procedures are updated regularly. The principal documents include the Financial Regulations and Contract Standing Orders which form part of the Constitution. Others include Commissioning and Financial Planning, Anti-Fraud & Corruption, including Whistle-blowing, and Workplace Health & Safety. Safeguarding is a priority - there are multi-agency policies and procedures for safeguarding children and young people and vulnerable adults.

15. Directorate Commissioning and Finance plans identify the risks to achieving commissioning priorities, as well as other significant operational and compliance risks. Strategic risks are identified in policy decision reports. There are arrangements for business continuity management, change control and managing major programmes and projects, including shared services. The Programmes and Projects Steering Group led by members and supported by a Programmes and Projects Board helps ensure that key risks and issues are mitigated at an early stage.

16. Managing risk is an integral part of the quarterly assessment of financial and service performance. Directorates review the risks relating to commissioning priorities and other significant operational and compliance risks. The Corporate Risk Register lists the high-level and cross-cutting risks and the approaches that are being taken to manage them and is part of the regular Performance and Finance Reports considered by the Strategy and Resources Committee. Consideration alongside other key metrics, such as performance measures and budget outturns, the register contributes to a balanced assessment of performance. The Treasury Management strategy includes the Investment Strategy that specifies the criteria (credit ratings and other risk thresholds) for selecting counterparties.

17. There is oversight by the Audit Committee whose terms of reference were developed to meet CIPFA[1] best practice standards. The committee's membership is politically proportionate and the Chair is an opposition member.

Element 5: Compliance

18. Managers in each Directorate are responsible for embedding assurance frameworks to monitor compliance with policies and procedures, where relevant, consistent with the expectations of statutory inspectors. Internal Audit undertakes risk based compliance reviews of the key financial systems that generate material transaction streams in the Statement of Accounts. It reviews other systems based upon a risk assessment that includes an anti-fraud component. An Annual Internal Audit Plan is prepared in consultation with senior managers and the Audit Committee.

19. The Monitoring Officer is required to report on any proposal, decision or omission by the Council, committee or officer likely to contravene any enactment or rule of law, or any maladministration or injustice. No such report has been necessary in 2012/13. The Chief Finance Officer has not reported any case of unlawful expenditure, or deficiency or unlawful item of account. Fraud against the organisation, including employee fraud, and the arrangements to counter fraud are reviewed in the Fraud Referral and Update Report and the Annual Internal Audit Report, which are scrutinised by the Audit Committee. Internal Audit continues to provide on-line fraud awareness training available to all officers and members.

Element 6: Economic, effective and efficient use of resources

20. The overarching priority of the Corporate Plan is to transform services, reduce costs and maintain resident satisfaction. The Smarter Council change programme is delivering an organisation-wide commissioning framework, a new approach to working in neighbourhoods and the development of the organisation's own internal working arrangements. Projects are in place to deliver the programme. The Procurement Strategy 2012-2015 supports the new commissioning framework, ensuring that processes are cost effective with a commercial focus to ensure best value and allow for appropriate challenge. The strategy includes a Competition Policy to enable open and innovative approaches for the provision of supplies and services, and a policy for promoting opportunities for small/medium size business and third sector organisations.

[1] Chartered Institute of Public Finance and Accountancy

21. It is important that the workforce has the required skills to deliver the Smarter Council. The People Plan 2012 -15 is the strategic plan that supports the transition to a commissioning Council. It does this through three main components: Workforce Skills Development, Behaviour Change and Productivity, and Pay and Reward E-learning is used to quickly deliver training to underpin priorities and change.

Element 7: Financial management and reporting

22. The Council recognises the importance of good financial management, particularly in the current economic climate. The Annual Business and Financial Plan sets out the medium term financial position and capital programme for the planning period, ensuring that policy priorities are adequately funded, and there are aligned Directorate Commissioning and Finance Plans.

23. Responsibility for financial management is set out in the Financial Regulations. All staff have some responsibility for financial management and achieving value for money. Financial management is integrated with service management throughout the planning, monitoring and reporting cycles. Budget managers are responsible for the expenditure and income in their budgets. The approval of estimates authorises revenue spend - capital spending requires further authorisation. There are virement limits for revenue and capital. The Treasury Management Strategy includes the Annual Investment Strategy for surplus cash and borrowing, including the minimum revenue provision required to be set aside to repay debt.

24. Sutton Housing Partnership manages the Council's housing stock and is paid a management fee. Ownership and responsibility for the Housing Revenue Account remains with the Council. Sutton Housing Partnership has its own External Auditors and its own Internal Audit Plan. The Housing Revenue Account Business Plan sets out the arrangements for managing the housing stock in the medium to long term.

Element 8: Performance management and reporting

25. To ensure that performance management remains fit for purpose to suit the changing environment in which the Council operates, a series of enhancements are being made to the performance framework. They include the introduction of a programme of internal health checks to drive continuous improvement and a new, more accessible summary performance report to the community. From 1 April 2013, core behaviours are being implemented in performance appraisals.

26. Members receive quarterly reports that review business and financial performance against the key deliverables, highlighting where improvement is required. The approach to performance management also includes feedback from residents as well as indicators of corporate health and risk. National performance indicators are reported alongside locally agreed standards. Corporate and Directorate Performance Review Boards address underperformance.

27. There is a strong culture of using information to support performance improvement. The Council is developing the way information is used to identify gaps in service provision, long-term performance trends and potential business opportunities, in line with the strategic priority to deliver the Smarter Council. Data quality processes help to ensure that performance information is complete and accurate.

Element 9: Partnerships and communication

28. Sutton in Partnership, the local strategic partnership for the borough, brings together representatives from the Council, schools and colleges, the local police, the fire service, the local health service and the voluntary sectors. It links to a wider network of stakeholders and forums and discusses key issues facing the borough and helps to shape and influence priorities.

29. Sutton and Merton NHS Primary Care Trust was abolished on 1st April 2013 when the Health and Wellbeing Board became a legal entity with full decision making powers to commission services to meet the health needs of local people and to ensure the health and wellbeing of Sutton residents. The One Sutton Board monitors the implementation of the Joint Health and Wellbeing Strategy and provides regular reports to the Health and Wellbeing Board. The One Sutton Board is a joint commissioning group comprised of managers from the Council’s Adult and Children’s services and from Sutton Clinical Commissioning Group.

30. Where services are delivered through joint or integrated working with partners there is regular reporting of delegated decision-making, performance and budget outcomes within the context of agreed business plans that are aligned to priorities. This ensures that partnership working adds appropriate value.

31. The Community Empowerment Framework sets out the Council’s commitment to and standards for involving local people. It describes how empowerment is central to work on behaviour change and service delivery. It also prioritises increasing the impact of involvement and ensuring that feedback is provided on how things have changed as a result. The new Communications Policy provides core principles and best practice guidelines for communicating with local people.

Review of Effectiveness

32. The Council has responsibility for conducting a review of the effectiveness of its governance framework including the system of internal control. The review is informed by the work of members and managers who have responsibility for the maintenance and development of the framework, and by assessments undertaken by government inspectorates, the Chief Internal Auditor, external auditors and other review agencies. In particular, the Audit Committee considers the Annual Review of Corporate Governance in which the arrangements are assessed against the CIPFA/SOLACE framework [2] and CIPFA’s statements on the roles of the Chief Finance Officer and Head of Internal Audit. The sources of assurance are summarised below.

2 Delivering Good Governance in Local Government (2007), Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives

- Adult and Children's services quality assurance frameworks and case file audits
- The work of the Children's Services Improvement Board
- The work of the Safeguarding Boards
- Integrated business and financial performance reports, the work of Performance Review Boards and the programme of internal health checks
- The work of the full Council and committees, including the Audit Committee and Standards Committee, and scrutiny reviews
- Reports relating to the Smarter Council change programme
- Programmes and Projects Steering Group and the Programmes and Projects Board.
- Information Security Board and the work of the Auditors of the Information Commissioner's Office.
- The work of statutory inspectors, including the Office for Standards in Education and Care Quality Commission
- The work and opinions of Internal Audit, including the annual review of the effectiveness of the system of internal audit and reviews of key financial systems
- External Audit work and opinions on the Statement of Accounts, Value for Money and Certification of Grant Claims.
- The work and opinions of the external assessor for the Eco Management and Audit Scheme.
- The Annual Review of the Constitution.
- The Annual Review of the Audit Committee.
- Risk assessments in commissioning and finance plans, policy decision reports, business continuity plans, information asset registers and anti fraud plans.
- Section 106 Annual Monitoring Report
- Annual Insurance Review, including losses and self insurance fund balances

33. We have been advised on the implications of the result of the review of the effectiveness of the governance framework. The framework of arrangements is consistent with the best practice recommended by CIPFA/SOLACE.

Significant Governance Issues

34. The governance framework is constantly evolving due to service and regulatory developments and assessments. Where appropriate, action plans have been developed in response to the assessments and reports summarised above. Controls to manage principal risks are monitored, in particular for services with statutory responsibilities for the safety of vulnerable people. The primary issues (some are internal governance issues and some are external factors and challenges to be mindful of) that have been highlighted are set out below.

- Safeguarding and Looked After Children's services continue to be a major improvement priority for the Council following the April 2012 inspection by the Office for Standards in Education and Care Quality Commission. A focus on quality assurance processes, including practice evaluation, is helping to build a culture of performance improvement across the service. Through the work of the Safeguarding Children Board, partner agencies are clear on their contribution to keeping children in Sutton safe. The Improvement Board oversees progress through monitoring, challenging and supporting the actions of the Improvement Plan.

- The Welfare Reform Act abolishes both Housing Benefit and Council Tax Benefit. Housing Benefit will be phased out and costs will be met through Universal Credit. After extensive consultation the Council introduced a Local Council Tax Reduction scheme from 1 April 2013 that takes account of the 10% reduction in government funding and balances the Council's priorities - to provide protection to vulnerable members of the community and manage the impact on Council resources to support the provision of services for the whole community. The welfare reforms are complex and they are being monitored closely. Risks include additional administrative burdens, the possibility of increased population movement from high-rent areas and an increase in caseload and in the net cost to the Council. Performance indicators are being used to monitor the impact of the reforms on the community.

- On 1 April 2013 responsibilities for Public Health were transferred from NHS Primary Care Trusts to Local Authorities. These responsibilities are challenging and include taking action to improve the health of people locally, commissioning or providing services to promote healthy living and preventing, diagnosing or treating illness. In planning for the responsibilities, considerable work was undertaken to identify the budget demands for 2013/14 in the context of the ring fenced public health grant and the need to meet emerging risks as the Council takes on the staff and contracts from 1 April 2013. There is close monitoring of the implementation of the delivery plan.

- Waste disposal in landfill sites continues to be a considerable risk due to the annual increases in landfill taxes, as well as being environmentally unsustainable. Provision for increased costs of waste disposal by landfill will be insufficient unless the plans to divert waste away from landfill are successfully realised. The South London Waste Partnership, which includes the Council, signed a contract with Viridor Limited to enable waste processing through an Energy Recovery Facility that will provide carbon savings. To this end, a planning application has been submitted and approved.

- There are financial and delivery risks resulting from the further reduction in public spending announced in the 2012 Autumn Statement. Experience of the Smarter Services Sutton reviews is encouraging and further savings will be delivered from the Smarter Council change programme and from medium term options being developed. However, recent experience of budget surpluses on adult social care may not continue because of demographic pressures, government funding for school places may not be sufficient to meet all the identified needs in the medium term and under the new business rate retention scheme there is exposure to a financial risk if receipts are lower than expected. Identification and delivery of savings to meet existing targets and projected future requirements remains challenging. The Council's policy is that a general reserve of at least 5% of net General Fund expenditure (excluding the schools budget) is necessary to provide a sound minimum level of prudence and in the light of identified funding risks to increase reserves wherever financial plans permit.

36. Over the coming year steps will be taken to address the above matters and to further enhance the Council's governance arrangements. The Council is satisfied that these actions will address the need for improvements that were identified in the review of effectiveness. Their implementation and operation will be assessed as part of our next annual review.

Chief Executive:

Date: 17 July 2013

Leader:

Date: 17 July 2013

On Behalf of the Council

Auditors Opinion

2012/13

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

Opinion on the Authority financial statements

We have audited the financial statements of the London Borough of Sutton for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the London Borough of Sutton in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Strategic Director - Resources and auditor

As explained more fully in the Statement of Responsibilities, the Strategic Director – Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director - Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non- financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Sutton as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resiliance; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, the London Borough of Sutton put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of the London Borough of Sutton in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Mack

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

Grant Thornton
Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

26 September 2013

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

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of London Borough of Sutton for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of London Borough of Sutton in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Strategic Director - Resources and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director – Resources ; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Opinion on financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Emily Hill

Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton
Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

26 September 2013

Section 7

Glossary

2012/13

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

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

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

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

Amortisation
Writing out of debt, usually associated with capital expenditure on deferred charges where no asset is created.

Appropriations
The transfer of resources to and from various revenue reserves.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure that adds value to an existing fixed asset.

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

Central 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.

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

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

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

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

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

Deferred Charges
Expenditure of a capital nature not in connection with a Council owned asset, e.g. renovation grants and capital grants to other organisations.

Depreciation
The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Earmarked Reserves
Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Effective Interest Rate
This method calculates the rate of interest that is necessary to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount at initial recognition.

Extinguishment
When the loan has been repaid and is cancelled or expired.

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

General Fund
The fund within which most transactions of a local authority take place. It includes the cost of all services provided (excluding the Housing Revenue Account) which are paid from government grants, generated income and the borough's share of Council Tax and business rate income.

Going Concern
The concept that the authority will remain in operational existence for the foreseeable future; in particular, that the revenue accounts and balance sheet are not based on the assumption of an intention to curtail significantly the scale of operations.

Housing Revenue Account (HRA)
A local authority statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Impairment
A reduction in the estimated recoverable value of an asset.

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

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

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

National Non-Domestic Rates (NNDR)
This is a national tax on businesses based on a flat rate in the pound, set by Central Government. The tax collected by Sutton is paid into a central pool, controlled by Central Government. The central pool is redistributed to local authorities on the basis of adult population.

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

Provisions
Amounts set aside for liabilities or losses which are certain or very likely to be incurred but where exact amounts and dates on which these will arise are uncertain.

Reserves
Amounts set aside in one financial year which can be carried forward to meet expenditure in future years. Earmarked reserves are allocated for specific purposes. Unallocated reserves are often described as balances.

Revenue Expenditure
The regular day-to-day running costs an authority incurs in providing services e.g. salaries and wages, premises costs and supplies and services.

Abbreviations used in the accounts

ALMO	Arms Length Management Organisation
AVC	Additional Voluntary Contribution
BSF	Building Schools for the Future
CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Department for Communities and Local Government
DfE	Department for Education
DSG	Dedicated Schools Grant
DSO	Direct Service Organisation
HRA	Housing Revenue Account
IAS	International Accounting Standard
I&E	Income and Expenditure
IFRS	International Financial Reporting Standard
IT	Information Technology
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LOBO	“Lenders Option Borrowers Option” Loan
MRA	Major Repairs Allowance
MRP	Minimum Revenue Provision
NNDR	National and Non Domestic Rates
PCT	Primary Care Trust
PWLB	Public Works Loan Board
RICS	Royal Institute of Chartered Surveyors
SHP	Sutton Housing Partnership
SORP	Statement Of Recommended Practice
TPA	Teachers’ Pension Agency
UCR	Usable Capital Receipts