

**LONDON BOROUGH OF SUTTON**

**STATEMENT OF ACCOUNTS**

**2024/25**

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# 1. Narrative Report 2024/25

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



# Narrative Report

## 1. Introduction

This report is a summary of the London Borough of Sutton's main objectives and strategies and the principal risks it currently faces. The report also provides information on how the Council has used its resources to achieve its desired outcomes in line with those objectives and strategies.

This report is intended to provide a fair, balanced and understandable guide to the most significant aspects of the Council's financial performance, year-end financial position and cash flow for the year to 31 March 2025, as well as providing information as to how the Council is delivering the corporate plan, Ambitious for Sutton.

## 2. About the Borough

The 2021 Census reported the Sutton population to be 209,639 residents and this is estimated to increase to 220,148 by 2043 (5.0% increase).

Sutton is home to a high proportion of older residents with 15.2% aged over 65 years, compared with 11.9% for London as a whole.

The Borough has a proportion of one person households at 27.0% which is slightly below the London average of 29.3%. 72.2% of Sutton residents were born in the UK (compared to 59.4% for London as a whole)

Sutton's population is 78.5% economically active as at December 2024 from the Annual Population Survey. The two highest occupation types in Sutton are professional occupations (36.2%) and associate professional and technical operations (17.8%). There were 9,615 active businesses recorded in the last census (2021) and in 2024 92.8% of Sutton active enterprises were micro businesses with 9 or less employees. Almost 22% of businesses in Sutton are in the construction industry and a further 15.3% are in professional, scientific and technical fields. Sutton has relatively low levels of deprivation. 11.4% of Sutton [children \(0-15\) are living in households with relative low income](#) (compared to 17.3% across London). 9.8% of residents are facing [fuel poverty](#) (compared to 11.5% across London and 13.2% across England). Approximately 10 households in every 1,000 are owed a duty under the Homelessness Reduction Act, compared to 17.9 in London and 13.7 nationally. Sutton has a low crime rate compared to London and England, with the 12 month rolling crime rate between February 2023 and January 2024 at the end of March 2025 being 62.3 per thousand persons. This compares to 102.6 across London as a whole. Of this 15.1 crimes per 1,000 persons are antisocial behaviour, and 23.1 are violence and sexual offences. Sutton scores lower than the London average for these and all other types of crime.

For more information about the Borough visit [data.sutton.gov.uk](http://data.sutton.gov.uk).

## 3. Organisational overview

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

The Council's five core values reinforce the vision and provide the underlying context to the way in which the Council does its work. The Council's values form the acronym PRIDE and were refreshed in 2024/25 to be; people focused, responsible, inclusive, delivering and empowering.

At the end of March 2025, Sutton Council had 1,361 staff. This takes into account around 55 staff leaving through voluntary redundancy over the year and around 110 staff joining the council from Encompass on 1 January 2025. An additional 334 (as at 31.3.25) staff in HR and Organisational development, IT and digital services and Highways, Transport and Regulatory services are all employed by Kingston, with teams that provide services to Sutton.

Our overall workforce profile is positive - our representation of Multi-ethnic employees has increased compared to the last year from 32% to 33%. The percentage of women employees has decreased slightly from 73% in 2024 to 70% as of 31 March 2025. However, the percentage of women in the top four tiers of the council

## Narrative Report (continued)

(Head of Service level and above) is at 58% in 2024/25, up 4% from the previous year. Our representation of LGBTQ+ employees has remained stable. Employees declaring they meet the Equality Act definition of disability has remained stable. More information can be found in the [Equalities Workforce Report](#) available online.

### 4. Operational Model

The Council's Corporate Plan (Ambitious for Sutton) was refreshed in 2022. The plan sets out six priorities over the five years to 2027. These are: to take action on climate change; to be an inclusive place for everyone; to enable quality and affordable housing ; to have strong and fair economic growth; to campaign for quality local services; and to be an efficient and well run council.

The Council's services are grouped into directorates - Health & Wellbeing; Environment, Housing & Neighbourhoods; People Services. These services are supported by the Chief Executive's (including electoral services) and Resources.

The Council's service performance is closely scrutinised at service committees using key performance indicators.

The Corporate Plan is supported by the Council's [Medium Term Financial Strategy](#) (MTFS) that sets out the financial outlook for the Council and the scale of the challenge we face, as well as financial principles that will shape our response to those challenges.

## Narrative Report (continued)

### 5. Financial Position

#### Balance Sheet

The Council balance sheet has £1,082.206m of Long Term Assets as at 31 March 2025, Current Assets of £78.576m, Current Liabilities of £118.922m, and Long Term Liabilities of £472.926m. Furthermore, the Council has usable reserves of £121.600m.

	31/03/2024 £'000	31/03/2025 £'000
Long Term Assets	1,011,196	1,082,206
Current assets	171,919	78,576
Current Liabilities	(125,723)	(118,922)
Long Term Liabilities	(457,456)	(472,926)
<b>Net Assets</b>	<b>599,936</b>	<b>568,934</b>
Usable Reserves	(162,701)	(121,600)
Unusable Reserves	(437,235)	(447,334)
<b>Total Reserves</b>	<b>(599,936)</b>	<b>(568,934)</b>

#### Reserve Levels

As the Section 151 officer, I have also taken account of the reserve levels and I have advised that a prudent level of General Fund reserves is at least 5% of the net revenue budget. The net revenue budget for 2024/25 was £174.2m and for 2025/26 it is £184.1m. The required level is therefore a minimum of £9.21m at 31/03/2025. This level is required to ensure there are sufficient resources for both working capital and to cover emergency expenditure.

	31/03/2023 £'000	Movement £'000	31/03/2024 £'000	Movement £'000	31/03/2025 £'000
Earmarked Reserves	(37,626)	6,974	(30,652)	(2,999)	(33,651)
General Fund Balance	(8,588)	(306)	(8,894)	(687)	(9,581)
<b>Total</b>	<b>(46,213)</b>	<b>6,668</b>	<b>(39,546)</b>	<b>(3,686)</b>	<b>(43,232)</b>

## Narrative Report (continued)

### 6. Outlook and Risks

The Council continues to experience financial pressure mainly as a result of demand and unit cost increases across its Financial Sustainability Programme areas of Social Care, Housing and Education.

The Government announced changes to Local Government funding in the 2024 Autumn Statement and the subsequent Local Government Funding Settlement did help the Council to mitigate elements of the increasing financial pressures. However the increases in funding were not equal across different local authorities, as areas of high deprivation or low Council Tax base have been prioritised. As a result, Sutton Council saw a lower increase in funding than most authorities.

Despite the funding increase, the Council will receive £19m less in Government Funding from the Settlement Funding Assessment than it did a decade ago, a reduction of 47.7% in real terms. Some of this reduction has been mitigated by additional government grants issued to Councils on an annual basis to support specified areas of spending, predominantly social care. Even taking this into account, the total reduction in funding (excluding Council tax receipts) since 2015/16 is 19% in real terms.

A balanced budget has been set for 2025/26, but an estimated £18m budget gap remains in the forecast across the next 2 years.

The key risks to delivering the 2025/26 budget and future budgets are as follows:

- The budget has been balanced by identifying £12m of savings proposals. These are largely delivered through the transformation programme priorities, though some new efficiencies and changes to services were also included. Whilst all savings have been tested to ensure they are deliverable as part of the budget planning process, there is a risk that the changes to demand-led services are not as effective as assumed.
- The Council budgeted for a 2% pay award in 2025/26 but the pay agreement is yet to be agreed.
- Continuing increases in Education Health Care Plans beyond the Council's financial means creates significant budget pressures in the high needs block of the Dedicated Schools Grant (DSG). The DSG reserve entered a deficit position at the end of 2023/24 and this worsened by £9m during 2024/25 to leave a deficit balance of £10m. This is expected to double in 2025/26 but is currently mitigated by the Government's temporary statutory override.
- When the budget was set the CPI rate was 2.5%, having fallen to a low of 1.7% in September 2024. CPI has since increased and is likely to be higher than the council's budgeted price inflation that is based on 2%.
- Demographic and other demand pressures, in particular from adult social care and temporary accommodation. These are impacting most London Boroughs and many other councils across the country. There is a shortage of quality affordable housing for low income households, which places a strain on the service both in terms of demand for support and capacity to move individuals on from temporary accommodation. This lack of 'move on' options has meant the overall number of people accommodated has grown significantly during the cost of living crisis.
- The Government's increases in Employers NI contributions from April 2025 has impacted the Council and its supply chain. The associated direct cost has been budgeted but the exact cost arising through its supply chain is unknown.

The Council's s151 officer has given consideration to the risk that a s114 notice might need to be issued in the near future or medium term. The Council has set a balanced budget for 2025/26 and has a remaining budget gap of £17m over the Medium Term Financial Plan (MTFP). However a DSG deficit of over £10m is a threat to future sustainability given the uncertainty over arrangements that will follow once the Government's Statutory Override for DSG deficits ceases in March 2028. The £10m deficit is expected to grow significantly before then. If this balance were to materialise on the Council's balance sheet, the Council would require immediate financial support

## Narrative Report (continued)

through the Governments Exceptional Financial Support programme. If EFS were not available the Council may need to issue a s114 notice. It is anticipated that the forthcoming Government funding reforms will provide clarity as to future funding arrangements for DSG deficits and SEND services. The Council's Medium Term Financial Plan (MTFP) details the current position and anticipated future for the Council's finances, including demonstrating how Sutton is proactively responding to the current financial challenges using the principles set out in the MTFS. The latest version of the MTFP is published here: [Full Council](#).

## 7. Revenue Budget Performance

The Council has experienced a continuation of the budget pressures experienced in previous years. This resulted in a service overspend of £4.096m which is equal to 2% of the total services budget. The services variance is offset by the underspend in corporate costs budget and utilisation of contingency budgets, resulting in a total outturn underspend of £0.687m. This underspend has been used to increase the council's general reserves, to help provide increased financial resilience for future years. The services outturn for 2023/24 was £15.4m overspend, compared to £4.1m this year, showing that the level of growth allocated to budgets in 2024/25 was reasonably estimated and additional costs over and above this are being managed effectively. Combined with the

corporate contingency and delivery of corporate budgets this work has enabled an overall underspend position to be achieved.

The major risk areas were monitored closely through the year as part of the Financial Sustainability Programme, incorporating detailed monitoring of key cost drivers, demand levels and unit costs. This has helped ensure there is a good level of understanding of costs and income in these service areas, and for all four risk areas (Children's Social Care, Adult Social Care, Housing and SEND) there was relatively little movement between the forecasts made and the actual outturn that was delivered. This provides confidence that the monitoring and review of key risks is successfully enabling accurate financial forecasting.

## Narrative Report (continued)

### General Fund (GF):

Directorate	Budget	Actual	Variance	
	£'000	£'000	£'000	
Health & Wellbeing	3,596	3,346	(250)	-6.95%
Resources & Chief Executive	25,517	24,988	(529)	-2.07%
Environment, Housing & Neighbourhoods	31,754	32,152	398	1.25%
People	129,926	134,403	4,477	3.45%
<b>Services Total</b>	<b>190,793</b>	<b>194,889</b>	<b>4,096</b>	<b>2.15%</b>
Corporate Costs	(193,065)	(195,576)	(2,511)	
Contingency	2,272	0	(2,272)	
Contribution to/(from) General Reserve	0	687	687	
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	

### Housing Revenue Account (HRA):

Directorate	Budget	Actual	Variance	
	£'000	£'000	£'000	
Housing Revenue Account	8,233	(6,349)	(14,582)	-177.12%
Contribution to/(from) HRA Reserve	(8,233)	6,349	14,582	
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## Narrative Report (continued)

### Dedicated School Grant (DSG):

<b>DSG Block</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Early Years	28,121	26,778	(1,342)	-4.77%
Schools	54,912	54,854	(57)	-0.10%
Central Services	2,035	2,207	171	8.42%
High Needs	52,868	63,278	10,410	19.69%
<b>Total</b>	<b>137,935</b>	<b>147,117</b>	<b>9,182</b>	<b>6.66%</b>
DSG Grant	(137,935)	(137,935)	(0)	
Contribution to/(from) DSG Balance		(9,182)	(9,182)	
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## Narrative Report (continued)

### **GF: People**

The Adult Social Care (ASC) budget was overspent by £3.318m. Overspending of £5.212m on care placements was offset by staffing underspends of £1.893m linked to a mid-year reorganisation and recruitment lag. The most significant care overspends were recorded in Supported Living, Direct Payments and Care Homes.

Children's Social Care (CSC) also overspent by £2.068m as a result of levels of Children Looked After (CLA) being higher than assumed throughout much of the year. Levels did fall towards the end of the year, which is a positive sign for 2025/26. The residential care placements budget was overspend by £1.493m, with other pressures in the short breaks service and support for care leavers and unaccompanied children.

Despite pressures in transport for special education needs children, due to proactive savings activity such as route optimisation, the Education unit was able to deliver under budget.

### **GF: Environment, Housing & Neighbourhoods**

The minor overspend of £0.398m in this directorate is due to offsetting variances across its service units. The Housing unit was overspent by £1.616m as a result of increasing nightly paid accommodation (NPA) unit costs and longer periods in temporary accommodation for the homeless households being supported. Demand for NPA has steadily increased from 440 to 537 households across the year. In the Planning unit income pressures and unplanned public inquiry costs resulted in a £0.491m overspend.

However, higher than budgeted parking income, lower waste disposal costs and an underspend across the Shared Environment Service with Kingston Council almost entirely offset the directorate's overspends.

### **GF: Corporate Costs and Contingency**

These budgets cover capital financing, government grants, contingencies and other non-service costs.

The underspend of £4.783m was due to unused contingency budget; savings across interest payable and receivable and lower than budgeted Minimum Revenue Provision charge, concessionary fares contribution and pension deficit contributions paid to the Pension Fund.

### **HRA**

The outturn for the HRA is an underspend of £14.582m against a budgeted draw down from the HRA reserve of £8.233m.

This underspend is due to capital project slippage across HRA schemes that meant the budgeted £12.312m Revenue Contribution to Capital was not required to fund capital expenditure in 2024/25 but will still be required in the future. As such, this amount forms part of the contribution to the HRA reserve but does not improve the overall financial position of the HRA.

The remaining underspend is primarily due to higher rental income; greater interest returns; and an expenditure underspend that is mostly related to the removal of the housing benefit subsidy payment cap for properties treated as temporary accommodation. The total contribution is £6.349m, which increases the HRA reserve from £19.005m to £25.354m, rather than falling to £10.772m as per the budget.

### **DSG**

The high needs block of the DSG is impacted by provision of statutory care and support for children with Education Health and Care Plans (EHCPs). The number of EHCPs has increased from 2,410 to 2,580 across the year, which has increased cost pressures across all education settings. In addition, this element of the DSG has faced pressures as a result of the additional school places required at higher costs; increased support requirements in existing EHCPs following reviews; and increased placements in more costly independent schools due to a lack of in borough provision.

The DSG overspend of £9.182m has been added to the existing DSG deficit resulting in a cumulative deficit balance of £10.573m. Due to the Government's statutory override, this deficit balance does not have any impact on the Council's overall financial position beyond the treasury implications. The override is due to cease at the end of 2025/26 if the Government does not extend the arrangement.

## Narrative Report (continued)

### 8. Capital Expenditure

The outturn for the capital programme was £102m, which was a -£43.038m variance to budget. The variance was primarily a result of programme slippage. Delivery timetables are not entirely in the Council's control and rely on a number of external factors such as contractor deliverables, planning permission and grant approvals.

The most significant variance arose in the Environment, Housing & Neighbourhoods

directorate. This was primarily due to a delay in a planned acquisition of a block of flats within the Local Authority Housing Fund programme. This delay impacted both the acquisition and the Sutton Living Ltd loan elements of the programme. In addition, delivery of a portion of the Council's new waste fleet vehicles was moved to 2025/26.

The variance in the People directorate is due to the Council accelerating expenditure on grant funded school projects across the borough. Delivery of these projects sooner than anticipated means that the improvements

and developments to the schools estate will benefit its users earlier.

The Housing Revenue Account variance is due to a delay to the Council's Elm Grove development; kitchen, bathroom, roofing and window works to existing housing stock being delayed by procurement matters; and solar panel installation delays. The variance also includes the impact of higher than budgeted spend on mechanical and electrical works during the year and an underspend on risk assessment works.

Directorate	Budget £'000	Actual £'000	Variance £'000	Slippage £'000
Health & Wellbeing	174	67	(107)	143
Resources & Chief Executive	17,195	13,304	(3,891)	4,173
Environment, Housing & Neighbourhoods	79,371	40,099	(39,271)	39,181
People	7,496	12,427	4,931	(4,877)
<b>General Fund Total</b>	<b>104,235</b>	<b>65,898</b>	<b>(38,338)</b>	<b>38,620</b>
Housing Revenue Account	40,373	35,672	(4,701)	4,688
<b>Grand Total</b>	<b>144,608</b>	<b>101,569</b>	<b>(43,038)</b>	<b>43,309</b>

## Narrative Report (continued)

### 9. Pensions Liability

The Council has net pension liabilities of £67.26m in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. In addition, the Council's pension fund has to be revalued every three years to set future contribution rates.

The Sutton Local Government Pension Fund actuarial valuation in 2022 reported a funding level of 101%. The Council has a deficit recovery plan in place to make additional contributions into the Pension Fund over the period to 2035, in line with the Funding Strategy Statement. Further information on the Pension Fund can be found in note 31 of the main accounts and in the Pension Fund Accounts.

### 10. Explanation of Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2025. It comprises core and supplementary statements as well as disclosure notes that provide additional information and explanation to the reader. Both the format and content of the financial statements are prescribed by CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 which in turn is underpinned by International Financial Reporting Standards.

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

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

The other financial statements also include:

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

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## 2. Statement of Responsibilities

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



# Statement of Responsibilities for the Statement of Accounts

## The Responsibility of the Council

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

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

## The Responsibilities of the Strategic Director of Resources

The Strategic Director of 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 2025. The Strategic Director of 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 of 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 of Resources has also:

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

My signature below certifies that the accounts were prepared in accordance with the requirements of the Accounts and Audit Regulations 2015 and, except where specifically stated, in accordance with all recognised statutory requirements and codes of practice applicable to local authorities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2025 and its income and expenditure for the year.



Richard Simpson  
Strategic Director of Resources (S151 Officer)  
13 February 2026

## Approval of the Statement of Accounts

I certify that responsibility to approve the Statement of Accounts was delegated by the Audit and Governance Committee on 15 January 2026 to the Strategic Director of Resources, in consultation with the Chair of the Committee.



Chair, Audit and Governance Committee  
16 February 2026

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### 3. Core Financial Statements 2024/25



# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with the requirements of International Financial Reporting Standards (IFRS) as applied by the Code of Practice on Local Authority Accounting in 2024/25, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure
2023/24	2023/24	2023/24		2024/25	2024/25	2024/25
£000	£000	£000		£000	£000	£000
29,813	(20,692)	9,121	<b>Health and Wellbeing</b>	27,286	(19,273)	8,013
64,418	(24,622)	39,796	<b>Environment, Housing and Neighbourhoods</b>	73,145	(29,130)	44,015
323,364	(168,437)	154,927	<b>Peoples Services</b>	365,716	(213,114)	152,602
82,637	(18,044)	64,593	<b>Resources</b>	61,754	(20,551)	41,203
511	(72)	439	<b>Chief Executive (Electoral Services)</b>	1,494	(1,134)	360
<b>Housing Revenue Account</b>						
32,511	(45,563)	(13,052)	<b>- Main HRA Revenue Account</b>	33,521	(49,718)	(16,197)
6,937	-	6,937	<b>- Revaluation loss/(gain) - Dwellings</b>	-	(14,247)	(14,247)
80,033	(102,533)	(22,500)	<b>Corporate Costs</b>	82,220	(91,276)	(9,056)
620,224	(379,963)	240,261	<b>Cost of services</b>	645,136	(438,443)	206,693

## Comprehensive Income and Expenditure Statement (continued)

Gross Expenditure 2023/24	Gross Income 2023/24	Net Expenditure 2023/24		Gross Expenditure 2024/25	Gross Income 2024/25	Net Expenditure 2024/25
£000	£000	£000		£000	£000	£000
47,304	(43,035)	4,269	Other operating expenditure	6	8,007	(12,888) (4,881)
20,030	(12,599)	7,431	Financing and investment income and expenditure	7	16,643	(9,900) 6,743
-	(199,739)	(199,739)	Taxation and non-specific grant income	8	-	(195,781) (195,781)
<b>687,558</b>	<b>(635,336)</b>	<b>52,222</b>	<b>(Surplus) or deficit on the provision of services</b>		<b>669,786</b>	<b>(657,012)</b> <b>12,774</b>
<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>						
	(28,884)		Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets	12a		(15,266)
	(63,314)		Remeasurement of the net defined benefit liability on the pensions reserve	12c		33,494
	<b>(92,198)</b>		<b>Other comprehensive income and expenditure</b>			<b>18,228</b>
	<b>(39,976)</b>		<b>Total comprehensive income and expenditure (surplus)/deficit</b>			<b>31,002</b>

The Council has changed the presentation of its service analysis in the 2024/25 Comprehensive Income and Expenditure Statement to reflect changes in its internal management structure and directorate responsibilities. The comparative figures for 2023/24 have been reclassified to ensure consistency with the 2024/25 presentation and to align with the reportable segments used in the Expenditure and Funding Analysis, as required by relevant accounting standards. The resulting changes to the CIES, Note 5 and Note 5a are shown within Note 5.

# Movement in Reserves Statement

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

2024/2025	Memorandum		Usable Reserves							Non-usable Reserves	Total Authority Reserves
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2024	(8,894)	(30,652)	(39,546)	(19,641)	(42,179)	(9,193)	(52,142)	(162,701)	(437,235)	(599,936)	
Movement during 2024/25:-											
Total Comprehensive Expenditure and Income	33,918	-	33,918	(21,144)				12,774	18,228	31,002	
Adjustments between accounting basis and funding basis under regulations (Note 10)	(37,604)	-	(37,604)	14,824	18,964	5,534	26,609	28,327	(28,327)	-	
<b>Net (Increase)/Decrease before transfers to Earmarked Reserves</b>	<b>(3,686)</b>	<b>-</b>	<b>(3,686)</b>	<b>(6,320)</b>	<b>18,964</b>	<b>5,534</b>	<b>26,609</b>	<b>41,101</b>	<b>(10,099)</b>	<b>31,002</b>	
Transfers to / (from) Earmarked Reserves (Note 11)	2,999	(2,999)	-	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(687)</b>	<b>(2,999)</b>	<b>(3,686)</b>	<b>(6,320)</b>	<b>18,964</b>	<b>5,534</b>	<b>26,609</b>	<b>41,101</b>	<b>(10,099)</b>	<b>31,002</b>	
<b>Balance at 31 March 2025</b>	<b>(9,581)</b>	<b>(33,651)</b>	<b>(43,232)</b>	<b>(25,961)</b>	<b>(23,215)</b>	<b>(3,659)</b>	<b>(25,533)</b>	<b>(121,600)</b>	<b>(447,334)</b>	<b>(568,934)</b>	

## Movement in Reserves Statement (continued)

2023/2024	Memorandum		Usable Reserves							Non-usable Reserves	Total Authority Reserves
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2023</b>	(8,588)	(37,625)	(46,213)	(14,294)	(50,193)	(12,994)	(21,554)	(145,248)	(414,712)	(559,960)	
Movement during 2023/24:-											
Total Comprehensive Expenditure and Income	55,287	-	55,287	(3,065)				52,222	(92,198)	(39,976)	
Adjustments between accounting basis and funding basis under regulations (Note 10)	(48,620)	-	(48,620)	(2,282)	8,014	3,801	(30,588)	(69,675)	69,675	-	
<b>Net (Increase)/Decrease before transfers to Earmarked Reserves</b>	<b>6,667</b>	-	<b>6,667</b>	<b>(5,347)</b>	<b>8,014</b>	<b>3,801</b>	<b>(30,588)</b>	<b>(17,453)</b>	<b>(22,523)</b>	<b>(39,976)</b>	
Transfers to / (from) Earmarked Reserves (Note 11)	(6,973)	6,973	-	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(306)</b>	<b>6,973</b>	<b>6,667</b>	<b>(5,347)</b>	<b>8,014</b>	<b>3,801</b>	<b>(30,588)</b>	<b>(17,453)</b>	<b>(22,523)</b>	<b>(39,976)</b>	
<b>Balance at 31 March 2024</b>	<b>(8,894)</b>	<b>(30,652)</b>	<b>(39,546)</b>	<b>(19,641)</b>	<b>(42,179)</b>	<b>(9,193)</b>	<b>(52,142)</b>	<b>(162,701)</b>	<b>(437,235)</b>	<b>(599,936)</b>	

# Balance Sheet

This sets out the financial position of the Council as at 31 March 2025 and consolidates the individual Balance Sheets of the General Fund, Housing Revenue Account and Collection Fund. It shows the value as at the year end date of the assets and liabilities recognised by the Council. The net assets of the council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

31 March 2024		Notes	31 March 2025
£'000	£'000		
Non-Current Assets			
895,834	Property, Plant and Equipment	13	962,981
5,333	Intangible Assets	13b	5,190
102,293	Investment Properties	14	101,430
10	Long Term Investments	17a	10
7,726	Long Term Debtors	17a	12,595
<b>1,011,196</b>	<b>Total Non-Current Assets</b>		<b>1,082,206</b>
Current Assets			
56,203	Short Term Investments	17a	-
936	Assets Held for Sale	15	1,510
-	Investment Properties Held for Sale	14	-
2,789	Inventories	33	1,380
76,912	Debtors	18	66,210
35,079	Cash and Cash Equivalents	20	9,476
<b>171,919</b>	<b>Total Current Assets</b>		<b>78,576</b>

## Balance Sheet (continued)

31 March 2024		Notes	31 March 2025	
£'000	£'000		£'000	£'000
Less Current Liabilities				
(6,471)	Cash and Cash Equivalents	20	-	
(32,288)	Short Term Borrowing	17a	(31,941)	
(72,023)	Creditors	19a	(66,567)	
(14,941)	Grants Received in Advance	19b	(20,414)	
<b>(125,723)</b>	<b>Total Current Liabilities</b>		<b>(118,922)</b>	
Less Non-Current Liabilities				
(7,420)	Provisions	21	(6,354)	
(406,947)	Long Term Borrowings	17a	(391,647)	
(7,000)	Long Term Creditors		(7,665)	
(36,089)	Liability Related to Defined Benefit Pension Scheme	31c	(67,260)	
<b>(457,456)</b>	<b>Total Non-Current Liabilities</b>		<b>(472,926)</b>	
<b>599,936</b>	<b>Net Assets</b>		<b>568,934</b>	
(437,235)	Total Unusable Reserves	12	(447,334)	
(162,701)	Total Usable Reserves	11	(121,600)	
<b>(599,936)</b>	<b>Total Reserves</b>		<b>(568,934)</b>	

# Cash Flow Statement

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

2023/24			2024/25	
£000			Notes	£000
(52,222)	Net surplus or (deficit) on the provision of services		-	(12,774)
120,098	Adjustment to the net surplus or deficit on the provision of services for non-cash movements	22		18,924
(62,029)	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	22		(26,080)
<b>5,847</b>	<b>Net cash flows from operating activities</b>			<b>(19,930)</b>
(10,008)	Net cash flows from investing activities	23		15,426
31,598	Net cash flows from financing activities	24		(14,628)
<b>27,437</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>(19,132)</b>
<b>Represented by:</b>				
1,171	a Cash and cash equivalents at the beginning of the reporting period	20		28,608
28,608	b Cash and cash equivalents at the end of the reporting period	20		9,476
<b>27,437</b>	<b>Net increase/(decrease) in cash and cash equivalents (b-a)</b>			<b>(19,132)</b>

\* included within "net cashflows from investing activities" is the reclassification of Money Market Funds from short-term investments to cash and cash equivalents in 2023/24. Please see Note 3, Note 20 and Note 23 for more information.

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## 4. Notes to the Core Financial Statements



# Note 1 Accounting Policies

## a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 and these regulations require the Statements 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, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The continuation of service principle applies and that these accounts have consequently been prepared on a going concern basis.

## b) Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- The material income streams of our subsidiaries are mostly, but not exhaustively, as follows: grants, rents, management fees, trade services, commissioning contract income and energy bills. In accordance with IFRS15, revenue is recognised when goods or services are transferred to the customer. This would include all of the incomes above apart from grants that do not fall under the scope of this standard.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as an expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Money Market Funds are classified as Cash Equivalents due to their insignificant risk of a change in value.

## d) Material Items

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

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

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

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

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

## Note 1 Accounting Policies (continued)

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

- Service, support services and trading accounts are debited with the following amounts to record the cost of non-current assets that they use during the year:
- depreciation; revaluation and impairment losses where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off, and;
- amortisation of intangible assets

The Council is not required to raise Council Tax to fund these costs. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis as determined by the Council in accordance with statutory guidance. Therefore depreciation, revaluation and impairment losses and amortisation are replaced by the contribution in the General Fund balance (Minimum Revenue Provision), by way of adjusting transactions in the Capital Adjustment Account through the Movement in Reserves Statement for the difference between the two. This Minimum Revenue Provision (MRP) represents the repayment of debt used to finance capital assets. The debt is to be repaid over a period that is commensurate with that over which the capital expenditure provides benefits to the Council. Assets funded by debt receive their first MRP charge once they are operational, and provision to repay debt is set aside over the asset's useful life on an annuity basis. No MRP is charged on Commercial Investment capital expenditure, as the Council has the ability to sell these properties to repay any outstanding debt. Further information can be found in the Council's Treasury Management Strategy, approved as part of the 2023/24 budget.

### g) Council Tax and Business Rates

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

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

CT and NNDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year and regulations determine the amount of CT and NNDR that must be included in the Council's General Fund. Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year end balances of CT and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances for the above are identified as impaired because of the likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### h) Employee Benefits

#### Benefits Payable During Employment

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs

#### Termination Benefits

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

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

## Note 1 Accounting Policies (continued)

### i) Post Employment Benefits

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

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

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

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

#### The Local Government Pension Scheme

The LGPS is accounted for as a defined benefits scheme:

- the liabilities of the London Borough of Sutton Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned

to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees;

- the discount rate is derived from a bespoke Hymans Robertson yield curve, constructed by fitting bucketed data points (average duration and yield) through the iBoxx corporate bond curve. Using this approach, the discount rate at 31 March 2025 was 5.8% per annum.
- the assets of London Borough of Sutton Pension Fund attributable to the Council are included in the Balance Sheet at bid value as required under IAS 19;
- the change in the net pension liability is analysed into 6 components:
  - current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - net interest on the net defined benefit liability (asset) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- remeasurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Income and Expenditure.
- contributions paid to the London Borough of Sutton Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

## Note 1 Accounting Policies (continued)

### j) Events After the Balance Sheet Date

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

Two types of events can be identified:

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

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

### k) Government Grants and Contributions

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

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Grants used to fund capital expenditure are posted to the Capital Adjustment Account. Grants not yet applied are posted to the Capital Grants Unapplied Reserve until they are used and then the amounts are transferred to the Capital Adjustment Account.

### l) Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

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

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

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

#### Contingent Liabilities and Assets

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

## Note 1 Accounting Policies (continued)

### **m) Reserves**

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

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

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

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

### **n) Interests in Companies and other Entities**

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities. The Council's subsidiaries in 2024/25 were:

- Sutton Housing Partnership Limited which is a community interest company wholly owned by the Council;
- Encompass LATC Ltd which was also wholly owned and provided a range of services within housing and social care. It was decided to transfer these services back in house at 31 December 2024 and take the necessary actions to close down the company;
- Cognus Limited which became 100% owned by the Council in June 2021 (previously 75% ownership). Cognus mainly provides educational services;
- Sutton Living Ltd, which includes Sutton Living Design & Build Ltd, develops properties for affordable rent;
- Sutton Decentralised Energy Network Ltd, a sustainable energy supplier.

All subsidiaries listed above are consolidated into the Council's Group Accounts.

### **o) Fair Value Measurement**

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly

transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

## Note 1 Accounting Policies (continued)

### p) Investment Properties

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

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

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

### q) Heritage Assets

Heritage assets are not reported as a distinct class of asset within Property, Plant and Equipment as assets are either operational assets and included within land and buildings on the Balance Sheet or the values of other tangible assets.

Further details of Heritage Assets are disclosed in Note 13 to the core financial statements.

### r) Property, Plant and Equipment

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

## Note 1 Accounting Policies (continued)

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

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

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

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

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

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

**Depreciation** Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- council dwellings – depreciation is charged on a componentisation basis;
- other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – depreciated on a straight-line basis over the life of the asset as advised by a suitably qualified officer, and;
- infrastructure – gross book value is depreciated at 6% per annum for the historic element (pre 2022-23), but otherwise it is depreciated over the asset lives.

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

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

### Disposals and Non-current Assets Held for Sale

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

## Note 1 Accounting Policies (continued)

posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

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

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

Infrastructure assets are held with no prospect of selling or using for any purpose other than that for which it was created. Where a component of an infrastructure asset is replaced, the council has determined, in accordance with Regulation 30M of the

Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022, that the carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure is nil. Amounts received for a disposal in excess of £10k are categorised as capital receipts and credited to the Capital Receipts Reserve. Receipts relating to the disposal of council dwellings, net of statutory deductions and allowances are retained. The 1-4-1 element of Right to Buy receipts is spent on the provision of social housing. The Local Authority share and allowable debt elements can be used as general receipts as part of general resources. Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

### s) Schools

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

- Community,
- Voluntary Aided,
- Foundation.

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

Non-current assets for Voluntary Aided and Foundation schools are not directly owned by the Council and are not considered to be controlled by the Council as no formal rights to use the assets through a licence arrangement are passed to the School or Governing Bodies. As a result, these schools are not recognised on the Balance Sheet. Non current assets for academy schools are derecognised from the Balance Sheet in the year of conversion.

### t) Revenue Expenditure Funded from Capital Under Statute

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

## Note 1 Accounting Policies (continued)

### u) Leases

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

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

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

### Operating Leases

#### The Council as Lessee

All operating leases are classed as finance leases from the perspective of the lessee and so are brought onto the balance sheet as a Right-of-Use asset, unless certain exemptions apply. Please see section y.

#### The Council as Lessor

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

### v) Financial Instruments

Financial instruments are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

#### Financial Liabilities

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

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

#### Financial Assets

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

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement;
- Fair Value Through Other Comprehensive Income (FVOCI) - These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of. The

Council has the option to designate investments in equity instruments to FVOCI. This will be appropriate where the investment is made to meet service objectives of the Council and where the primary purpose is not to generate a financial return.

- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

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

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

### w) Value Added Tax (VAT)

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

### x) Grant Funding Joint Arrangements

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

## Note 1 Accounting Policies (continued)

### y) Transition to IFRS16

In 2024/25, Sutton Council applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability) a right-of-use asset and a lease liability are to be brought into the Balance Sheet at 1 April 2024. Leases for items of low value (estimated value of under £5k when new), software agreements, HRA tenancy agreements and leases that are likely to expire on or before 31 March 2025 are exempt from the new arrangements. IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024.

This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code.

This has resulted in the following additions to the Balance Sheet:

- £2,063,532 Property, plant and equipment – land and buildings (right-of-use assets)
- £599,750 - vehicles, plant and equipment (right-of-use assets)
- £664,519 Non-current creditors (lease liabilities)
- £970,873 Current creditors (lease liabilities)

The newly recognised lease liabilities of £1,635,392 compares with no operating lease commitments disclosed in the notes to the 2023/24 financial statements, at 31 March 2024.

Depreciation of £982,116 has been applied as this is the first year for these ROU assets, but it will be applied in subsequent years, in line with our accounting policy.

The interest expense on these newly created liabilities totalled £64,177.

Total cash outflow for leases totalled £1,092,067. The value of cash outflow for leases considered exempt totalled £659,882.

To see the information in tabular format, please refer to Note 32 Leases and Note 13 Property, Plant and Equipment.

### z) Inventory

Inventories are included in the balance sheet at the lower of cost and net realisable value. The cost of inventories are assigned using the FIFO costing formula. Property buybacks classified as inventory are held at the cost of the actual buyback costs incurred for the individual property.

## Note 2 Accounting standards issued but not yet adopted

The Council is required to disclose information setting out the impact of an accounting standard that has been issued but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code). As at the Balance Sheet date, the following new accounting standard and amendments had not yet been adopted by the Code:

### **IAS 16 Property, Plant and Equipment.**

The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment. This change of setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets has not been adopted in 2024/25.

**IFRS 17 Insurance Contracts** issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

## Note 3 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements that are likely to have a material impact on these Accounts are set out below:

**Recognition of Schools** - the judgement that the Council does not have substantive rights to Voluntary Aided and Foundation school land and buildings results in these fixed assets not being included in the Balance sheet amounts, as per the accounting policy set out in Note 1 (s). This judgement is based on the control of the school Land and Building by the entities that own them. There are 10 Voluntary Aided and 8 Foundations schools excluded, and it is not possible to provide the valuation of these schools. However, the 4 community schools recognised in the Council's accounts have a cumulative value of £73.305m at 31 March 2025, and so the value of these 18 excluded schools is likely to be material.

**Classification of Property** - Investment Properties have been assessed using the identifiable criteria under International Accounting standards, and are being held for rental income or for capital appreciation purposes. A judgement has been made to value the St Nicholas Centre as a Property, Plant & Equipment asset rather than Investment Property asset under IAS 16, as the reason for the acquisition of this site does not match the above criteria of Investment Property. It was instead acquired for regeneration purposes, and puts the Council in full control of a key strategic Town Centre asset. It is not possible to disclose the financial impact of this judgement, as a value for the site as an Investment Property has not been produced. The asset is valued at £11.500m at 31.3.2025.

**Agent / Principal Analysis** - a judgement has been made as to whether the Council had control over various funding streams provided by Central Government (Principal) or whether it was acting as an intermediary only (Agent). In recent years this has been mainly related to Covid-19 Support Grants. The Council Tax Energy Rebates scheme had been determined as Agency for 2022/23. These judgements were based on the grant determinations set by the Central Government, and the conditions attached to the grant. Where the Council was directed to pay individuals and businesses specific sums where pre-specified criteria were met, the expenditure and income has been classified as "Agent". Where the Council had discretion and choice around eligibility and amounts, the activity has been recognised in these accounts as "Principal". In 2024/25, all expenditure and income was judged to be Principal.

**Cash and Cash Equivalents** - a judgement has been made previously regarding the Council's Money Market Fund investments. They have previously been moved from the Short Term Investments line in the Balance Sheet to the Cash and Cash Equivalents line.

This is because investments in money market funds are held to meet short term liquidity requirements and not solely for investment income.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Properties are subject to full valuation by a qualified valuer under a rolling programme at least once every five years. Where there has been significant works carried out to the asset and completed during the year, the asset is subject to a full valuation. Similarly any asset with a carrying value of £1m or more (or over 1% of their asset class) and all Surplus Assets (and Assets Held for Sale) are revalued each year.</p> <p>The valuation in 2024/25 was conducted by Montagu Evans LLP using different valuation methodologies in line with the authority's accounting policy on PPE valuations which is set out in Note 1(r). Valuation methodologies of Existing Use Value (EUV) and Existing Use Value - Social Housing (EUV-SH) are conducted with reference to comparable recent market transactions using indices and data from third parties such as Land Registry and the Valuation Office Agency. The Depreciated Replacement Cost (DRC) valuation methodology used for specialised properties further takes into account the replacement cost, age, condition, land values and other factors specific to the assets.</p> <p>The Housing Revenue Account (HRA) residential portfolio was valued utilising a beacon methodology. In order to value the whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential HRA property, information available at a local level showing house price movement plus regional and National Indices.</p> <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The Council's accounting policy is to depreciate assets on their brought forward values at the 1 April and any effects of in-year revaluations are not taken into account until the year following the revaluation.</p>	<p>The effect of any over or under estimation on the revaluation of property, plant and equipment cannot be quantified until an asset is disposed of. A reduction of 1% in the value of PPE at 31.3.2025 that is held at current value (rather than historic cost) (£845.017m) would reduce the balance sheet value by £8.450m.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>If significant revaluation increases or impairments were experienced there is a risk that the charge for depreciation to reflect the economic consumption of the asset may be over or under stated.</p>

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value of Investment Property	<p>The Investment Properties are measured at fair value, using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates.</p>	<p>Significant changes in any of the observable inputs would result in a significantly lower or higher fair value measurement for the investment properties. A 7% reduction in fair value of investment property at 31.3.2025 (£101.430m) would equate to £7.100m, although this would not result in a charge to the general fund under local authority accounting practices.</p>
Pension Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>The sensitivity of the net Pension Fund asset (£75.668m at 31.3.2025 prior to the application of an asset ceiling) to a change in assumptions can be measured. For example a 0.1% increase in the discount rate assumption would result in an approximate reduction of £9.6m in the Council's pension liability; a one year increase in member life expectancy would increase the liability by approximately £24.3m and a 0.1% increase in the rate of salary increase would increase the liability by approximately £0.3m. An allowance has been included for the expected benefit change as a result of various legal and regulatory uncertainties, such as McCloud/Seargant and GMP equalisation.</p>

## Note 5 Expenditure and Funding Analysis

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

2024/25	As reported for resource management	Adjustment to arrive at net amount chargeable to GF and HRA	Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Health and Wellbeing	3,346	142	<b>3,488</b>	4,525	<b>8,013</b>
Environment, Housing and Neighbourhoods	32,152	192	<b>32,344</b>	11,671	<b>44,015</b>
Peoples Services	134,403	(2,123)	<b>132,280</b>	20,322	<b>152,602</b>
Resources	24,557	3,610	<b>28,167</b>	13,036	<b>41,203</b>
Chief Executive(Electoral Services)	431	(39)	<b>392</b>	(32)	<b>360</b>
Housing Revenue Account	(6,349)	(9,808)	<b>(16,157)</b>	(14,287)	<b>(30,444)</b>
Corporate Costs	(195,576)	187,655	<b>(7,921)</b>	(1,135)	<b>(9,056)</b>
<b>Net cost of services</b>	<b>(7,036)</b>	<b>179,629</b>	<b>172,593</b>	<b>34,100</b>	<b>206,693</b>
Other Operating Expenditure	-	617	<b>617</b>	(5,498)	<b>(4,881)</b>
Financing and Investment income	-	3,709	<b>3,709</b>	3,034	<b>6,743</b>
Taxation and non-specific grant income	-	(186,925)	<b>(186,925)</b>	(8,856)	<b>(195,781)</b>
<b>(Surplus) or Deficit</b>	<b>(7,036)</b>	<b>(2,970)</b>	<b>(10,006)</b>	<b>22,780</b>	<b>12,774</b>
Opening GF, Earmarked Reserves and HRA Balance				<b>(59,187)</b>	
Add (Surplus) or Deficit on GF and HRA Balance in Year				(10,006)	
<b>Closing GF, Earmarked Reserves and HRA Balance at 31 March</b>				<b>(69,193)</b>	

## Note 5 Expenditure and Funding Analysis (continued)

2023/24	As reported for resource management	Adjustment to arrive at net amount chargeable to GF and HRA	Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Health and Wellbeing	4,012	1,529	<b>5,541</b>	3,580	<b>9,121</b>
Environment, Housing and Neighbourhoods	29,679	741	<b>30,420</b>	9,376	<b>39,796</b>
Peoples Services	146,249	2,317	<b>148,566</b>	6,361	<b>154,927</b>
Resources	24,613	6,213	<b>30,826</b>	33,767	<b>64,593</b>
Chief Executive(Electoral Services)	467	(17)	<b>450</b>	(11)	<b>439</b>
Housing Revenue Account	(5,335)	(7,686)	<b>(13,021)</b>	6,906	<b>(6,115)</b>
Corporate Costs	(203,467)	179,859	<b>(23,608)</b>	1,108	<b>(22,500)</b>
<b>Net cost of services</b>	<b>(3,782)</b>	<b>182,956</b>	<b>179,174</b>	<b>61,087</b>	<b>240,261</b>
Other Operating Expenditure	-	609	<b>609</b>	3,660	<b>4,269</b>
Financing and Investment income	-	137	<b>137</b>	7,294	<b>7,431</b>
Taxation and non-specific grant income	-	(178,600)	<b>(178,600)</b>	(21,139)	<b>(199,739)</b>
Drawdown from Reserves to fund GF overspend	(1,553)	1,553	-	-	-
<b>(Surplus) or Deficit</b>	<b>(5,335)</b>	<b>6,655</b>	<b>1,320</b>	<b>50,902</b>	<b>52,222</b>
Opening GF, Earmarked Reserves and HRA Balance			<b>(60,507)</b>		
Add (Surplus) or Deficit on GF and HRA Balance in Year			1,320		
<b>Closing GF, Earmarked Reserves and HRA Balance at 31 March</b>			<b>(59,187)</b>		

## Note 5a Note to the Expenditure and Funding Analysis

### Adjustments between Funding and Accounting Basis

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

Transfer of corporate funding from Net Cost of Services to correct CIES segment	Net transfers from reserves and balances	Total to arrive at amount charged to GF and HRA	2024/25	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis
£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	142	<b>142</b>	Health and Wellbeing	5,614	(1,055)	(34)	<b>4,525</b>
31	161	<b>192</b>	Environment, Housing and Neighbourhoods	12,145	(468)	(6)	<b>11,671</b>
(218)	(1,905)	<b>(2,123)</b>	Peoples Services	13,836	(2,759)	9,245	<b>20,322</b>
2,635	975	<b>3,610</b>	Resources	15,056	(1,923)	(97)	<b>13,036</b>
-	(39)	<b>(39)</b>	Chief Executive(Electoral Services)	-	(32)	-	<b>(32)</b>
(9,837)	29	<b>(9,808)</b>	Housing Revenue Account	(14,247)	(40)	-	<b>(14,287)</b>
189,988	(2,333)	<b>187,655</b>	Corporate Costs	(3,451)	2,316	-	<b>(1,135)</b>
<b>182,599</b>	<b>(2,970)</b>	<b>179,629</b>	<b>Net cost of services</b>	<b>28,953</b>	<b>(3,961)</b>	<b>9,108</b>	<b>34,100</b>
617	-	<b>617</b>	Other Operating Expenditure	(5,498)	-	-	<b>(5,498)</b>
3,709	-	<b>3,709</b>	Financing and Investment income	2,151	1,637	(754)	<b>3,034</b>
(186,925)	-	<b>(186,925)</b>	Taxation and non-specific grant income	(8,887)	-	31	<b>(8,856)</b>
-	<b>(2,970)</b>	<b>(2,970)</b>	<b>Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>16,719</b>	<b>(2,324)</b>	<b>8,385</b>	<b>22,780</b>

## Note 5a Note to the Expenditure and Funding Analysis (continued)

### Adjustments between Funding and Accounting Basis

Transfer of corporate funding from Net Cost of Services to correct CIES segment	Net transfers from reserves and balances	Total to arrive at amount charged to GF and HRA	2023/24	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis
							£'000
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1	1,528	1,529	Health and Wellbeing	4,267	(698)	11	3,580
(1,191)	1,932	741	Environment, Housing and Neighbourhoods	9,659	(288)	5	9,376
(219)	2,536	2,317	Peoples Services	6,392	(1,716)	1,685	6,361
3,552	2,661	6,213	Resources	35,137	(1,393)	23	33,767
-	(17)	(17)	Chief Executive(Electoral Services)	11	(22)	-	(11)
(7,674)	(12)	(7,686)	Housing Revenue Account	6,937	(31)	-	6,906
183,385	(3,526)	179,859	Corporate Costs	690	418	-	1,108
<b>177,854</b>	<b>5,102</b>	<b>182,956</b>	<b>Net cost of services</b>	<b>63,093</b>	<b>(3,730)</b>	<b>1,724</b>	<b>61,087</b>
609	-	609	Other Operating Expenditure	3,660	-	-	3,660
137	-	137	Financing and Investment income	2,815	4,593	(114)	7,294
(178,600)	-	(178,600)	Taxation and non-specific grant income	(19,068)	-	(2,071)	(21,139)
-	1,553	1,553	Drawdown from Reserves to fund GF overspend	-	-	-	-
-	6,655	6,655	<b>Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>50,500</b>	<b>863</b>	<b>(461)</b>	<b>50,902</b>

## Note 5b Expenditure and Income Analysed by Nature

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

2023/24		2024/25
£000	£000	
<b>Expenditure</b>		
177,610	Employee expenses	184,413
379,219	Other operating expenses	421,476
64,056	Depreciation, amortisation and impairment	40,068
-	Payments to Housing Capital Receipts Pool	-
16,573	Interest payments	14,436
(20)	(Gain)/Loss on FV revaluation of Financial Instruments	(701)
2,815	Loss on FV investment properties	2,087
609	Precept and Levies	617
80	Disposal costs	40
46,616	NBV written out on disposal of non-current assets	7,350
<b>687,558</b>	<b>Total expenditure</b>	<b>669,786</b>
<b>Income</b>		
(119,094)	Fees and charges and other service income	(131,703)
(12,437)	Interest and investment income	(9,900)
(5,918)	Revaluation gains on non-current assets	(17,918)
(43,035)	Capital Receipts	(12,888)
(159,885)	Income from Council Tax and Business Rates	(166,134)
(294,967)	Government grants and contributions	(318,469)
<b>(635,336)</b>	<b>Total income</b>	<b>(657,012)</b>
<b>52,222</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>12,774</b>

The Council has changed the presentation of its service analysis in the 2024/25 Comprehensive Income and Expenditure Statement to reflect changes in its internal management structure and directorate responsibilities. The comparative figures for 2023/24 have been reclassified to ensure consistency with the 2024/25 presentation and to align with the reportable segments used in the Expenditure and Funding Analysis, as required by relevant accounting standards. The resulting changes to the CIES, Note 5 and Note 5a are shown below:

	Change in Gross Expenditure	Change in Gross Income	Change in Net Expenditure
	2023/24	2023/24	2023/24
	£000	£000	£000
<b>Health and Wellbeing</b>	(155)	179	24
<b>Environment, Housing and Neighbourhoods</b>	-	-	-
<b>Development Growth and Regeneration</b>	(1,510)	88	(1,422)
<b>Peoples Services</b>	(3,189)	1,152	(2,037)
<b>Resources</b>	(41,368)	45,401	4,033
<b>Chief Executive (Electoral Services)</b>	-	-	-
<b>Housing Revenue Account</b>		-	
- Main HRA Revenue Account	(1)	1	-
- Revaluation loss/(gain) - Dwellings	-	-	-
<b>Corporate Costs</b>	46,223	(46,821)	(598)
<b>Cost of services</b>	-	-	-

<b>2023/24 Changes</b>	As reported for resource management	Adjustment to arrive at net amount chargeable to GF and HRA	Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Health and Wellbeing	46	1	47	(23)	24
Environment, Housing and Neighbourhoods	-	-	-	-	-
Development Growth and Regeneration	(923)	(38)	(961)	(461)	(1,422)
Peoples Services	36	-	36	(2,073)	(2,037)
Resources	1,438	38	1,476	2,557	4,033
Chief Executive(Electoral Services)	-	-	-	-	-
Housing Revenue Account	-	-	-	-	-
Corporate Costs	(597)	(1)	(598)	-	(598)
<b>Net cost of services</b>	-	-	-	-	-
Other Operating Expenditure	-	-	-	-	-
Financing and Investment income	-	-	-	-	-
Taxation and non-specific grant income	-	-	-	-	-
Drawdown from Reserves to fund GF overspend	-	-	-	-	-
<b>(Surplus) or Deficit</b>	-	-	-	-	-
Opening GF, Earmarked Reserves and HRA Balance			-		
Add (Surplus) or Deficit on GF and HRA Balance in Year			-		
<b>Closing GF, Earmarked Reserves and HRA Balance at 31 March</b>			-		

Transfer of corporate funding from Net Cost of Services to correct CIES segment	Net transfers from reserves and balances	Total to arrive at amount charged to GF and HRA	2023/24 Changes	Adjustments for Capital Purposes	Net Change for the Pensions	Other Differences	Total Adjustments between Funding and Accounting Basis
£'000	£'000	£'000		£'000	£'000	£'000	£'000
1	-	1	Health and Wellbeing	(14)	(9)	-	(23)
-	-	-	Environment, Housing and Neighbourhoods	-	-	-	-
-	(38)	(38)	Development Growth and Regeneration	(499)	47	(9)	(461)
-	-	-	Peoples Services	(2,073)	-	-	(2,073)
-	38	38	Resources	2,586	(38)	9	2,557
-	-	-	Chief Executive(Electoral Services)	-	-	-	-
-	-	-	Housing Revenue Account	-	-	-	-
(1)	-	(1)	Corporate Costs	-	-	-	-
-	-	-	<b>Net cost of services</b>	-	-	-	-
-	-	-	Other Operating Expenditure	-	-	-	-
-	-	-	Financing and Investment income	-	-	-	-
-	-	-	Taxation and non-specific grant income	-	-	-	-
-	-	-	Drawdown from Reserves to fund GF overspend	-	-	-	-
-	-	-	<b>Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	-	-	-	-

## Note 6 Other operating expenditure

2023/24		2024/25
£'000		£'000
609	Levies paid to Other Local and Public Authorities	617
-	Payment to the Government Housing Capital Receipts Pool	-
80	Disposal costs	40
46,616	NBV written out on disposal of non-current assets	7,350
(43,035)	Capital Receipts	(12,888)
<b>4,270</b>	<b>TOTAL</b>	<b>(4,881)</b>

## Note 7 Financing and investment income and expenditure

2023/24		2024/25
£'000		£'000
11,980	Interest payable and similar charges	12,799
4,594	Net interest on the net defined benefit pension scheme liability	1,637
(5,022)	Interest receivable and similar income	(3,787)
(20)	Financial Instruments - change in Fair Value	(701)
(7,577)	Income in relation to investment properties	(5,596)
661	Expenditure in relation to investment properties	821
-	(Gains)/losses from disposal of subsidiaries	(517)
<b>2,815</b>	<b>Changes in the Fair Value of investment properties</b>	<b>2,087</b>
<b>7,431</b>	<b>TOTAL</b>	<b>6,743</b>

## Note 8 Taxation and non-specific grant income

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

2023/24		2024/25
£'000		£'000
(122,285)	Council Tax Income	(126,785)
(36,727)	Business Rates Retention Scheme	(38,961)
(610)	Business Rates Retention Scheme Pool	(107)
(20,779)	Non ringfenced government grants	(20,730)
(264)	Renewable energy Schemes retained by the authority	(281)
(19,074)	Capital grants and contributions	(8,917)
<b>(199,739)</b>	<b>Total Credited to Taxation and Non-Specific Grant Income</b>	<b>(195,781)</b>

## Note 9 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2024/25

2023/24	Grants Credited to Taxation and Non-Specific Grant Income	2024/25
£'000	Non ringfenced government grants:	£'000
(7,894)	Revenue Support Grant	(8,417)
(10,241)	Section 31 Business Rate Grant	(11,224)
(614)	Housing Benefit and Council Tax Admin Grant	(565)
(243)	New Homes Bonus	(257)
(1,473)	Services Grant	(254)
49	COVID-19 funding / reliefs	-
(364)	Other	(13)
<b>(20,780)</b>	<b>Total</b>	<b>(20,730)</b>

## Note 9 Grant Income (continued)

2023/24		Capital Grants and Contributions:	2024/25
		£'000	£'000
	(3,498)	Education Grants	(5,699)
	(3,493)	Section 106 Contributions	(1,255)
6		GLA - Strategic Investment Pot	(397)
(4,282)		DLUHC Future High Street Fund	-
-		DLUHC Levelling Up Fund	(1,162)
(230)		GLA Housing New Build	2,182
-		GLA Supported & Specialised Housing	(442)
(3,967)		GLA Grants	2,277
(1,279)		Transport Grants	(1,157)
(788)		DLUHC - Housing Grant	(859)
(1,966)		Disabled Facilities	(1,522)
-		UK Shared Prosperity Fund (capital)	(364)
-		DEFRA Weekly Food Waste Collections	(345)
423		Other Capital Grants and Contributions	(174)
(19,074)		<b>Total</b>	<b>(8,917)</b>

\*the debit balances are reversals of amounts previously recognised as income

## Note 9 Grant Income (continued)

2023/24		Revenue Grants Credited to Services	2024/25
£'000			£'000
(121,532)		Dedicated Schools Grant	(138,602)
(6,264)		Education & Skills Funding Agency funding	(5,984)
(783)		Teachers Pay Grant	(1,444)
(116)		Teachers Pension Grant	(2,020)
(10,818)		Public Health Grant	(11,483)
(9,811)		Housing Benefit Rebate Subsidy	(18,668)
(6,703)		Housing Benefit Rebate Subsidy - outside HRA	(314)
(28,851)		Housing Benefit Allowances	(27,410)
(16,524)		Bettercare Fund - NHS Contribution	(18,128)
(9,517)		Social Care Support Grant	(12,687)
(4,067)		Improved Better Care Fund Grant	(4,067)
(353)		Discretionary Housing Payments	(347)
(3,065)		Pupil Premium (schools)	(3,320)
(2,744)		Asylum Seekers	(2,428)
(551)		Troubled Families Grant	(764)
(1,054)		Universal Infants Free School Meals	(1,065)
(1,585)		Homes for Ukraine	(871)
(962)		Homelessness Prevention Grant	(2,286)

## Note 9 Grant Income (continued)

2023/24	Revenue Grants Credited to Services contd.	2024/25
£'000		£'000
(658)	Holidays Activity and Food Programme	(663)
-	Core Schools Budget Grant	(2,106)
(3,000)	GLA Free School Meals	(4,321)
(1,770)	Mainstream Schools Additional Grant	-
(1,726)	ASC Market Sustainability and Improvement Fund	(3,226)
(570)	ASC Discharge Fund	(950)
(1,010)	Early Years Supplementary Grant	48
(21,078)	Other	(25,716)
<b>(255,112)</b>	<b>Total Revenue Grants included in Cost of Services</b>	<b>(288,822)</b>

# Note 10 Adjustments between accounting basis and funding basis under regulations

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

## **General Fund Balance**

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

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

## **Housing Revenue Account Balance**

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

## **Major Repairs Reserve**

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

## **Capital Receipts Reserve**

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

## **Capital Grants Unapplied**

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

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

2024/25	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>ADJUSTMENTS TO THE REVENUE RESOURCES</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 31)	(18,253)	(87)	-	-	-	18,340
Employers Pensions contributions and direct payments to pensioners payable in the year	20,546	117	-	-	-	(20,663)
<b>Sub Total for Pensions Reserve</b>	<b>2,293</b>	<b>30</b>	-	-	-	<b>(2,323)</b>
Financial instruments (transferred to the Financial Instruments Adjustments Account)	54	-	-	-	-	(54)
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(31)	-	-	-	-	31
Holiday pay (transferred to the Accumulated Absences Reserve)	73	-	-	-	-	(73)
Charges for depreciation and impairment of non-current assets	(18,384)	(9,107)	-	-	-	27,491
Revaluation loss/(gain) on Property Plant and Equipment	(6,565)	14,247	-	-	-	(7,682)
Movements in the market value of Investment Properties	(2,152)	65	-	-	-	2,087
Amortisation of intangible assets	(2,340)	-	-	-	-	2,340
Revenue expenditure funded from capital under statute	(17,930)	-	-	-	-	17,930
Financial Instruments Revaluation Reserve	701	-	-	-	-	(701)
Transfer of in-year DSG deficit to Dedicated Schools Grant Adjustment Account	(9,182)	-	-	-	-	9,182
<b>TOTAL ADJUSTMENTS TO REVENUE RESOURCES</b>	<b>(53,463)</b>	<b>5,235</b>	-	-	-	<b>48,228</b>
<b>ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES</b>						
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	(5,876)	(1,474)	-	-	-	7,350

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

2024/25 (continued)	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,710	4,178	-	-	(12,888)	-
Transfer of deferred sale proceeds as part of the gains/ losses on disposal to the CIES	-	-	-	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	4,004	-	-	-	-	(4,004)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	477	-	-	-	-	(477)
Use of capital receipts for revenue purposes	(2,525)	-	-	-	2,525	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	-	-	-	-	-
Payment towards administrative costs of non-current assets disposal (funded by a transfer from the Capital Receipts Reserve)	-	(40)	-	-	40	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	9,107	-	(9,107)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,200)	(2,182)	4,382	-	-	-
Capital Grants and contributions applied	13,269	-	-	-	-	(13,269)
<b>TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES</b>	<b>15,859</b>	<b>9,589</b>	<b>4,382</b>	<b>(9,107)</b>	<b>(10,323)</b>	<b>(10,400)</b>
<b>ADJUSTMENTS TO CAPITAL RESOURCES</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	36,932	(36,932)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	14,641	-	(14,641)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	14,582	-	-	(14,582)
Cash payment in relation to deferred capital receipts	-	-	-	-	-	-
<b>TOTAL ADJUSTMENTS TO CAPITAL RESOURCES</b>	<b>-</b>	<b>-</b>	<b>14,582</b>	<b>14,641</b>	<b>36,932</b>	<b>(66,155)</b>
<b>Total Adjustments</b>	<b>(37,604)</b>	<b>14,824</b>	<b>18,964</b>	<b>5,534</b>	<b>26,609</b>	<b>(28,327)</b>

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

2023/24 Comparative	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>ADJUSTMENTS TO THE REVENUE RESOURCES</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 31)	(19,952)	(125)	-	-	-	20,077
Pensions costs (transferred to (or from) the Pensions Reserve)	19,088	126	-	-	-	(19,214)
<b>Sub Total for Pensions Reserve</b>	<b>(864)</b>	<b>1</b>	-	-	-	<b>863</b>
Financial instruments (transferred to the Financial Instruments Adjustments Account)	93	-	-	-	-	(93)
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	2,071	-	-	-	-	(2,071)
Holiday pay (transferred to the Accumulated Absences Reserve)	(333)	-	-	-	-	333
Charges for depreciation and impairment of non-current assets	(12,640)	(8,499)	-	-	-	21,139
Revaluation loss/(gain) on Property Plant and Equipment	(27,809)	(6,937)	-	-	-	34,746
Movements in the market value of Investment Properties	(3,348)	533	-	-	-	2,815
Amortisation of intangible assets	(2,252)	-	-	-	-	2,252
Revenue expenditure funded from capital under statute	(10,387)	-	-	-	-	10,387
Financial Instruments Revaluation Reserve	20	-	-	-	-	(20)
Transfer of in-year DSG deficit to Dedicated Schools Grant Adjustment Account	(1,391)	-	-	-	-	1,391
<b>TOTAL ADJUSTMENTS TO REVENUE RESOURCES</b>	<b>(56,840)</b>	<b>(14,902)</b>	-	-	-	<b>71,742</b>
<b>ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES</b>						
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	(44,353)	(2,263)	-	-	-	46,616

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

2023/24 Comparative (continued)	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	39,063	3,972	-	-	(43,035)	-
Transfer of deferred sale proceeds as part of the gains/ losses on disposal to the CIES	-	-	-	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,632	-	-	-	-	(2,632)
Capital expenditure financed from revenue balances ( charged to HRA)	33	-	-	-	-	(33)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,731)	-	-	-	5,731	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	-	-	-	-	-
Payment towards administrative costs of non-current assets disposal (funded by a transfer from the Capital Receipts Reserve)	(80)	-	-	-	80	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	8,499	-	(8,499)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,924	-	(2,924)	-	-	-
Capital Grants and contributions applied	13,732	2,412	-	-	-	(16,144)
<b>TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES</b>	<b>8,220</b>	<b>12,620</b>	<b>(2,924)</b>	<b>(8,499)</b>	<b>(37,224)</b>	<b>27,807</b>
<b>ADJUSTMENTS TO CAPITAL RESOURCES</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	6,836	(6,836)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	12,300	-	(12,300)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	10,938	-	-	(10,938)
Cash payment in relation to deferred capital receipts	-	-	-	-	(200)	200
<b>TOTAL ADJUSTMENTS TO CAPITAL RESOURCES</b>	<b>-</b>	<b>-</b>	<b>10,938</b>	<b>12,300</b>	<b>6,636</b>	<b>(29,874)</b>
<b>Total Adjustments</b>	<b>(48,620)</b>	<b>(2,282)</b>	<b>8,014</b>	<b>3,801</b>	<b>(30,588)</b>	<b>69,675</b>

## Note 11 Transfers to / from Earmarked and Usable Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2024/25. It also includes usable capital resources.

	Balance at 31 March 2023	Transfers Out	Transfers In	Balance at 31 March 2024	Transfers Out	Transfers In	Balance at 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund:</b>							
General Fund balances	(8,588)		(306)	(8,894)	-	(687)	(9,581)
<b>Sub total</b>	<b>(8,588)</b>	-	<b>(306)</b>	<b>(8,894)</b>	-	<b>(687)</b>	<b>(9,581)</b>
Schools Reserves:-							
DSG Balances	(1,486)	1,486	-	-	-	-	-
Balances held by schools under a scheme of delegation	(3,477)	2,466	(2,118)	(3,129)	1,309	(3,145)	(4,965)
Earmarked Reserves:-							
- Insurance Fund	(4,703)	1,996	-	(2,707)	373	-	(2,334)
- Risk Reserve	(4,031)	319	(1,147)	(4,859)	-	-	(4,859)
- Redundancy Costs	(775)	282	-	(493)	-	(120)	(613)
- Revenue Grants Unapplied	(4,871)	2,225	(886)	(3,532)	1,269	(780)	(3,043)
- Transitional Grant Reserve	(37)	37	-	-	-	-	-
- Commercial Property Investment Reserve	(4,804)	-	(1,152)	(5,956)	1,422	-	(4,534)
- Capital Strategy Reserve	(632)	9	(1,420)	(2,043)	-	(2,700)	(4,743)
- Town Centre Reserve	(788)	788	-	-	-	-	-
- Non Grant Carry Forwards	(1,026)	608	(27)	(445)	203	(642)	(884)
- Public Health Reserve	(1,814)	1,376	(25)	(463)	-	(199)	(662)
- Sustainable Investment Fund	(581)	825	(244)	-	-	-	-
- Opportunity Sutton Reserve	(254)	254	-	-	-	-	-

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

	Balance at 31 March 2023	Transfers Out	Transfers In	Balance at 31 March 2024	Transfers Out	Transfers In	Balance at 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Earmarked Reserves continued:-</b>							
- Welfare Support	(88)	88	-	-	-	-	-
- Catering Reserve (School Meals Delegated Funds)	(341)	-	(10)	(351)	11	-	(340)
- Renewals and Repairs Fund	(115)	115	-	-	-	-	-
- Other	(101)	101	-	-	-	-	-
- Fair Funding Reserve	(1,321)	-	(165)	(1,486)	-	-	(1,486)
- Business Rates Risk Reserve	(1,981)	1,981	-	-	-	-	-
- St Nicholas Centre RPP Reserve	(645)	-	-	(645)	-	-	(645)
- Budget Stabilisation Reserve	(3,545)	350	(1,348)	(4,543)	-	-	(4,543)
- HR & OD Strategy delivery	(210)	-	210	-	-	-	-
<b>Sub total</b>	<b>(37,626)</b>	<b>15,306</b>	<b>(8,332)</b>	<b>(30,652)</b>	<b>4,587</b>	<b>(7,586)</b>	<b>(33,651)</b>

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

	Balance at 31 March 2023	Transfers Out	Transfers In	Balance at 31 March 2024	Transfers Out	Transfers In	Balance at 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>HRA:</b>							
Housing Revenue Account	(13,671)	12	(5,347)	(19,006)	-	(6,349)	(25,355)
Hillcrombe and Harrow Reserve	(47)	-	(12)	(59)	29	-	(30)
Heating Reserve	(530)	-	-	(530)	-	-	(530)
Freeholders Contributions	(46)	-	-	(46)	-	-	(46)
<b>Sub total</b>	<b>(14,294)</b>	<b>12</b>	<b>(5,359)</b>	<b>(19,641)</b>	<b>29</b>	<b>(6,349)</b>	<b>(25,961)</b>
Capital Grants and Contributions Unapplied	(50,193)	21,192	(13,178)	(42,179)	21,902	(2,938)	(23,215)
Capital Receipts Reserve	(21,554)	9,422	(40,010)	(52,142)	39,596	(12,987)	(25,533)
Major Repairs Reserve	(12,993)	12,299	(8,499)	(9,193)	14,641	(9,107)	(3,659)
<b>Total</b>	<b>(145,248)</b>	<b>58,231</b>	<b>(75,684)</b>	<b>(162,701)</b>	<b>80,755</b>	<b>(39,654)</b>	<b>(121,600)</b>

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

### Additional information on key reserves of the Council

#### Earmarked Reserves

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

- The **Commercial Property Investment Reserve** has been established to mitigate risks associated with the Council's commercial property holdings, potential valuation changes, vacancies, rental loss and debt repayment.
- The **Capital Strategy Reserve** has been established to fund and support future capital schemes as part of the planned capital programme.
- The **Non Grant Carry Forward Reserve** was created to carry forward third party contributions and revenue funding for specific projects
- The **Public Health Reserve** has been established to hold the balance of the Public Health grant which was underspent. This grant is strictly ring fenced for specific public health activities and where there is an underspending it must be carried forward to be applied in the following years

- The **Fair Funding Reserves** has been set aside to mitigate potential risks arising from any future review of local government funding.
- The **Budget Stabilisation Reserve** is there to manage any changes required across the MTFS where any change in budget requirement may need transitional funding to support the increase.

#### Housing Revenue Account

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

## Note 12 Unusable Reserves

31 March 2024		31 March 2025
£'000	£'000	£'000
(192,121)	(a) Revaluation Reserve	(201,744)
(287,894)	(b) Capital Adjustment Account	(327,926)
36,089	(c) Pensions Reserve	67,260
301	(d) Financial Instruments Adjustment Account	247
(329)	(e) Deferred Capital Receipts	(329)
(758)	(f) Collection Fund Adjustment Account	(727)
3,758	(g) Accumulated Absences Account	3,685
2,328	(h) Financial Instruments Revaluation Reserve	1,627
1,391	(i) Dedicated Schools Grant Adjustment Account	10,573
<b>(437,235)</b>	<b>TOTAL</b>	<b>(447,334)</b>

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

## Note 12 Unusable Reserves (continued)

### a) Revaluation Reserve

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

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

2023/24		2024/25
	£'000	£'000
(165,935)	<b>Balance at 1 April</b>	(192,121)
(86,713)	Upward revaluation of assets	(18,489)
57,829	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	3,223
<b>(28,884)</b>	<b>Surplus or deficit on revaluation of non current assets not posted to the surplus/(deficit) on the provision of services</b>	<b>(15,266)</b>
2,698	Difference between fair value depreciation and historical cost depreciation	5,599
-	Accumulated losses on assets sold or scrapped	44
<b>2,698</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>5,643</b>
<b>(192,121)</b>	<b>Balance at 31 March</b>	<b>(201,744)</b>

## Note 12 Unusable Reserves (continued)

### b) Capital Adjustment Account

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

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

2023/24		2024/25
£'000		£'000
(354,269)	<b>Balance at 1 April</b>	(287,894)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
21,139	Charge for depreciation and impairment of non-current assets	27,491
34,746	Revaluation gains/(losses) on Property, Plant and Equipment	(7,682)
2,252	Amortisation of intangible assets	2,340
10,387	Revenue expenditure funded from capital under statute	17,930
46,616	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	7,350
1,000	Amounts of long term debtor written down by loan repayment	100
<b>116,140</b>		<b>47,529</b>
(2,698)	Difference between fair value depreciation and historical cost depreciation	(5,600)
-	Accumulated losses on assets sold or scrapped	(44)
<b>113,442</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>41,885</b>

## Note 12 Unusable Reserves (continued)

### Capital Adjustment Account (continued)

2023/24		2024/25
£'000	Capital financing applied in the year:	£'000
(1,000)	Loan repayments from Capital Receipts Reserve to finance write down of long term debtor	(100)
(6,836)	Use of the Capital Receipts Reserve to finance new capital expenditure	(36,932)
(12,300)	Use of the Major Repairs Reserve to finance new capital expenditure	(14,641)
(16,144)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(13,269)
(10,938)	Application of grants to capital financing from the Capital Grants Unapplied Account	(14,581)
(2,632)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	(4,004)
(33)	Funded from Revenue Reserves	(477)
<b>(49,883)</b>		<b>(84,004)</b>
2,816	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,087
<b>(287,894)</b>	<b>Balance at 31 March</b>	<b>(327,926)</b>

## Note 12 Unusable Reserves (continued)

### c) Pension Reserve

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

2023/24		2024/25
£'000	£'000	
98,540	<b>Balance at 1 April</b>	36,089
(63,314)	Remeasurement of the net defined benefit liability	33,494
20,077	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	18,340
(19,214)	Employers pension contributions and direct payments to pensioners payable in year	(20,663)
<b>36,089</b>	<b>Balance at 31 March</b>	<b>67,260</b>

## Note 12 Unusable Reserves (continued)

### d) Financial Instruments Adjustment Account

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

2023/24		2024/25
£'000	£'000	
394	<b>Balance at 1 April</b>	301
(93)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(54)
301	<b>Balance at 31 March</b>	247

### e) Deferred Capital Receipts Reserve

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

2023/24		2024/25
£'000	£'000	
(529)	<b>Balance at 1 April</b>	(329)
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
200	Transfer of deferred sales proceeds to the Capital Receipts Reserve upon payment	-
(329)	<b>Balance at 31 March</b>	(329)

## Note 12 Unusable Reserves (continued)

### f) Collection Fund Adjustment Account

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

2023/24		2024/25
	£'000	£'000
1,313	<b>Balance at 1 April</b>	(758)
(2,071)	Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements	31
(758)	<b>Balance at 31 March</b>	(727)

### g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, i.e. annual leave entitlement carried forward at 31 March 2025. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from this Account.

2023/24		2024/25
	£'000	£'000
3,425	<b>Balance at 1 April</b>	3,758
(3,425)	Settlement or cancellation of accrual at the end of the preceding year	(3,758)
3,758	Amounts accrued at the end of the current year	3,685
333	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from remuneration chargeable in year in accordance with statutory requirements	(73)
3,758	<b>Balance at 31 March</b>	3,685

## Note 12 Unusable Reserves (continued)

### h) Financial Instrument Revaluation Reserve

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

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

2023/24		2024/25
£'000		£'000
2,348	<b>Balance at 1 April</b>	2,328
-	Upward revaluation of investments	-
(20)	Downward revaluation of investments	(701)
<b>2,328</b>	<b>Balance at 31 March</b>	<b>1,627</b>

### i) Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account was created by the statutory instrument “Schools and Early Years Finance (England) Regulations 2020”. It holds the Council’s cumulative DSG deficit, which was previously reported as an earmarked reserve under the heading “DSG Balances.” The purpose of this statutory instrument was to ensure that school deficits are held separately from the Council’s general fund resources.

2023/24		2024/25
£'000		£'000
-	<b>Balance at 1 April</b>	1,391
1,391	Amount of Dedicated Schools Grant (surplus) / deficit transferred to unusable reserves	9,182
-	Contribution (to)/from DSG Adjustment account	-
<b>1,391</b>	<b>Balance at 31 March</b>	<b>10,573</b>

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

### Movement on balances

2024/25	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Right Of Use Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1st April 2024	496,428	309,680	5,360	8,131	6,545	42,496	-	868,640
Recognition of Right of Use Assets	-	-	-	-	-	-	2,663	2,663
Additions	17,701	8,473	4,812	657	-	32,480	-	64,123
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(432)	6,161	-	-	-	-	-	5,729
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	5,204	(8,187)	-	-	-	-	-	(2,983)
Derecognition - disposals	(1,474)	(175)	-	-	-	-	-	(1,649)
Derecognition - other	-	-	(1,828)	-	-	(154)	-	(1,982)
Reclassification and transfers	3,178	2,699	-	-	-	(7,696)	-	(1,819)
<b>At 31st March 2025</b>	<b>520,605</b>	<b>318,651</b>	<b>8,344</b>	<b>8,788</b>	<b>6,545</b>	<b>67,126</b>	<b>2,663</b>	<b>932,722</b>

## Note 13 Property, Plant and Equipment (continued)

### Movement on balances

2024/25	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Right Of Use Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>								
At 1st April 2024	-	(940)	(2,852)	-	-	-	-	(3,792)
Depreciation Charge	(8,983)	(11,021)	(860)	-	-	-	(982)	(21,846)
Depreciation charge written out to the Revaluation Reserve	-	9,538	-	-	-	-	-	9,538
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	8,983	1,703	-	-	-	-	-	10,686
Derecognition - disposal	-	5	-	-	-	-	-	5
Derecognition - other	-	-	1,828	-	-	-	-	1,828
Reclassification and transfers	-	-	-	-	-	-	-	-
<b>At 31st March 2025</b>	<b>-</b>	<b>(715)</b>	<b>(1,884)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(982)</b>	<b>(3,581)</b>
<b>Net Book Value:</b>								
At 31 March 2024	496,428	308,740	2,508	8,131	6,545	42,496	-	864,848
<b>At 31 March 2025</b>	<b>520,605</b>	<b>317,936</b>	<b>6,460</b>	<b>8,788</b>	<b>6,545</b>	<b>67,126</b>	<b>1,681</b>	<b>929,141</b>

## Note 13 Property, Plant and Equipment (continued)

### Movement on balances

Comparative movements in 2023/24	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1st April 2023	492,015	337,169	9,480	6,702	6,281	14,157	865,804
Additions	15,643	7,657	809	1,429	34	34,614	60,186
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	1,473	-	-	364	-	1,837
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(15,223)	(29,133)	-	-	(134)	-	(44,490)
Derecognition - disposals	(1,473)	(662)	-	-	-	-	(2,135)
Derecognition - other	(790)	-	(4,929)	-	-	-	(5,719)
Assets reclassified (to)/from held for sale	-	-	-	-	-	-	-
Reclassification and transfers	6,256	(6,824)	-	-	-	(6,275)	(6,843)
<b>At 31st March 2024</b>	<b>496,428</b>	<b>309,680</b>	<b>5,360</b>	<b>8,131</b>	<b>6,545</b>	<b>42,496</b>	<b>868,640</b>

## Note 13 Property, Plant and Equipment (continued)

### Movement on balances

Comparative movements in 2023/24	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>							
At 1st April 2023	-	(23,092)	(6,781)	-	-	-	(29,873)
Depreciation Charge	(8,409)	(6,319)	(1,000)	-	(6)	-	(15,734)
Depreciation charge written out to the Revaluation Reserve	-	27,042	-	-	6	-	27,048
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	8,409	1,334	-	-	-	-	9,743
Derecognition - disposal	-	9	-	-	-	-	9
Derecognition - other	-	-	4,929	-	-	-	4,929
Reclassification and transfers	-	86	-	-	-	-	86
<b>At 31st March 2024</b>	<b>-</b>	<b>(940)</b>	<b>(2,852)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,792)</b>
<b>Net Book Value:</b>							
<b>At 31 March 2023</b>	<b>492,015</b>	<b>314,077</b>	<b>2,699</b>	<b>6,702</b>	<b>6,281</b>	<b>14,157</b>	<b>835,931</b>
<b>At 31 March 2024</b>	<b>496,428</b>	<b>308,740</b>	<b>2,508</b>	<b>8,131</b>	<b>6,545</b>	<b>42,496</b>	<b>864,848</b>

## Note 13 Property, Plant and Equipment (continued)

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Infrastructure Assets	2023/24	2024/25
	£'000	£'000
<b>Net book value at 1 April</b>	<b>30,364</b>	<b>30,986</b>
Additions	6,008	8,499
Derecognition	-	-
Depreciation	(5,405)	(5,645)
Impairment	-	-
Other movements in cost	19	-
<b>Net book value at 31 March</b>	<b>30,986</b>	<b>33,840</b>

Total Property, Plant and Equipment reported on Balance Sheet	2023/24	2024/25
	£'000	£'000
Infrastructure assets **	30,986	33,840
Other Property, Plant and Equipment assets	864,848	929,141
<b>Total Property, Plant and Equipment assets</b>	<b>895,834</b>	<b>962,981</b>

\*\*Infrastructure Assets are valued on the basis of Net Book Value.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure is nil.

## Note 13 Property, Plant and Equipment (continued)

### Depreciation

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

### Additions

In 2024/25 the Council invested £17.626m of capital expenditure on improvements to council dwellings, and spent £0.075m on the purchase of dwellings. As at 31 March 2025, the Council has a number of major capital projects which are detailed in the Narrative Report to the Statement of Accounts.

### Capital Commitments

The major capital expenditure commitments where the Council has made a formal commitment to a supplier or contractor as at 31 March 2025 are detailed in the following table:

Expenditure commitment 31 March 2024		Expenditure commitment 31 March 2025
£'000		
9,387	Council Dwellings - Major Works	4,800
40,984	Council Dwellings - Housing New Build	25,203
930	Environment Capital Programme	1,353
-	Highways & Transport Programme	664
6,207	Housing General Fund - Travellers Sites	2,740
14,976	Other capital commitments under £500k	14,188
5,492	Other Development Growth & Regeneration Projects	850
-	Education Capital Programme	1,821
<b>77,976</b>	<b>Total</b>	<b>51,619</b>

## Note 13 Property, Plant and Equipment (continued)

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment (PP&E) required to be measured at current value is revalued. Valuations for 2024/25 were carried out by Montagu Evans LLP. The latest valuation was carried out as at 31 March 2025.

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

Valuations of the Council's land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS) under the direction of the Council's Assistant Director, Resources Directorate (Asset Planning, Management and Capital Delivery). The valuer for the authority is Montagu Evans and the Asset Valuation report is signed, on behalf of Montagu Evans LLP, by Scott Young MRICS and Chris Ramsden MRICS.

The significant assumptions applied in estimating the current values are:

- No deleterious or hazardous material has been used in the construction of the properties or has since been incorporated
- There are no onerous conditions or restrictions which might affect the valuations, and the use of the property is lawful
- The inspection of those parts of a property that have not been inspected would neither reveal material defects nor cause the Valuer to alter the valuation materiality.
- Operational assets valued using Depreciated Replacement Cost (DRC) for specialist properties or Existing Use Value (EUV) for other properties
- Non operational properties are valued using fair value (FV)

The valuations of the Council dwellings were carried out in accordance with the methodologies and estimation set out in the Stock valuation for resourcing Accounting Guidance for valuers 2016 published in November 2016 by the MHCLG under the direction of the Council's Assistant Director, Resources Directorate (Asset Planning, Management and Capital Delivery). The valuer for the authority was Montagu Evans, under the instruction of the Council's Asset Management section.

Council dwellings are adjusted to account for their status as social housing. For 2024/25 the social housing factor for London remains at 25% which results in a value adjusted for the social housing factor of £520.605m.

Infrastructure and community assets have been included at historical cost.

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

## Note 13 Property, Plant and Equipment (continued)

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

	Council dwellings £'000	Other land and buildings £'000	Vehicles, plant, furniture and equipment £'000	Infrastructure assets £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Right of Use Assets £'000	Total Property, Plant and Equipment £'000
Carried at historical cost	-	69	6,460	33,839	8,788	-	67,126	1,682	117,964
Valued at current value as at:									
31 March 2025	520,605	289,529	-	-	-	6,545	-	-	816,679
31 March 2024	-	15,132	-	-	-	-	-	-	15,132
31 March 2023	-	13,206	-	-	-	-	-	-	13,206
31 March 2022	-	-	-	-	-	-	-	-	-
31 March 2021	-	-	-	-	-	-	-	-	-
<b>Total Cost or Valuation</b>	<b>520,605</b>	<b>317,936</b>	<b>6,460</b>	<b>33,839</b>	<b>8,788</b>	<b>6,545</b>	<b>67,126</b>	<b>1,682</b>	<b>962,981</b>

## Note 13 Property, Plant and Equipment (continued)

### Measurement of fair value of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 March 2025. Note the majority of property, plant and equipment is carried at current value in accordance with IAS 16, as adapted for the public sector context.

31 March 2024				31 March 2025				
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
-	6,545	-	6,545	Surplus Assets	-	6,545	-	6,545
-	102,293	-	102,293	Investment Properties (see Note 14)	-	101,430	-	101,430
-	-	2,652	2,652	Other Land and Buildings	-	-	2,220	2,220
-	-	936	936	Assets Held for Sale (see Note 15)	-	915	-	915
-	108,838	3,588	112,426	Total	-	108,890	2,220	111,110

The valuations for Council properties valued at fair value have been based on the market approach. In assessing the fair value classification for surplus and investment assets our valuers have chosen to allocate these as Level 2 inputs under the fair value hierarchy. Level 2 inputs encompass observable data, other than the quoted prices found in Level 1, either directly or indirectly. For financial assets or liabilities with a specified term, a Level 2 input should be observable for the majority of the term's duration. Examples include quoted prices for similar assets or liabilities in active and inactive markets, and other observable data points such as standard interest rates, yield curves, implied volatilities, or credit spreads. Adjustments to Level 2 inputs depend on factors unique to the asset or liability in question. These include the asset's condition or location, the relevance of the inputs to comparable items, and the market activity where the inputs are observed. If a significant adjustment to a Level 2 input relies on unobservable data, it might push the valuation into Level 3 of the hierarchy. In summary, for an asset in use, a Level 2 input could therefore be the price per sq ft based on comparable buildings in similar locations or collation of investment evidence from open market transactions. Typically, Level 3 inputs would be used for residual based type valuations whereby there are a number of unobservable inputs to reflect (i.e professional fees, development contingency, finance costs, development timeline).

The Council holds a small number of Other Land and Buildings assets at Fair Value. These were last valued as at March 2023 and were classed as level 3 by the Council's internal valuers. Quantitative information regarding these level 3 fair value measurements is shown below:

## Note 13 Property, Plant and Equipment (continued)

### Quantitative Information about fair value measurement of non-current assets using significant unobservable inputs - level 3

Type of Property	Fair Value as at 31 March 2025 £'000	Valuation Techniques used to measure fair value	Unobservable inputs	Quantitative Information Used (Range)	Sensitivity
Residential development:-			Estimated residential sale prices	£6,000 per sq m	
Other Land & Buildings	2,220	Residual or comparison method	Estimated build or conversion costs	£1,755 per sq m	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
			Estimated developer's profit	10%-20% of development value	
			Estimated financing costs	7% on costs	
			Estimated professional fees on build	12% on build costs	
			Estimated contingency allowance on costs	5% on build costs	
<b>Total Fair Value Level 3</b>	<b>2,220</b>				

## Note 13 Property, Plant and Equipment (continued)

### Heritage Assets

#### General

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

#### Nature and Significance of Assets Owned

The Council's portfolio of Heritage Assets is unchanged in 2024/25 as no acquisitions or disposals took place. The nature and significance of these assets are detailed below.

#### Land and Buildings

##### a) Museums

###### Honeywood £0.416m and Whitehall £1.381m

The Authority has three museums in listed buildings. Honeywood is listed Grade II and Whitehall Grade II\*. Honeywood is currently operational, predominantly delivering services relating to knowledge and culture. Honeywood, the Council's main museum is a historically significant building with origins in the 17th Century. The core of the building includes several flint and chalk checkerboard walls, once a significant local building style of which very few examples remain.

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

###### Little Holland House - Value £0.621m

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

##### b) Monuments

###### Upper Mill

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

###### The Dovecote, Carew Manor

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

#### Art Collection

The art collection includes some 1,110 paintings, mostly of the 19th and 20th centuries which are either local scenes or by artists who lived in the borough. Many of the local scenes are an important record of the topography of the Borough. There are works by topographic artists such as John Hassell (father and son), Gideon Yates, Thomas Allom and William Tatton Winter. The collection also includes paintings by a number of artists with a more than local reputation including Frank Moss Bennett (1874-1953), Elva Blacker (1908-84), Thomas Dibdin (1810-1893), John Drage (1856-1914), William Gilpin (1724-1804), Horace Mann Livens (1862-1936), Dorothy Moore (1897-1973), Joseph Nash (1803-78), James Pollard (1792-1867), Joseph Powell (c1780-c1834), William Tatton Winter (1855-1928),

Gideon Yates (early 19th century) and Fred Yates (d.2008). The collection has not been formally valued. The whole collection is not considered to be significant for separate insurance purposes and is covered in the standard contents cover. The collection is promoted to the public via the internet, and the Council's libraries and historic house museums.

#### Museum Collection

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

#### Glass Plate Negatives

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

## Note 13b Intangible Assets

Intangible assets are those which do not have physical substance, but bring economic benefit to the Council. Intangible assets include both purchased licences and internally generated software. The costs of intangible assets are amortised on a straight line basis over the expected life of the asset, which is 5 years.

The movement on Intangible Assets balances during the year is as follows:

31 March 2024		31 March 2025
	£'000	£'000
<b>Balance at start of year:</b>		
12,863	Gross carrying amounts	15,961
(8,376)	Accumulated amortisation	(10,628)
<b>4,487</b>	<b>Net carrying amount at start of year</b>	<b>5,333</b>
Transactions in year:-		
3,098	Additions	2,197
(2,252)	Amortisation	(2,340)
<b>5,333</b>	<b>Net carrying amount at end of year</b>	<b>5,190</b>
Comprising:-		
15,961	Gross carrying amounts	18,158
(10,628)	Accumulated amortisation	(12,968)
<b>5,333</b>		<b>5,190</b>

## Note 14 Investment Properties

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

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

Valuation of the Council's investment property portfolio in 2024/25 was carried out by Montagu Evans LLP under the instruction of the Council's Asset Management Team, and following Royal Institution of Chartered Surveyors (RICS) guidance. In assessing the fair value classification for investment assets our valuers have chosen to allocate these as Level 2 inputs under the fair value hierarchy.

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

2023/24		2024/25
	£'000	£'000
<b>142,011</b>	<b>Balance at the start of the year</b>	<b>102,293</b>
6,737	Reclassification from Other Land and Buildings	1,224
60	Additions	-
(43,700)	Disposals	-
-	Classified as Investment Properties Held for Sale	-
(2,815)	Net gains/(losses) from fair value adjustments (Revaluations and Impairments)	(2,087)
<b>102,293</b>	<b>Closing Balance (non-current assets)</b>	<b>101,430</b>
-	Investment Properties Held for Sale (current assets)	-
<b>102,293</b>	<b>Total Balance at the end of the year</b>	<b>101,430</b>

## Note 14 Investment Properties (continued)

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

2023/24	2024/25
£'000	£'000
(7,577)      Rental income from investment property	(5,596)
661      Direct operating expenses arising from investment property	821
<b>(6,916)      Net gain</b>	<b>(4,775)</b>

## Note 15 Assets Held for Sale

As at 31 March 2025 the Council had a number of properties categorised as Assets Held for Sale, and comprising a total value of £1,510m.

2023/24	2024/25
£'000	£'000
936      Opening Balance	936
-      Additions	-
-      Reclassifications	595
-      Revaluations	(21)
<b>936      Closing Balance</b>	<b>1,510</b>

## Note 16 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table above, 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.

2023/24		2024/25
£'000	£'000	£'000
<b>493,718</b>	<b>Opening Capital Financing Requirement</b>	<b>526,362</b>
	<b>Capital Investment:</b>	
66,194	Property, Plant and Equipment	72,622
-	Right of Use Assets recognised in year	2,663
60	Investment Properties	-
3,098	Intangible Assets	2,197
2,788	Inventories (Property buybacks)	4,297
10,387	Revenue Expenditure Funded from Capital Under Statute	17,930
-	Loans to subsidiary	4,523
	<b>Sources of Finance:</b>	
(1,000)	Loan repayments received	(100)
(6,836)	Capital Receipts	(36,932)
(10,938)	Transfers from capital grants unapplied	(14,581)
(16,144)	Capital grants and contributions recognised as income and applied	(13,269)
(12,300)	Major Repairs Reserve	(14,641)
	Sums set aside from revenue	
(33)	- Direct revenue contributions	(477)
(2,632)	- MRP / Loans fund principal	(4,004)
<b>526,362</b>	<b>Closing Capital Financing Requirement</b>	<b>546,590</b>

## Note 16 Capital Expenditure and Capital Financing (continued)

Explanation of movements in year		
-	Assets acquired under finance lease	(2,663)
(32,644)	Increase in underlying need to borrow (unsupported by government financial assistance)	(17,565)
<b>(32,644)</b>	<b>Increase in Capital Financing Requirement</b>	<b>(20,228)</b>

## Note 17 Financial Instruments

### a) Financial Instruments Balances

Accounting regulations require financial instruments shown on the Balance Sheet to be further analysed into various defined categories as shown in the tables below. Note: the total shown as "cash" is £9,475k. See Note 20 for further information.

#### Categories of financial assets

31 March 2024						31 March 2025						
Non-current			Current			FINANCIAL ASSETS	Non-current			Current		Total
Investments	Debtors	Investments	Debtors	Current	Total		Investments	Debtors	Investments	Debtors	Current	Cash
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
-	629	-	-	-	629	Fair value through profit and loss	-	931	-	-	-	931
-	7,097	56,203	37,206	28,608	129,114	Amortised Cost	-	11,664	-	25,535	9,476	46,675
10	-	-	-	-	10	Fair value through other comprehensive income - designated equity instruments	10	-	-	-	-	10
<b>10</b>	<b>7,726</b>	<b>56,203</b>	<b>37,206</b>	<b>28,608</b>	<b>129,753</b>	<b>Total financial assets</b>	<b>10</b>	<b>12,595</b>	<b>-</b>	<b>25,535</b>	<b>9,476</b>	<b>47,616</b>

## Note 17 Financial Instruments (continued)

### Categories of financial liabilities

31 March 2024										31 March 2025				
Non-current			Current		Total	FINANCIAL LIABILITIES			Non-current			Current		Total
Borrowings	Creditors	Borrowings	Creditors				Borrowings	Creditors	Borrowings	Creditors				
£'000	£'000	£'000	£'000	£'000			£'000	£'000	£'000	£'000				
(406,947)	-	(32,288)	(41,586)	(480,821)	Amortised Cost		(391,647)	-	(31,941)	(49,849)	(473,437)			
<b>(406,947)</b>	-	<b>(32,288)</b>	<b>(41,586)</b>	<b>(480,821)</b>	<b>Total financial liabilities</b>		<b>(391,647)</b>	-	<b>(31,941)</b>	<b>(49,849)</b>	<b>(473,437)</b>			

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

Description	Nominal	Fair Value
	£'000	£'000
SDEN	5	5
Sutton Living	5	5

The Council has equity in two subsidiary companies - Sutton living and SDEN (Sutton Decentralised Energy Network Ltd). The Council's total investment for 2024/25 is £0.010m.

### Reclassification

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

## Note 17 Financial Instruments (continued)

### b) Comprehensive Income and Expenditure Statement disclosures

#### Items of income, expense, gains or losses

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

2023/24		2024/25	
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
£'000	£'000	£'000	£'000
<b>Net gains/losses on:</b>			
(20)	- Financial assets measured at fair value through profit or loss	(701)	-
-	- Financial assets measured at amortised cost	-	-
-	Investments in equity instruments designated at fair value through other comprehensive income	-	
(20)	- <b>Total net gains/losses</b>	(701)	-
<b>Interest revenue:</b>			
(3,189)	- Financial assets measured at amortised cost	(3,787)	-
(74)	- Other Financial assets measured at fair value through profit and loss	-	-
(3,263)	- <b>Total interest revenue</b>	(3,787)	-

## Note 17 Financial Instruments (continued)

### c) Fair Value

		2023/24		2024/25	
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	£'000	£'000	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
<b>Interest expense:</b>					
11,882	-	Financial assets or financial liabilities that are not at fair value through profit or loss		12,656	-
11,882	-	<b>Total interest expense</b>		12,656	-
<b>Fee expense:</b>					
-	-	Financial assets or financial liabilities that are not at fair value through profit or loss		-	-
-	-	<b>Total fee expense</b>		-	-

#### Basis for recurring fair value measurements:

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

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

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

## Note 17 Financial Instruments (continued)

### Fair Value of Financial Assets

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 March 2024	As at 31 March 2025
			£'000	£'000
<b>Fair Value through Profit and Loss</b>				
Other financial instruments classified as fair value through profit and loss	Level 3	Discounted cashflow	629	931
<b>Total</b>			<b>629</b>	<b>931</b>
<b>Fair Value through Other Comprehensive Income</b>				
Sutton Living Limited	Level 3	Equity share attributable to shareholders	5	5
SDEN LTD	Level 3	Equity share attributable to shareholders	5	5
<b>Total</b>			<b>10</b>	<b>10</b>

### Equity Investments

The equity investments below are not based on a valuation technique that is based on observable current market transactions or available market data:

- Sutton Living Limited - the shares in this company are not traded in an active market and for 2024/25 the shares are £0.005m.
- SDEN - the shares in this company are not traded in an active market and the shares for 2024/25 is £0.005m

## Note 17 Financial Instruments (continued)

### **Other financial instruments classified as Fair Value through Profit and Loss**

The Council has one loan that is classed as this. The loan is long term and the fair value has been calculated by using discounted cash flow with a discount rate based on UK gilts of the same duration as the remaining life of the loan plus a credit risk premium of 6.47%.

### **Transfers between Levels of the Fair Value Hierarchy**

There were no transfers between input levels during the year.

### **Changes in the Valuation Technique**

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

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

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

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

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

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

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

The prior year fair values as at 31 March 2024 are also provided for comparison.

## Note 17 Financial Instruments (continued)

### Fair Value of Liabilities Carried at Amortised Cost

31 March 2024		31 March 2025	
Carrying amount	Fair Value	Carrying amount	Fair Value
£'000	£'000	£'000	£'000
313,574	233,264	PWLB debt	313,410
25,619	20,413	Market Debt	10,150
100,041	49,515	European Primary Placement Facility ( Bond)	100,026
41,586	41,586	Short term creditors	49,849
<b>480,820</b>	<b>344,778</b>	<b>Total financial liabilities</b>	<b>473,435</b>
			<b>317,615</b>

The fair value of PWLB loans of £216.4m measures the economic effect of the terms agreed with the PWLB, compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date.

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

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

A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £313.4m would be valued at £216.4m. However, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition

to charging a premium for the additional interest that would have been paid. The exit price for the PWLB loans including the penalty charge would be £241.1m.

The European Primary Placement Facility (Bond) is a note listed on the International Securities Market of the London Stock Exchange plc. It has a coupon of 1.732% paid semi-annually, and has a stepped maturity of 21 equal instalments of principal from 9/11/2045 to 9/1/2055 payable on each Interest Payment Date.

## Note 17 Financial Instruments (continued)

### Fair Value of Assets

31 March 2024		31 March 2025	
Carrying amount	Fair Value	Carrying amount	Fair Value
£'000	£'000	£'000	£'000
56,203	56,203	Short term investments	-
10	10	Equity investments	10
37,206	37,206	Short term debtors	25,535
7,726	7,726	Long term debtors	12,595
28,608	28,608	Cash and cash equivalents	9,476
<b>129,753</b>	<b>129,753</b>	<b>Total financial assets</b>	<b>47,616</b>

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

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

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

## Note 17 Financial Instruments (continued)

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

31 March 2025	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Recurring fair value measurements using:</b>	£'000	£'000	£'000	£'000
<b>Financial liabilities</b>				
Financial liabilities held at amortised cost:				
PWLB	-	216,380	-	216,380
Non-PWLB	-	7,100	-	7,100
European Primary Placement Facility (Bond)	-	44,286	-	44,286
Short term creditors	-	49,849	-	49,849
<b>Total</b>	<b>-</b>	<b>317,615</b>	<b>-</b>	<b>317,615</b>
<b>Financial assets</b>				
Financial assets held at amortised cost:				
	-	46,675	-	46,675
<b>Total</b>	<b>-</b>	<b>46,675</b>	<b>-</b>	<b>46,675</b>

## Note 17 Financial Instruments (continued)

31 March 2024 comparative	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Recurring fair value measurements using:</b>	£'000	£'000	£'000	£'000
<b>Financial liabilities</b>				
Financial liabilities held at amortised cost:				
PWLB	-	233,264	-	233,264
Non-PWLB	-	20,413	-	20,413
European Primary Placement Facility (Bond)	-	49,515	-	49,515
Short term creditors	-	41,586	-	41,586
<b>Total</b>	<b>-</b>	<b>344,778</b>	<b>-</b>	<b>344,778</b>
<b>Financial assets</b>				
Financial assets held at amortised cost:				
	-	129,114	-	129,114
<b>Total</b>	<b>-</b>	<b>129,114</b>	<b>-</b>	<b>129,114</b>

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

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

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

## Note 17 Financial Instruments (continued)

### d) Nature and Extent of Risks Arising from Financial Instruments

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

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

The latest Annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Council in March 2025 and is available on the Council's website. Actual performance is reported on a quarterly basis to the Audit Committee.

#### Credit Risk

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

A summary of the credit quality of the Council's debtors shown in Note 17 is presented in the next table. Our invoice payment terms are 30 days which means all unpaid balances only become past their due date after 30 days unless the invoices specify a different payment term (e.g. immediate or 21 days). Note that where it says "other debtors", some of this relates to non-invoice related debt such as rents and some of it relates to accrued income for invoices where payment was not due yet or invoices were not yet received.

31 March 2024		31 March 2025
£'000	£'000	
3,870	Less than 3 months	1,153
2,103	Three to six months	3,512
2,485	Six months to one year	2,742
11,114	More than one year	13,792
25,360	Other debtors	16,931
<b>44,932</b>	<b>Total</b>	<b>38,130</b>

A summary of the credit quality of the Council's investments is also shown below. Note this includes cash and investments but excludes our bank current account shown on Note 20.

## Note 17 Financial Instruments (continued)

Investments	Credit Rating	31 March 2024		31 March 2025	
		Fair Value through Profit & loss	Amortised Cost	Fair Value through Profit & loss	Amortised Cost
		£'000	£'000	£'000	£'000
Bank Accounts	A	-	-	-	-
Local Authorities	AA-	-	50,981	-	-
Short-term deposits	A+	-	5,222	-	-
Money Market Funds	AAAm	-	35,074	-	5,843
<b>Total</b>		-	<b>91,277</b>	-	<b>5,843</b>

### Amounts Arising from Expected Credit Losses

The Council's maximum exposure to credit risk on its money market investments has been deemed to be immaterial. This has been determined by reference to the historic default rates provided by credit rating agencies that show a risk of default of 0.029% or less for the rated financial institutions on the Council's approved counterparty list. Note that in the event of any default the Council would be entitled to a share of the assets in the financial institution so that any potential loss would be less than the default rate quoted.

The Council has made a credit loss allowance on its trade receivables in accordance with proper practices. The Council has also reviewed its long-term debtors to assess the likelihood of any loss. It has not been necessary to make any such allowances in 2023/24.

### Liquidity Risk

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

## Note 17 Financial Instruments (continued)

31 March 2024		31 March 2025	
	£'000		£'000
313,574	Public Works Loans Board	313,410	
25,619	Market debt	10,150	
100,041	European Primary Placement Facility ( Bond)	100,026	
<b>439,234</b>	<b>Total</b>	<b>423,586</b>	
30,691	Less than 1 year	30,129	
-	Between 1 and 2 years	-	
4,297	Between 2 and 5 years	4,277	
20,461	Between 5 and 10 years	20,254	
383,786	More than 10 years	368,926	
<b>439,234</b>	<b>Total</b>	<b>423,586</b>	

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

### Market Risk

#### Interest rate risk

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

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

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

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

## Note 17 Financial Instruments (continued)

According to this assessment strategy, at 31 March 2025 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2024	31 March 2025
	£'000	£'000
Increase in interest payable on variable rate borrowings	153	100
Increase in interest receivable on variable rate investments	(640)	(737)
<b>Impact Surplus or Deficit on the Provision of Services</b>	<b>(487)</b>	<b>(637)</b>
Share of overall impact debited to the HRA	(250)	(342)
Increase/(Decrease) in fair value of fixed rate investment assets	(56)	(67)
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)	(35,463)	(79,878)

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

## Note 18 Debtors

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

At 31 March 2024			At 31 March 2025		
Gross debtors	Provision for bad debts	Total Net debtors	Gross debtors	Provision for bad debts	Total Net debtors
£'000	£'000	£'000	£'000	£'000	£'000
<b>Public sector bodies:</b>					
17,379	(56)	17,323	Central government bodies	14,180	(111)
9,892	(423)	9,469	Other local authorities	11,523	(578)
3,472	(595)	2,877	NHS bodies	4,372	(633)
<b>30,743</b>	<b>(1,074)</b>	<b>29,669</b>	<b>Sub total public sector bodies</b>	<b>30,075</b>	<b>(1,322)</b>
<b>Sundry debtors:</b>					
3,449	(2,154)	1,295	HRA tenants	3,883	(2,405)
49,219	(10,935)	38,284	Other entities and individuals	40,027	(12,231)
13,117	(5,453)	7,664	Local Tax payers	14,411	(6,228)
<b>65,785</b>	<b>(18,542)</b>	<b>47,243</b>	<b>Sub total sundry debtors</b>	<b>58,321</b>	<b>(20,864)</b>
<b>96,528</b>	<b>(19,616)</b>	<b>76,912</b>	<b>Total debtors</b>	<b>88,396</b>	<b>(22,186)</b>
					<b>66,210</b>

## Note 19 Creditors and Grants Received in Advance

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

### a) Creditors

At 31 March 2024		At 31 March 2025
£'000		£'000
(3,635)	Central government bodies	(4,734)
(19,140)	Other local authorities	(14,733)
(4,113)	NHS bodies	(988)
(41,586)	Other entities and individuals	(42,096)
(3,549)	Local Tax payers	(4,016)
(72,023)	<b>Total</b>	<b>(66,567)</b>

### b) Grants Received in Advance

At 31 March 2024		At 31 March 2025
£'000		£'000
(14,782)	Capital Grants Receipt in Advance	(20,401)
(159)	Revenue Grants Received in Advance	(13)
(14,941)	<b>Total</b>	<b>(20,414)</b>

## Note 20 Cash and cash equivalents

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

<b>At 31 March 2024</b>		<b>At 31 March 2025</b>	
	£'000		£'000
-	Cash held by the authority	-	-
(6,466)	Bank current accounts	3,633	
35,074	Short-term liquid deposits	5,843	
<b>28,608</b>	<b>Sub total cash and cash equivalents</b>	<b>9,476</b>	
-	Bank overdraft	-	-
<b>28,608</b>	<b>Total</b>	<b>9,476</b>	

## Note 21 Provisions

Provisions have been established for the following purposes:

	Balance b/fwd 1 April 2023 £'000	Additional provisions made in 2024/25 £'000	Amounts used in 2024/25 £'000	Unused amounts reversed in 2024/25 £'000	Balance c/fwd 31 March 2025 £'000
<b>Provisions</b>					
a) NNDR Appeals	(2,024)	(632)	1,036	-	(1,620)
b) Insurance Claims	(3,725)	-	-	916	(2,809)
c) Municipal Mutual Insurance Liability	(294)	-	-	-	(294)
d) Energy from Waste	(1,377)	(254)	-	-	(1,631)
<b>Total</b>	<b>(7,420)</b>	<b>(886)</b>	<b>1,036</b>	<b>916</b>	<b>(6,354)</b>

- a. The provision for NNDR appeals is to cover potential appeal losses and backdated appeal costs (i.e. court costs) in respect of the Collection Fund at 31 March 2025.
- b. A provision for the total outstanding internal reserve (excluding department contributions) for all incurred and reported claims.
- c. Municipal Mutual Insurance Limited (MMI) insured many public sector authorities before it ceased underwriting operations in September 1992. Most of MMI's public sector members elected to participate in the Scheme of Arrangement and effectively became scheme creditors. The MMI

Scheme of Arrangement was triggered in late 2012 when the Directors determined that a solvent run-off without triggering the Scheme was unlikely. The Scheme Administrator instituted a 15% Levy that was collected from Scheme Members in early 2014; this Levy was designed to extinguish MMI's balance sheet deficit as at 30 September 2013. In April 2016, MMI instituted a second 10% Levy bringing the total from inception to 25% or £0.866m. At that point, Scheme Members also became self-insured for 25% of every future claim payment. There has been no change to the recommendation made by the council's insurance actuary, Marsh, which carried out an insurance fund review as at 31 March 2023. They recommended a

- provision of £0.294m based on the Levy applied to their projection of potential incurred but not reported claims and the self-insured element of outstanding claims.
- d. Changes in the Climate Change Levy (CCL) in 2015 removed the Levy Exemption Certificate subsidies from facilities producing renewable energy, and this change has a financial consequence to the council's energy recovery facility operator's anticipated income from the sale of electricity. This provision is to cover the potential liability that has arisen although the council will seek to minimise this through legal advice and contract negotiation.

## Note 22 Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2023/24		2024/25
£'000	£'000	
5,022	Interest received	4,639
(16,573)	Interest paid	(14,783)
<b>(11,551)</b>	<b>Total</b>	<b>(10,144)</b>
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements:</b>		
21,139	Depreciation	27,491
34,746	Impairment or revaluation (gains) / losses charged to the surplus or deficit on provision of services	(7,682)
2,252	Amortisation	2,340
10,924	Increase / (decrease) in creditors	(15,617)
309	Movement in liabilities arising from financing activities	(347)
(56)	(Increase) / decrease in debtors	7,403
3	(Increase) / decrease in inventories	1
1,348	Increase / (decrease) in provisions	(1,066)
863	Movement in Pension Liability	(2,323)
1,955	Other non cash items charged to the net surplus or deficit on the provision of services	1,374
46,616	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	7,350
<b>120,098</b>	<b>Total of adjustments for non-cash movements</b>	<b>18,924</b>

## Note 22 Cash Flow from Operating Activities (continued)

2023/24		2024/25
	£'000	£'000
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities:</b>		
(19,074)	Capital Grants credited to surplus or deficit on the provision of services	(13,269)
(42,955)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(12,888)
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	77
<b>(62,029)</b>	<b>Total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	<b>(26,080)</b>

## Note 23 Cash Flows from Investing Activities

2023/24		2024/25
	£'000	£'000
(72,219)	Purchase of property, plant and equipment, investment property and intangible assets	(72,854)
(698,530)	Purchase of short term and long term investments	(111,010)
50,156	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12,359
	Other payments from investing activities	(4,623)
22,610	Other receipts from investing activities	25,544
652,220	Proceeds from short-term and long-term investments	165,933
35,000	Reclassification of money market funds from short term investments to cash and cash equivalents	-
755	Movement in receivables from subsidiaries	77
<b>(10,008)</b>	<b>Total cash inflow/(outflow) from investing activities</b>	<b>15,426</b>

## Note 24 Cash Flows from Financing Activities

2023/24		2024/25
	£'000	£'000
30,000	Cash receipts of short and long term borrowing	(15,300)
-	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(1,092)
1,598	Other payments for financing activities	1,764
<b>31,598</b>	<b>Total cash inflow/(outflow) from financing activities</b>	<b>(14,628)</b>

## Note 25 Officers Remuneration and Exit Packages

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

2023/24		Remuneration Band	2024/25	
Schools Employees	Non-Schools Employees	£	Schools Employees	Non-Schools Employees
19	109	50,000 - 54,999	37	163
11	63	55,000 - 59,999	15	83
11	47	60,000 - 64,999	11	40
1	33	65,000 - 69,999	7	43
6	14	70,000 - 74,999	5	15
2	11	75,000 - 79,999	3	15
4	10	80,000 - 84,999	2	11
2	11	85,000 - 89,999	2	9
2	19	90,000 - 94,999	1	17
1	1	95,000 - 99,999	2	4
1	4	100,000 - 104,999	-	-
1	2	105,000 - 109,999	2	-
-	5	110,000 - 114,999	1	3
-	-	115,000 - 119,999	-	3
-	1	120,000 - 124,999	-	-
-	-	125,000 - 129,999	-	2
-	-	130,000 - 134,999	-	2
-	2	135,000 - 139,999	-	1
-	1	140,000 - 144,999	-	-

## Note 25 Officers Remuneration and Exit Packages (continued)

2023/24		Remuneration Band (continued)	2024/25	
Schools Employees	Non-Schools Employees	£	Schools Employees	Non-Schools Employees
-	1	145,000 - 149,999	-	1
-	1	150,000 - 154,999	-	-
-	-	155,000 - 159,999	-	2
-	-	160,000 - 164,999	-	-
-	1	165,000 - 169,999	-	-
-	1	170,000 - 174,999	-	2
-	1	175,000 - 179,999	-	-
-	-	180,000 - 184,999	-	-
-	-	185,000 - 189,999	-	-
-	1	190,000 - 194,999	-	-
-	-	195,000 - 199,999	-	-
-	-	200,000 - 204,999	-	-
-	1	205,000 - 210,000	-	1
-	1	235,000 - 239,999	-	-
-	1	240,000 - 244,999	-	-
<b>61</b>	<b>342</b>	<b>Total</b>	<b>88</b>	<b>417</b>

## Note 25 Officers Remuneration and Exit Packages (continued)

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

2024/25	Salary, fees and allowances	Compensation for loss of office	Employers pension contributions	Total
	£	£	£	
Chief Executive - Helen Bailey	205,563		37,926	243,489
Strategic Director of Resources (Richard Simpson)	172,609		32,789	205,398
Strategic Director - People Services (Nicholas Ireland)	170,011		32,306	202,317
Statutory Director - Children's Services	146,490		27,980	174,470
Strategic Director of Development, Growth and Regeneration (Carolyn Dwyer) *	79,021		14,721	93,742
Strategic Director of Public Health and Wellbeing (Imran Choudhury)	155,978		29,441	185,419
Strategic Director of Environment, Housing and Neighbourhoods (Spencer Palmer)	155,715		29,441	185,156
Monitoring Officer	84,101		15,734	99,835

None of the officers above received bonuses or benefits in kind and there are zero taxable expenses.

\* The Strategic Director of Development, Growth and Regeneration left office on 30/9/24

## Note 25 Officers Remuneration and Exit Packages (continued)

2023/24	Note	Salary, fees and allowances	Compensation for loss of office	Employers pension contributions	Total
Chief Executive - Helen Bailey		193,720	-	37,001	230,721
Strategic Director of Resources - Richard Simpson		167,910	-	32,071	199,981
Strategic Director - People Services	1	86,620	-	16,544	103,164
Interim Strategic Director of People Services		120,604	-	-	120,604
Statutory Director - Children's Services	2	142,142	-	27,149	169,291
Strategic Director of Development, Growth and Regeneration (Carolyn Dwyer)		150,382	58,490	112,225	321,097
Strategic Director of Public Health and Wellbeing		146,877	-	26,915	173,792
Strategic Director of Environment, Housing and Neighbourhoods (Spencer Palmer)		150,382	-	28,723	179,105
Monitoring Officer		80,366	-	15,350	95,716

None of the officers above received bonuses or benefits in kind and there are zero taxable expenses.

### Notes:

- 1) The Strategic Director - People Services was covered on an external interim basis until a permanent appointment was made on 11th September 2023.
- 2) The Acting Statutory Director of Children's Services was permanently appointed on 1st August 2023.

## Note 25 Officers Remuneration and Exit Packages (continued)

### Exit Packages

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band		
	£	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
0 - 20,000		12	4	18	8	30	12	215,360	121,279
20,001 - 40,000		-	2	14	4	14	6	412,345	159,018
40,001 - 60,000		-	2	6	1	6	3	309,400	140,579
60,001 - 80,000		-	-	4	3	4	3	270,792	206,025
80,001 - 100,000		-	-	3	-	3	-	273,771	-
100,001 - 150,000		1	-	4	-	5	-	688,142	-
150,001 - 200,000		-	-	6	1	6	1	1,050,455	157,495
200,001 - 250,000		-	1	3	-	3	1	697,342	225,632
250,001 - 300,000		-	-	1	-	1	-	252,642	-
<b>Total</b>		<b>13</b>	<b>9</b>	<b>59</b>	<b>17</b>	<b>72</b>	<b>26</b>	<b>4,170,249</b>	<b>1,010,028</b>

## Note 26 Members Allowances

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

2023/24		2024/25
£'000		£'000
1,068	Allowances	1,092
8	Expenses	9
<b>1,076</b>		<b>1,101</b>

## Note 27 Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2024/25 are as follows:

	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2024/25 before Academy recoupment			298,275
Less Academy figure recouped for 2024/25			(159,429)
<b>Total DSG after Academy recoupment for 2024/25</b>			<b>138,846</b>
Plus: brought forward from 2023/24			-
Less: carry forward to 2025/26 agreed in advance			-
<b>Agreed initial budgeted distribution in 2024/25</b>	<b>53,557</b>	<b>85,289</b>	<b>138,846</b>
In-year adjustments		(244)	(244)
<b>Final budget distribution for 2024/25</b>	<b>53,557</b>	<b>85,045</b>	<b>138,602</b>
Less actual central expenditure	(64,024)		(64,024)
Less actual ISB deployed to schools		(83,761)	(83,761)
<b>Carry forward to 2024/25</b>	<b>(10,467)</b>	<b>1,284</b>	<b>(9,183)</b>
Plus : carry -forward to 2025/26 agreed in advance			
Carry forward to 2025/26			
DSG unusable reserve at the end of 2023/24			(1,391)
<b>Addition to DSG unusable reserve at the end of 2024/25</b>			<b>(9,183)</b>
<b>Total of DSG unusable reserve at the end of 2024/25</b>			<b>(10,574)</b>
<b>Net Deficit as at 31 March 2025</b>			<b>(10,574)</b>

## Note 28 Better Care Fund (Pooled Budgets with the Integrated Care Board)

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

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

The London Borough of Sutton as a host partner is responsible for the pooled budget and the Director of Adult Social Care is the Pooled Fund Manager. The monitoring of the use of the pool is undertaken by the BCF oversight group on a monthly basis as well as twice a year a summary of expenditure is reported to the Health and Wellbeing Board.

At 31 March 2025 the 2024/25 outturn position was a £0.147m underspend and will be carried forward as funding for 2024/25.

31 March 2024		31 March 2025
£'000	£'000	£'000
<b>Funding:</b>		
(960)	Underspend brought forward from previous year	(310)
(8,333)	London Borough of Sutton	(5,017)
(16,524)	NHS South West London ICB	(18,128)
<b>(25,817)</b>	<b>Total Funding</b>	<b>(23,455)</b>
<b>Expenditure:</b>		
8,499	London Borough of Sutton	14,786
16,498	NHS SWL ICB	8,358
510	Spend of reserve balance	164
<b>25,507</b>	<b>Total Expenditure</b>	<b>23,308</b>
<b>(310)</b>	<b>Total underspend to be carried forward</b>	<b>(147)</b>

## Note 29 Related Parties

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

### Central Government

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

### South London Waste Partnership

The Authority is a partner in the South London Waste Partnership, a joint committee established in September 2007 to secure waste establishment treatment and disposal services for the London Boroughs of Croydon, Merton and Sutton and the Royal Borough of Kingston. Kingston is the lead borough for procurement and Croydon also shares some of the procurement activities. Payments made in 2024/25 to Kingston of £1.626m and to Croydon of £20.376m are included in the Comprehensive Income and Expenditure Account.

### Members

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

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

Organisation	Nature of Transactions	2023/24	2024/25
		£'000	£'000
LBS - Empty Homes scheme	Rent for Self contained flats	22	24
Epsom & Ewell Borough Council	Nonsuch Committee Joint Management	235	230
Local Government Information Unit	Subscriptions	16	17

### Subsidiaries of London Borough of Sutton:

#### Sutton Living Ltd.

This is a local housing company established and wholly owned directly by Sutton Council to increase the housing supply and choice of housing for local residents. At 31 March 2025, the balance on the loan from the Council to Sutton Living Ltd towards the development of the Wallington Public Hall was £4.304m. The total outstanding balance of other loans to SLL is £6.271m. This includes £3.232m for the Local Authority Affordable Housing Fund (LAHF) acquisition programme, a government funded scheme to acquire homes for those at risk of being homeless (£2.518m of grant funding was forwarded to SLL for this programme too); £1.29m for the Grove, an investment in Sutton Living to help convert a derelict council property for modern homes to sell to the public; and a further £1.749m loan for their working capital. £5.706m of property disposals were sold to SLL for the LAHF scheme in 24/25 year, using the grants & loans mentioned above. Further information is available on the company's website <https://suttonliving.co.uk/>

#### Sutton Decentralised Energy Network Ltd.

This is a company wholly owned by the London Borough of Sutton. Set up in 2016, SDEN aims to deliver heating and hot water to residents and businesses across South London. The Council provided a loan facility to SDEN for the construction of the heat infrastructure which is currently supplying clients with heating and water.

## Note 29 Related Parties (continued)

At 31 March 2025, the balance on the loan was £2.458m.. Further information is available on the company's website <http://sden.org.uk/>

### **Sutton Housing Partnership**

Sutton Housing Partnership (SHP) is a wholly owned subsidiary of the London Borough of Sutton. It was created to manage and improve the Council's housing stock and estates. It has the responsibility for managing approximately 7,400 homes for the Council. It is managed by a board of 11 members made up of 4 council nominees, 1 tenant, 2 leaseholders and 4 independent community representatives with professional skills and experience to help oversee the running of the services.

Management fees totalling £20.849m (2023-24: £18.766m) were paid to SHP. Services provided and charged to SHP amounted to £1.431m (2023-24: £1.116m). Balance owing to SHP (excluding VAT) as at the year-end was £0.064m, (2023-24: £1.105m)

A copy of SHP's accounts is available to be downloaded from their website, [www.suttonhousingpartnership.org.uk](http://www.suttonhousingpartnership.org.uk)

### **Encompass LATC Ltd**

Encompass was a wholly owned subsidiary of the London Borough of Sutton, delivering services to the Council under a commissioning contract up to 31st December 2024. It was responsible for delivering a comprehensive range of services including Advice and Information, Homelessness Prevention, Choice Based Lettings, Landlord

Services, Support Brokerage, Shared Lives, Business Development and Support, and Digital Innovation. The services were transferred in house on 1st January 2025. The physical company Encompass ceased trade and final accounts were made up to 31/12/2024, and work is underway to close the company down. All services were fully integrated back into Sutton on 01 January 2025, leaving a residual gain of £517k for Sutton Council. The payments made to Encompass for 9 months prior to transfer date were £5.198m, (2023/24 £5.509m).

### **Cognus Ltd**

Cognus provides Speech Language and Communication and Occupational Therapy Support. The team works with schools to identify and support children and young people with speech language and communication and occupational therapy needs. London Borough of Sutton owns 100% of Cognus Ltd. Payments to Cognus for commissioning agreements amounted to £9,359m (£2.743m funded from General fund (GF) and £6.616m from DSG). This included payments of £3.625m for provision of speech and language therapies. Further information is available on the company's website. <https://cognus.org.uk/>

### **Shared Service Arrangements with Other Local Authorities**

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

- **Human Resources** – from 1 May 2016 the Council's Human Resources service entered into a shared service arrangement with the Royal Borough of Kingston. The service is hosted by Kingston and includes recruitment, employment contracts, advice on terms and conditions, payroll, employee relations, advice, provision of learning and development as well as occupational health and health and safety.
- **Pensions Administration Service** – On 1 April 2016 the Council entered into a shared service with the Royal Borough of Kingston for its Pension Administration service. The London Borough of Sutton is the host authority.
- **ICT** – the Council entered into a joint service for ICT with the Royal Borough of Kingston on 1 May 2013. The joint service is providing greater ICT infrastructure resilience as well as shared expertise to drive out further savings and provide a better quality service.
- **Internal Audit Shared Service** – Internal Audit and Investigations work is provided via a shared service with the London Boroughs of Richmond, Wandsworth and Merton and the Royal Borough of Kingston. The employing authority for the service is Richmond. This service is providing shared expertise and a wider resilience for the member boroughs.
- **Legal** – The London Borough of Sutton is part of the South London Legal Partnership with the London Boroughs of Richmond and Merton, and the Royal Borough of Kingston.

## Note 29 Related Parties (continued)

- **Environmental Services** – In 2016 the Royal Borough of Kingston and the London Borough of Sutton set up a Shared Environment Service (SES), which includes environmental health, trading standards, sustainable transport and highways and transport.
- **Finance and Customer Contact Centre** – The London Borough of Sutton entered into two joint services with the Royal Borough of Kingston on 1 April 2017 for these two services

## Note 30 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors. Public Sector Audit Appointments has appointed KPMG LLP as the external auditor for 2024/25.

2023/24		2024/25
£'000		£'000
299	Fees payable to auditor with regard to external audit services carried out by the appointed auditor for the year	325
16	Increase in fee payable to Grant Thornton for 2022/23 external audit since publication of 2022/23 audited accounts	0
35	Fees payable to KPMG for certification of Housing Benefit for the year	35
13	Fees Payable for teachers pension claim and pooling of housing capital receipts	13
<b>363</b>	<b>Total for Sutton Council</b>	<b>373</b>

## Note 31 Defined Benefit Pension Scheme

### a) Participation in Pension Schemes

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

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

The Authority is also responsible for a proportion of the annual pension and lump sum for teachers taking early retirement. The cost to the Council's DSG in 2024/25 totalled £0.685m (£0.720m in 2023/24).

- The London Borough of Sutton participates in the Local Government Pension Scheme, a

defined benefit scheme based on final pensionable salary, and from 1 April 2014, career average revalued earnings (CARE). The scheme is a funded scheme meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The valuation of the fund and assessment of employer contribution rates is carried out by an independent actuary. The most recent formal valuation was carried out as at 31 March 2022. This has been updated on an informal basis 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 2025 as set out below. Pension Fund regulations require formal actuarial valuations to be prepared every three years and the next valuation will be based on the financial position of the Fund as at 31 March 2025 and will be reported in the following year.

- The Authority's employer contributions percentage is 28.37% of pensionable pay. In 2024/25 the employer contributions amounted to £20.663m and the employees

contribution was £4.933m (employers' were £19.214m and employees' were £4.742m in 2023/24).

### 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 and Movement in Reserves Statement during the year:

## Note 31 Defined Benefit Pension Scheme (continued)

2023/24	Comprehensive Income and Expenditure Statement	2024/25
£'000		£'000
Service cost comprising:		
14,576	- Current service cost	13,695
141	- Past service cost	2,207
-	- (gain)/loss from settlements	-
<b>14,717</b>		<b>15,902</b>
4,593	Net interest expense	1,637
767	Administration expenses	801
<b>20,077</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>18,340</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
(51,749)	- Return on plan assets (excluding the amount included in the net interest expense)	3,821
(4,263)	- Actuarial (gains)and losses arising on changes in demographic assumptions	(1,216)
-	- Other Actuarial (gains) and losses arising on assets	-
22,748	- Experience (gains) /losses on defined benefit obligation	(8,727)
(30,050)	- Actuarial gains and losses arising on changes in financial assumptions	(103,312)
	- Application of asset ceiling	142,928
<b>(63,314)</b>	<b>Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>33,494</b>
<b>(43,237)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>	<b>51,834</b>
Movement in Reserves Statement		
(20,077)	Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	(18,340)
19,214	Actual amount charged against the General Fund balance for pensions in year - Employers' contributions payable to scheme	20,663

## Note 31 Defined Benefit Pension Scheme (continued)

### c) Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2023/24	2024/25
£'000	£'000
(673,700)	Present value of defined benefit funded obligations
(21,261)	Present value of defined benefit unfunded obligations
658,872	Fair value of plan assets
<b>(36,089)</b>	<b>Net (Liability)/Asset arising from defined benefit obligation - unadjusted</b>
-	Application of asset ceiling
<b>(36,089)</b>	<b>Net (Liability)/Asset arising from defined benefit obligation</b>

\* unfunded obligations refer to £11,308k of LGPS unfunded pensions and £6,701k of Teachers' unfunded pensions.

The asset ceiling restricts the amount of net assets (relative to funding obligations) that the Employer can disclose. According to IAS19, "the asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan."

The Fund requires employers to maintain a funding level of 100% over a period of 20 years. Contributions are set every three years as a result of the actuarial valuation of the Fund. The last valuation was 31 March 2022, setting rates for the period 1 April 2023 to 31 March 2026. The Fund is open to new entrants. The estimated Employer's contributions for the period to 31 March 2026 are approximately £17,851,000. The weighted average duration of the Employer's funded obligations is 16 years.

## Note 31 Defined Benefit Pension Scheme (continued)

### d) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson, an independent firm of actuaries, with estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2022.

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

2023/24		2024/25
%		%
2.8	Rate of Inflation	2.8
2.8	Rate of Increase in Salaries	2.8
2.8	Rate of Increase in Pensions	2.8
13.6	Rate of Return on Assets	3.7
4.8	Rate for Discounting Scheme Liabilities	5.8
40.0	Take-Up of Option to Convert Annual Pension into Retirement Lump Sum	40.0
Years		Years
21.7	Longevity at 65 for Current Pensioners - Men	21.6
24.3	Longevity at 65 for Current Pensioners - Women	24.3
22.7	Longevity at 65 for Future Pensioners - Men	22.6
25.6	Longevity at 65 for Future Pensioners - Women	25.5

## Note 31 Defined Benefit Pension Scheme (continued)

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

2023/24		2024/25
	£'000	£'000
686,788	<b>Balance at 1 April</b>	694,961
15,343	Current Service Cost	14,496
32,327	Interest Cost	33,136
4,742	Contributions by Members	4,933
(4,263)	Actuarial (gains)/losses arising from changes in demographic assumptions/other experience	(1,216)
(30,050)	Actuarial (gains)/losses arising from changes in financial assumptions	(103,312)
141	Past Service Cost	2,207
(32,815)	Benefits Paid	(29,301)
-	Liabilities extinguished on settlements	-
22,748	Experience loss/(gain) on defined benefit obligation	(8,727)
<b>694,961</b>	<b>Balance at 31 March</b>	<b>607,177</b>

## Note 31 Defined Benefit Pension Scheme (continued)

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

2023/24		2024/25
	£'000	£'000
<b>588,248</b>	<b>Balance at 1 April</b>	<b>658,872</b>
27,734	Interest income	31,499
	Remeasurement gain/loss:	
51,749	- The return on plan assets, excluding the amount included in the net interest expense	(3,821)
19,214	Contributions from employer	20,663
4,742	Contributions from employees into the scheme	4,933
(32,815)	Benefits Paid	(29,301)
-	Other	-
<b>658,872</b>	<b>Balance at 31 March</b>	<b>682,845</b>

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

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

## Note 31 Defined Benefit Pension Scheme (continued)

Further details of the assets are shown below for 2024/25, where each asset class has been split according to those that have a quoted market price in an active market and those that do not and whether those assets represent UK or overseas holdings.

2024/25	Quoted	Unquoted	Total	Percentage of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents		23,084	23,084	3
Equities	-	-	-	-
Bonds	-	-	-	-
Corporate Bonds	-	-	-	-
Property	-	-	-	-
Infrastructure	-	-	-	-
Investment Funds & Unit Trusts *	-	-	-	0
- Equities	382,009	-	382,009	56
- Bonds	76,310	-	76,310	11
- Hedge Funds	-	-	-	0
- Commodities	-	-	-	0
- Infrastructure	-	51,682	51,682	8
- Other	-	149,760	149,760	22
<b>Total</b>	<b>458,319</b>	<b>224,526</b>	<b>682,845</b>	<b>100</b>

## Note 31 Defined Benefit Pension Scheme (continued)

### g) Scheme History

	31 March 2021	31 March 2022	31 March 2023	31 March 2024	31 March 2025
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	1,000,946	931,178	686,788	694,961	607,177
Fair Value of Assets	(622,308)	(635,870)	(588,248)	(658,872)	(682,845)
<b>Deficit/(Surplus)</b>	<b>378,638</b>	<b>295,308</b>	<b>98,540</b>	<b>36,089</b>	<b>(75,668)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net asset of £69.765m (based on IAS19 assumptions and pre the application of the asset ceiling) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, the asset ceiling, equal to £137,025 and explained in Note 31 part c, decreases the surplus to a deficit of £67.26m. In practice, the deficit (based on long term funding assumptions, which will differ from IAS19 assumptions) will be made good over a recovery period to 2040, as assessed by the Council's actuary.

### h) History of Experience Gains and Losses

The related experience gains and losses for 31 March 2025 and earlier years are as follows:

	31 March 2021	31 March 2022	31 March 2023	31 March 2024	31 March 2025
	%	%	%	%	%
On assets as % of Fair Value	(2)	(1)	9	3	(1)
On liabilities as % of Present Value	(1)	(1)	7	3	(1)

## Note 31 Defined Benefit Pension Scheme (continued)

### i) Sensitivity Analysis of significant actuarial assumptions

IAS19 requires a sensitivity analysis for each significant actuarial assumption, and how the defined benefit obligation would be affected by a change. These are set out below as at 31 March 2025:

	Approx. % increase to liability	Approx. £'000 amount
0.1% decrease in real interest rate	2%	9,561
1 year increase in member life expectancy	4%	24,259
0.1% increase in the salary increase rate	0%	277
0.1% increase in the pension increase rate	2%	9,550

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. On 2 September 2025, the Government published draft amendments to the Pensions Scheme Bill which would give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards. The draft legislation will need to be agreed by both Houses of Parliament before it passes into law.

It was not previously clear whether the Virgin Media ruling would apply to the LGPS but, following the publication of draft legislation, we do not now expect the ruling to give rise to any additional liabilities.

## Note 32 Leases

### Authority as Lessor - Operating Leases

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

31 March 2024		31 March 2025	
£'000		£'000	
10,279	No later than one year	8,584	
22,658	Later than one year but no later than five years	20,356	
84,444	Later than five years	82,139	
<b>117,381</b>	<b>Total Operating Lease Income</b>	<b>111,079</b>	

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

## Note 32 Leases (continued)

### Authority as Lessee

#### Right Of Use Assets

<b>31 March 2024</b>		<b>31 March 2025</b>
	£'000	£'000
-	<b>Value at 1 April</b>	-
-	Additions during the year	2,663
-	Disposals	-
-	Depreciation	(982)
-	<b>Value at 31 March</b>	<b>1,681</b>
<hr/>		
-	Other land and buildings	1,255
-	Vehicles, plant, equipment and furniture	426
-	<b>Value at 31 March</b>	<b>1,681</b>
<hr/>		
<b>Finance Lease Liabilities</b>		
-	Within one year	971
-	Between 2 and 5 years	-
-	Over 5 years	665
-	<b>Total Finance Lease Liabilities</b>	<b>1,636</b>

## Note 33 Inventory

At 31 March 2024			At 31 March 2025		
Items held in services	Property buybacks	Total	Items held in services	Property buybacks	Total
£'000	£'000	£'000	£'000	£'000	£'000
4	-	4	<b>Balance at start of year</b>	1	2,788
			Transactions in year:-		
3	2,788	2,791	Purchases	-	4,297
-	-	-	Disposals	-	(5,706)
(6)	-	(6)	Recognised as an expense in year	(1)	-
1	2,788	2,789	<b>Balance at year-end</b>	-	1,380

## Note 34 Contingent Liabilities

There are no known material contingent assets or contingent liabilities as at 31 March 2025.

There are no outstanding contractual commitments and no material non-adjusting events occurred subsequent to the period end.

## Note 35 Events after the Balance Sheet date

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

At the date of authorisation the Council is not aware of any events that would require adjustment to these statements.

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# 5. Housing Revenue Account (HRA)

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

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



# Housing Revenue Account (HRA) Income and Expenditure Statement

2023/24	HRA Income and Expenditure Statement	Notes	2024/25
£'000			£'000
<b>Expenditure</b>			
18,766	Sutton Housing Partnership management fee		19,220
5,101	Other operating costs		3,061
43	Rents, rates, taxes and other charges		21
8,499	Depreciation of fixed assets	8	9,107
6,937	Impairment costs and revaluation losses		-
103	Increase in bad debt provision		470
<b>39,449</b>	<b>Total Expenditure</b>		<b>31,879</b>
<b>Income</b>			
(40,097)	Gross rent from Council dwellings		(43,336)
(502)	Gross non dwellings rent		(525)
(4,965)	Charges for services and facilities		(4,210)
-	Revaluation Gains		(14,247)
-	Contributions towards expenditure		(5)
<b>(45,564)</b>	<b>Total Income</b>		<b>(62,323)</b>
<b>(6,115)</b>	<b>Net Cost of HRA Services</b>		<b>(30,444)</b>
-	Add HRA services share of Corporate and Democratic Core		-
<b>(6,115)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(30,444)</b>

## Housing Revenue Account (HRA) Income and Expenditure Statement (continued)

2023/24	HRA Income and Expenditure Statement	2024/25
£'000		£'000
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
8,927	Interest payable and similar charges	10,437
(1,253)	Interest and investment income	(600)
(533)	(Gain)/Loss on Investment Property revaluation	(65)
(2,412)	Capital Grants and Contributions received	2,182
(1,709)	(Profit)/Loss on disposal of non current assets	(2,663)
30	Pensions interest cost and expected return on pension assets	9
<b>(3,065)</b>	<b>Surplus for the Year on HRA Services</b>	<b>(21,144)</b>

## Statement of Movement on the Housing Revenue Account Balance

2023/24	Statement of Movement on the Housing Revenue Account Balance	2024/25
£'000		£'000
(13,671)	<b>Balance on the Statutory HRA at the end of the previous year</b>	(19,006)
(3,065)	Surplus on the HRA Income and Expenditure Account for the year	(21,143)
	<b>Adjustments between accounting basis and funding basis under statute:</b>	
	Amounts included in the HRA Income and Expenditure Account but required to be excluded when determining the HRA Surplus or Deficit for the year	
(125)	- Net Charges made for Retirement Benefits in Accordance with FRS17	(87)
1,709	- Profit on disposal of non current assets	2,663
(6,937)	- Impairment Costs and Revaluation Losses	-
2,412	- Capital Grants and Contributions received in year	(2,182)
-	- Revaluation Gains in year	14,247
533	- (Gain)/Loss on Investment Property revaluation	65
	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	
126	- Employers Contributions Payable to the Pension Fund	117
(5,347)	<b>Net increase before transfers to or from reserve</b>	(6,320)
12	Transfers to/ (from) Hillcrombe & Harrow Reserve	(29)
<b>(19,006)</b>	<b>Balance on the Statutory HRA Reserve Carried Forward</b>	<b>(25,355)</b>
(530)	Heating Reserve - Accumulated Surplus	(530)
(59)	Hillcrombe & Harrow Reserve	(30)
(46)	Freeholder Contributions	(46)
<b>(19,641)</b>	<b>Total HRA Balances and Reserves</b>	<b>(25,961)</b>

# Notes to the Housing Revenue Account

## HRA 1. Sutton Housing Partnership Limited (SHP)

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

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

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

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

## HRA 2. Balance Carried Forward

An HRA Reserve balance of at least 5% of income is considered necessary to provide a sound level of prudence. The current balance at 31 March 2025 of £25,355k equates to 54% of 2024/25 income.

In addition, surplus service charges on the Council's Hillcroome Road / Harrow Road properties are held in reserve against future expenditure, a balance of £30,386 at 31st March 2025.

## HRA 3. Housing Stock

At 31 March 2025 the Council owned and managed 6,018 tenanted dwellings. In addition, it manages a further 1,381 leasehold properties where the Council has sold the leasehold and only maintains these properties with respect to the non-landlord related obligation. The Council also owned a proportion of 6 equity share/shared ownership dwellings, being the equivalent of 3 fully-owned dwellings.

Total 2023/24		Bedsits	Flats	Houses	Total 2024/25
<b>6,028</b>	<b>Dwellings at 1 April</b>	<b>168</b>	<b>3,138</b>	<b>2,716</b>	<b>6,022</b>
(20)	Demolitions / Transfers	-	-	-	-
(17)	Right-to Buy Sales	-	(6)	(8)	(14)
-	Other Disposals	-	-	(2)	(2)
31	Acquisitions	-	11	1	12
<b>6,022</b>	<b>Dwellings at 31 March</b>	<b>168</b>	<b>3,143</b>	<b>2,707</b>	<b>6,018</b>

## HRA 4. Stock Valuation

The latest Council Dwellings valuation is at the 31 March 2025. The following valuations are included in the Council's balance sheet:

### Balance Sheet Valuation of HRA Assets:

At 31 March 2024		At 31 March 2025
	£'000	£'000
Operational Assets:		
496,428	Council Dwellings	520,605
7,333	Other Land and Buildings	7,215
875	Investment Properties	940
<b>504,636</b>	<b>Total</b>	<b>528,760</b>

This valuation reflects the use of HRA dwellings as tenanted stock. The vacant possession value on the balance sheet at 31 March 2025 is £2,083m. The balance sheet valuation (£521m) after applying the 25% social housing factor for London, (i.e. a reduction of 75%) is considerably lower because dwellings are tenanted and the rents charged reflect that the properties are used to provide social housing, and discounts are available to tenants who purchase their dwelling under the statutory Right-to-Buy scheme.

## HRA 5. Major Repairs Reserve

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

2023/24		2024/25
	£'000	£'000
(4,117)	Balance at 1 April	(9,193)
(8,877)	Balance previously shown as RCCO b/f	-
(8,409)	Major Repairs Allowance (MRA) received	(8,983)
(90)	Depreciation on non-dwellings	(124)
12,300	MRA used on capital projects	14,641
-	Transfer to Statement of Movement on HRA balance	-
<b>(9,193)</b>	<b>Balance carried forward at 31 March</b>	<b>(3,659)</b>

## HRA 6. Capital Financing

2023/24		2024/25
£'000	£'000	£'000
39,656	HRA Capital Expenditure	35,672
<b>Financed by:</b>		
(15,810)	Borrowing	(20,078)
(12,300)	Major Repairs Reserve	(14,641)
-	Revenue Contributions	-
(6,836)	Right to Buy receipts	(63)
(284)	Leaseholders Contributions	-
-	S106 Contribution	-
(4,426)	Grants	(890)
<b>(39,656)</b>	<b>Total Financing</b>	<b>(35,672)</b>

## HRA 7. Capital Receipts

2023/24		2024/25
£'000		£'000
(3,658)	Right to Buy Sales	(3,084)
(229)	Other Disposals	(1,093)
<b>(3,887)</b>	<b>Total</b>	<b>(4,177)</b>

## HRA 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, depreciation is based on componentisation of housing stock. On this basis depreciation for 2024/25 equates to £9.1m and has been posted to the HRA Income and Expenditure Statement.

2023/24	Depreciation	2024/25
£'000		£'000
Operational Assets:		
(8,409)	Council Dwellings	(8,983)
(90)	Other Land and Buildings	(124)
<b>(8,499)</b>	<b>Total</b>	<b>(9,107)</b>

## HRA 9. Impairment

There has been no revaluation loss charged to the HRA Income & Expenditure Statement in 2024/25.

## HRA 10. Contributions to and from the Pension Reserve

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

## HRA 11. Rent and Service Charge Arrears

Rent and service charge arrears at 31 March 2025 totalled £1.848m as compared to £1.423m at 31 March 2024. As a proportion of gross rent and service income, this represents 3.99% (3.46% in 2023/24). These arrears include charges due from tenants for rent, heating and hot water, garages and other tenancy related charges.

Total provision for uncollectible rent and service debt totalled £2.405m at 31 March 2025 compared to £2.129m at 31 March 2024.

At 31 March 2024	Tenant Rent and Service Charge Arrears	At 31 March 2025
£'000		£'000
2,795	Current Tenant Arrears	3,074
714	Former Tenant Arrears	813
<b>3,509</b>	<b>Total</b>	<b>3,887</b>
(2,086)	Accounts in credit	(2,039)
<b>1,423</b>	<b>Net Arrears</b>	<b>1,848</b>

Provision included in the accounts for potential bad debts at 31 March:		
(2,129)	Tenants rent and heating charges	(2,405)
<b>(2,129)</b>	<b>Total Bad Debt Provision</b>	<b>(2,405)</b>

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## 6. Collection Fund

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



# Collection Fund Income and Expenditure Account 2024/25

2023/24			Note	2024/25		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
<b>Income</b>						
-	(153,351)	(153,351)	Council Tax collectable	-	(163,389)	(163,389)
(55,613)	-	(55,613)	Income Collectable from Business Ratepayers	(63,903)	-	(63,903)
-	-	-	Income Collectable in respect of Business Rate Supplement	(1,766)	-	(1,766)
(7,373)	-	(7,373)	Transition payment from Central Government	(1,665)	-	(1,665)
264	-	264	Amounts retained in respect of Renewable Energy schemes	281	-	281
-	(347)	(347)	Transfers from General Fund	-	(236)	(236)
<b>(62,722)</b>	<b>(153,698)</b>	<b>(216,420)</b>	<b>Total Income</b>	<b>(67,053)</b>	<b>(163,625)</b>	<b>(230,678)</b>
<b>Expenditure</b>						
<b>Precepts, Demands and Shares:</b>					3	
19,766	119,389	139,155	London Borough of Sutton	19,863	126,512	146,375
24,378	32,109	56,487	Greater London Authority	24,498	35,189	59,687
21,742	-	21,742	Central Government	21,849	-	21,849
186	-	186	Business Rates Costs of Collection	187	-	187
-	-	-	Cross Rail Precept Payment to Greater London Authority	1,760	-	1,760
-	-	-	Cross Rail Costs of Collection	6	-	6
<b>Charges to Collection Fund:</b>						
30	-	30	Interest charged to the collection fund	89	-	89
(290)	(1,452)	(1,742)	Increase/(decrease) in allowance for impairment	285	1,575	1,860

## Collection Fund Income and Expenditure Account 2024/25 (continued)

2023/24			Note	2024/25		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Charges to Collection Fund (continued)</b>						
1,310	-	1,310	Increase/(decrease) in allowance for appeals	(1,346)	-	(1,346)
<b>Contributions Prior Year (Deficit)/Surplus:</b>						
(1,130)	633	(497)	London Borough of Sutton	(1,348)	1,611	263
(1,402)	179	(1,223)	Greater London Authority	(1,663)	433	(1,230)
(1,280)	-	(1,280)	Central Government	(1,483)	-	(1,483)
<b>63,310</b>	<b>150,858</b>	<b>214,168</b>	<b>Total Expenditure</b>	<b>62,697</b>	<b>165,320</b>	<b>228,017</b>
<b>588</b>	<b>(2,840)</b>	<b>(2,252)</b>	<b>Total Income Less Expenditure</b>	<b>(4,356)</b>	<b>1,695</b>	<b>(2,661)</b>
<b>Movements on the Collection Fund:</b>						
1,859	945	2,804	(Surplus) / Deficit brought forward at 1 April	2,447	(1,895)	552
588	(2,840)	(2,252)	(Surplus) / Deficit for year	(4,356)	1,695	(2,661)
<b>2,447</b>	<b>(1,895)</b>	<b>552</b>	<b>(Surplus) / Deficit carried forward at 31 March</b>	<b>(1,909)</b>	<b>(200)</b>	<b>(2,109)</b>
<b>Distribution of Fund Balance</b>						
734	(1,494)	(760)	London Borough of Sutton	(573)	(156)	(729)
905	(401)	504	Greater London Authority	(706)	(44)	(750)
808	-	808	Central Government	(630)	-	(630)
<b>2,447</b>	<b>(1,895)</b>	<b>552</b>	<b>Total Allocation of Fund Balance</b>	<b>(1,909)</b>	<b>(200)</b>	<b>(2,109)</b>

# Notes to the Collection Fund

## CF 1. General

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

## CF 2. Council Tax

The basic amount of Council Tax due for a property is derived by multiplying the Council Tax for a Band D property (£2,166.18 in 2024/25, split London Borough of Sutton £1,694.78 and GLA £471.40) by the ratio applicable to the property.

The Council Tax Base is affected by the Council Tax Reduction Scheme which treats council tax support as a discount to Council Tax. This together with technical changes to other discounts resulted in the Council Tax Base being set by the Strategic Director of Resources, under delegated authority, at 74,648 Band D equivalents, compared to 73,959.8 in 2023/24.

Council tax income is derived from charges on residential properties classified into eight valuation bandings established and inclusive of changes arising during the year for successful appeals against valuation banding. The Council's tax base, i.e. the number of chargeable dwellings in each band (adjusted to reflect relevant discounts and exemptions) converted to an equivalent number of Band D dwellings, was calculated for 2024/25 as follows:

## CF 2. Council Tax (continued)

Valuation Office estimated market value as at April 1991	Band	Estimated Number of Taxable Properties After Effect of Discounts	Ratio	Band D Equivalent Dwellings
January 2024				Units
Less Than £40,000	A	714	6/9	476.0
£40,000 - £52,000	B	4,917	7/9	3,824.3
£52,000 - £68,000	C	21,571	8/9	19,174.2
£68,000 - £88,000	D	21,523	9/9	21,523.0
£88,000 - £120,000	E	11,792	11/9	14,412.4
£120,000 - £160,000	F	6,614	13/9	9,553.6
£160,000 - £320,000	G	3,538	15/9	5,896.7
£320,000 or more	H	271	18/9	542.0
		70,940		75,402.2
Deduct:-				
Adjustment for anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief, reduced second homes discount and exempt properties.				0
				75,402.20
Adjustment for estimated collection rate				754.20
				1.00%
<b>Council Tax Base</b>				<b>74,648.0</b>
Band D council tax charge				£2,166.18
Total Precept raised				£161,701,005

## CF 3. Precepts and Demands

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

## CF 4. Business Rates

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

2023/24		2024/25
pence per £		pence per £
51.2	Standard non-domestic multiplier	54.6
49.9	Small business non-domestic multiplier	49.9

The total rateable value for business premises in Sutton as at 31 March 2025 was £171.8m (£173.5m at 31 March 2024).

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform basis set nationally by Central Government. Under the business rates retention scheme, local authorities retain a proportion of the total collectable rates due with the rest distributed to preceptors. The distribution rates have remained unchanged.

2023/24		2024/25
%		%
30	London Borough of Sutton	30
37	Greater London Authority	37
33	Central Government	33

## CF 4. Business Rates (continued)

The net business rates shares payable for 2024/25 were estimated before the start of the financial year as follows:

2023/24		2024/25
£'000	£'000	
19,766	London Borough of Sutton	19,863
24,378	Greater London Authority	24,498
21,742	Central Government	21,849
<b>65,886</b>		<b>66,210</b>

These sums have been paid in 2024/25 and charged to the Collection Fund in the year.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency and are therefore required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. The total end of year provision for appeals balance is £5,399m of which the London Borough of Sutton's share is £1,620m.

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## 7. Group Accounts

Group accounts have been prepared to give an overall picture of the activities and financial position of the Council including those activities carried out by Sutton Housing Partnership Limited, Encompass LATC Limited, Cognus Limited, Sutton Living Limited, Sutton Living Design & Build Limited and Sutton Decentralised Energy Network Limited. Entities where used is referring to the grouping of the Council's subsidiaries being grouped under one heading.



# Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2025

Gross Expenditure 2023/24	Gross Income 2023/24	Net Expenditure 2023/24		Gross Expenditure 2024/25	Gross Income 2024/25	Net Expenditure 2024/25
£000	£000	£000		£000	£000	£000
29,813	(20,634)	9,179	<b>Health and Wellbeing</b>	27,275	(19,262)	8,013
70,860	(31,939)	38,921	<b>Environment, Housing and Neighbourhoods</b>	71,767	(27,681)	44,086
325,513	(170,222)	155,291	<b>Peoples Services</b>	369,414	(215,753)	153,661
82,557	(17,123)	65,434	<b>Resources</b>	60,364	(19,161)	41,203
511	(72)	439	<b>Chief Executive(Electoral Services)</b>	1,494	(1,134)	360
<b>Housing Revenue Account</b>						
12,301	(45,541)	(33,240)	- Main HRA Revenue Account	13,103	(49,304)	(36,201)
6,937	-	6,937	- Revaluation loss/(gain) - Dwellings	-	(14,247)	(14,247)
21,149	(2,237)	18,912	<b>- Sutton Housing Partnership</b>	24,150	(4,161)	19,989
80,033	(102,533)	(22,500)	<b>Non Service Revenue Accounts</b>	82,220	(91,276)	(9,056)
<b>629,674</b>	<b>(390,301)</b>	<b>239,373</b>	<b>Cost of services</b>	<b>649,787</b>	<b>(441,979)</b>	<b>207,808</b>

## Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2025 (continued)

Gross Expenditure 2023/24	Gross Income 2023/24	Net Expenditure 2023/24		Gross Expenditure 2024/25	Gross Income 2024/25	Net Expenditure 2024/25
£000	£000	£000		£000	£000	£000
47,304	(43,035)	4,269	Other operating expenditure	7,976	(12,857)	(4,881)
20,015	(12,078)	7,937	Financing and investment income and expenditure	16,138	(8,901)	7,237
-	(199,739)	(199,739)	Taxation and non-specific grant income	-	(195,781)	(195,781)
<b>696,993</b>	<b>(645,153)</b>	<b>51,840</b>	<b>(Surplus) or deficit on the provision of services</b>	<b>673,901</b>	<b>(659,518)</b>	<b>14,383</b>
		(56)	Tax expenses of Subsidiaries	-	-	-
-	-	51,784	<b>Group (surplus) / deficit</b>	-	-	14,383
			<b>Group (Surplus) / Deficit attributable to:</b>			
		51,784	Council's share (London Borough of Sutton)			14,383
			<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>			
		(18,075)	Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets			(15,266)
		(75,863)	Remeasurement of the net defined benefit liability on the pensions reserve			34,872
		(93,938)	<b>Other comprehensive income and expenditure</b>			19,606
		(42,154)	<b>Total comprehensive income and expenditure (surplus) / deficit</b>			<b>33,989</b>
			<b>Comprehensive income and expenditure (surplus) / deficit attributable to:</b>			
		(42,154)	Council's share (London Borough of Sutton)			33,989

## Group Movement in Reserves Statement

2024/25	Memorandum		Usable Reserves								Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance*	Earmarked Fund General Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2024</b>	(8,894)	(30,652)	(39,546)	(19,641)	(42,179)	(9,193)	(52,142)	(162,701)	(437,235)	(599,936)	(5,790)	-	-	(605,726)	
Movement during 2024/25:															
Total Comprehensive Expenditure and Income	23,791	-	23,791	(41,148)	-	-	-	(17,357)	18,228	871	33,118	-	-	33,989	
Adjustments between accounting basis and funding basis under regulations	(37,604)	-	(37,604)	14,824	18,964	5,534	26,609	28,327	(28,327)	-	-	-	-	-	
Adjustments between group accounts and authority accounts	10,127	-	10,127	20,004	-	-	-	30,131	-	30,131	(30,131)	-	-	-	
<b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>	(3,686)	-	(3,686)	(6,320)	18,964	5,534	26,609	41,101	(10,099)	31,002	2,987	-	-	33,989	
Transfers to / (from) Earmarked Reserves and minority interests	2,999	(2,999)	-	-	-	-	-	-	-	-	-	-	-	-	
<b>(Increase) / Decrease in Year</b>	(687)	(2,999)	(3,686)	(6,320)	18,964	5,534	26,609	41,101	(10,099)	31,002	2,987	-	-	33,989	
<b>Balance at 31 March 2025</b>	(9,581)	(33,651)	(43,232)	(25,961)	(23,215)	(3,659)	(25,533)	(121,600)	(447,334)	(568,934)	(2,803)	-	(571,737)		

## Group Movement in Reserves Statement (continued)

2023/24	Memorandum		Usable Reserves							Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance*	Earmarked Fund General Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 31 March 2023</b>	(8,589)	(37,625)	(46,214)	(14,292)	(50,193)	(12,994)	(21,554)	(145,247)	(414,713)	(559,960)	(3,610)	-	(563,570)	
Movement during 2023/24:														
Total Comprehensive Expenditure and Income	41,431	-	41,431	(23,256)	-	-	-	18,175	(92,197)	(74,022)	31,868	-	(42,154)	
Adjustments between accounting basis and funding basis under regulations	(48,620)	-	(48,620)	(2,282)	8,014	3,801	(30,588)	(69,675)	69,675	-	-	-	-	
Adjustments between group accounts and authority accounts	13,857	-	13,857	20,189	-	-	-	34,046	-	34,046	(34,048)	-	(2)	
<b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>	<b>6,668</b>	<b>-</b>	<b>6,668</b>	<b>(5,349)</b>	<b>8,014</b>	<b>3,801</b>	<b>(30,588)</b>	<b>(17,454)</b>	<b>(22,522)</b>	<b>(39,976)</b>	<b>(2,180)</b>	<b>-</b>	<b>(42,156)</b>	
Transfers to / (from) Earmarked Reserves and minority interests	(6,973)	6,973	-	-	-	-	-	-	-	-	-	-	-	
<b>(Increase) / Decrease in Year</b>	<b>(305)</b>	<b>6,973</b>	<b>6,668</b>	<b>(5,349)</b>	<b>8,014</b>	<b>3,801</b>	<b>(30,588)</b>	<b>(17,454)</b>	<b>(22,522)</b>	<b>(39,976)</b>	<b>(2,180)</b>	<b>-</b>	<b>(42,156)</b>	
<b>Balance at 31 March 2024</b>	<b>(8,894)</b>	<b>(30,652)</b>	<b>(39,546)</b>	<b>(19,641)</b>	<b>(42,179)</b>	<b>(9,193)</b>	<b>(52,142)</b>	<b>(162,701)</b>	<b>(437,235)</b>	<b>(599,936)</b>	<b>(5,790)</b>	<b>-</b>	<b>(605,726)</b>	

## Group Balance Sheet

31 March 2024		Notes	31 March 2025
£'000	£'000		
Non-Current Assets			
903,676	Property, Plant and Equipment	G5.	971,069
5,336	Intangible Assets		5,190
102,293	Investment Properties		101,430
1,412	Asset related to Defined Benefit Pension Scheme		-
10	Long Term Investments		-
1,333	Long Term Debtors		1,089
<b>1,014,060</b>	<b>Total Non-Current Assets</b>		<b>1,078,778</b>
Current Assets			
56,203	Short Term Investments		-
936	Assets Held for Sale		1,510
-	Investment Properties Held for Sale		-
3,174	Inventories		8,334
79,952	Debtors	G6.	70,073
45,809	Cash and Cash Equivalents	G8.	15,249
<b>186,074</b>	<b>Total Current Assets</b>		<b>95,165</b>

## Group Balance Sheet (continued)

31 March 2024		31 March 2025	
£'000		£'000	
Less Current Liabilities			
(32,288)	Short Term Borrowing	(31,941)	
(82,722)	Creditors	G7.	(87,137)
(14,939)	Capital Grants Receipt in Advance		(20,414)
(369)	Provisions		-
(6,471)	Cash and Cash Equivalents		-
<b>(136,789)</b>	<b>Total Current Liabilities</b>		<b>(139,492)</b>
Less Non-Current Liabilities			
(7,420)	Provisions	(6,700)	
(406,947)	Long Term Borrowings	(381,073)	
(7,000)	Long Term Creditors	(7,666)	
(36,251)	Liability Related to Defined Benefit Pension Scheme	G10.	(67,276)
<b>(457,618)</b>	<b>Total Non-Current Liabilities</b>		<b>(462,715)</b>
<b>605,726</b>	<b>Net Assets</b>		<b>571,737</b>
Total Reserves			
(437,235)	Total Non-usable Reserves	(447,334)	
(168,491)	Total Usable Reserves	G9.	(124,403)
<b>(605,726)</b>	<b>Total Reserves</b>		<b>(571,737)</b>

## Group Cash Flow Statement

2023/24		2024/25
£000	£000	£000
(51,784)	Net surplus or (deficit) on the provision of services	(14,383)
121,428	Adjustment to the net surplus or deficit on the provision of services for non-cash movements	11,327
(62,029)	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	(26,080)
<b>7,615</b>	<b>Net cash flows from operating activities</b>	<b>(29,136)</b>
(10,098)	<b>Net cash flows from investing activities</b>	21,169
31,598	<b>Net cash flows from financing activities</b>	(16,122)
<b>29,115</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(24,089)</b>
<b>Represented by:</b>		
10,224	a Cash and cash equivalents at the beginning of the reporting period	39,338
39,338	b Cash and cash equivalents at the end of the reporting period	15,249
<b>29,114</b>	<b>Net increase/(decrease) in cash and cash equivalents (b-a)</b>	<b>(24,089)</b>

# Notes to the Group Accounts

## G1. Introduction

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

The Council has an interest in a number of entities and the most significant of these are Sutton Housing Partnership Ltd (SHP), established in April 2016 to manage and improve the Council's housing stock and estates.

Encompass LATC Ltd provides a wide range of services including advice on housing, Social care, and innovation. The physical company Encompass ceased trade and final accounts were made up to 31/12/2024 with their overall surplus to be transferred back to Sutton.

Cognus Limited, which is 100% owned by the

Council, supports schools, families and children/young people.

Sutton Living Ltd and Sutton Decentralised Energy Network Ltd are now directly part of London Borough of Sutton's Group Accounts and this also includes Sutton Living Design & Build Ltd, which remains a subsidiary of Sutton Living Ltd.

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

## G2. Accounting Policies

The group has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, issued by the Chartered Institute of Public Finance and Accounting (CIPFA). The accounting policies of the subsidiaries are in line with the Council's accounting policies.

## G3. Consolidation

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

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

## G4. Analysis of Group Expenditure and Income by Nature

2023/24			2024/25			
LBS	Entities	Total	LBS	Entities	Total	
£000	£000	£000	£000	£000	£000	
<b>Expenditure</b>						
177,610	24,691	202,301	Employee expenses	184,413	25,875	210,288
342,675	21,144	363,819	Other operating expenses	387,887	12,192	400,079
64,056	160	64,216	Depreciation, amortisation and impairment	40,068	142	40,210
-	-	-	Payments to Housing Capital Receipts Pool	-	-	-
16,564	(7)	16,557	Interest payments	14,436	(505)	13,931
(20)	-	(20)	Loss on FV revaluation of Financial Instruments	(701)	-	(701)
2,815	-	2,815	Loss on FV Investment properties	2,087	-	2,087
609	-	609	Precept and Levies	617	-	617
80	-	80	Disposal costs	40	-	40
46,616	-	46,616	NBV written out on disposal of non-current assets	7,350	-	7,350
<b>651,005</b>	<b>45,988</b>	<b>696,993</b>	<b>Total expenditure</b>	<b>636,197</b>	<b>37,704</b>	<b>673,901</b>
<b>Income</b>						
(117,104)	(12,322)	(129,426)	Fees and charges and other service income	(129,265)	(5,906)	(135,171)
(11,919)	2	(11,917)	Interest and investment income	(8,880)	(58)	(8,938)
(5,918)	-	(5,918)	Revaluation gains on non-current assets	(17,918)	-	(17,918)
(43,035)	-	(43,035)	Capital Receipts	(12,888)	-	(12,888)
(159,885)	-	(159,885)	Income from Council Tax and Business Rates	(166,134)	-	(166,134)
(294,967)	(5)	(294,972)	Government grants and contributions	(318,469)	-	(318,469)
<b>(632,828)</b>	<b>(12,325)</b>	<b>(645,153)</b>	<b>Total income</b>	<b>(653,554)</b>	<b>(5,964)</b>	<b>(659,518)</b>
<b>18,177</b>	<b>33,663</b>	<b>51,840</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(17,357)</b>	<b>31,740</b>	<b>14,383</b>

## G5. Group Property, Plant and Equipment

Movement on balances

2024/25	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Right Of Use Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1st April 2024	496,428	315,326	9,393	8,131	6,545	42,496	-	878,319
Recognition of Right of Use assets	-	-	-	-	-	-	2,663	2,663
Additions	17,701	8,791	4,939	657	-	32,480	-	64,568
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(432)	6,161	-	-	-	-	-	5,729
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	5,204	(8,187)	-	-	-	-	-	(2,983)
Derecognition - disposals	(1,474)	(175)	-	-	-	-	-	(1,649)
Derecognition - other	-	-	(2,003)	-	-	(154)	-	(2,157)
Reclassification and transfers	3,178	2,699	-	-	-	(7,696)	-	(1,819)
<b>At 31st March 2025</b>	<b>520,605</b>	<b>324,615</b>	<b>12,329</b>	<b>8,788</b>	<b>6,545</b>	<b>67,126</b>	<b>2,663</b>	<b>942,671</b>

## G5. Group Property, Plant and Equipment (continued)

### Movement on balances

2024/25	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Right Of Use Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>								
At 1st April 2024	-	(1,537)	(4,093)	-	-	-	-	(5,630)
Depreciation Charge	(8,983)	(11,063)	(991)	-	-	-	(982)	(22,019)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	-	9,538	-	-	-	-	-	9,538
Depreciation charge written out to the Revaluation Reserve	8,983	1,703	-	-	-	-	-	10,686
Derecognition - disposal	-	5	-	-	-	-	-	5
Derecognition - other	-	-	1,978	-	-	-	-	1,978
Reclassification and transfers	-	-	-	-	-	-	-	-
<b>At 31st March 2025</b>	<b>-</b>	<b>(1,354)</b>	<b>(3,106)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(982)</b>	<b>(5,442)</b>
<b>Net Book Value:</b>								
<b>At 31 March 2024</b>	<b>496,428</b>	<b>313,789</b>	<b>5,300</b>	<b>8,131</b>	<b>6,545</b>	<b>42,496</b>	<b>-</b>	<b>872,689</b>
<b>At 31 March 2025</b>	<b>520,605</b>	<b>323,261</b>	<b>9,223</b>	<b>8,788</b>	<b>6,545</b>	<b>67,126</b>	<b>1,681</b>	<b>937,229</b>

## G5. Group Property, Plant and Equipment (continued)

### Movement on balances

2023/24 comparative	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1st April 2023	492,015	343,272	13,448	6,702	6,281	14,157	875,875
Additions	15,643	7,657	906	1,429	34	34,614	60,283
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	1,426	-	-	364	-	1,790
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(15,223)	(29,133)	-	-	(134)	-	(44,490)
Derecognition - disposals	(1,473)	(1,072)	(32)	-	-	-	(2,577)
Derecognition - other	(790)	-	(4,929)	-	-	-	(5,719)
Reclassification and transfers	6,256	(6,824)	-	-	-	(6,275)	(6,843)
<b>At 31st March 2024</b>	<b>496,428</b>	<b>315,326</b>	<b>9,393</b>	<b>8,131</b>	<b>6,545</b>	<b>42,496</b>	<b>878,319</b>

## G5. Group Property, Plant and Equipment (continued)

### Movement on balances

2023/24 comparative	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>							
At 1st April 2023	-	(23,689)	(7,894)	-	-	-	(31,583)
Depreciation Charge:	(8,409)	(6,319)	(1,160)	-	(6)	-	(15,894)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	-	27,042	-	-	6	-	27,048
Depreciation charge written out to the Revaluation Reserve	8,409	1,334	-	-	-	-	9,743
Derecognition - disposal	-	9	32	-	-	-	41
Derecognition - other	-	-	4,929	-	-	-	4,929
Reclassification and transfers	-	86	-	-	-	-	86
<b>At 31st March 2024</b>	<b>-</b>	<b>(1,537)</b>	<b>(4,093)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,630)</b>
<b>Net Book Value:</b>							
<b>At 31 March 2023</b>	<b>492,015</b>	<b>319,583</b>	<b>5,554</b>	<b>6,702</b>	<b>6,281</b>	<b>14,157</b>	<b>844,292</b>
<b>At 31 March 2024</b>	<b>496,428</b>	<b>313,789</b>	<b>5,300</b>	<b>8,131</b>	<b>6,545</b>	<b>42,496</b>	<b>872,689</b>

## G5. Group Property, Plant and Equipment (continued)

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Infrastructure Assets	2023/24	2024/25
	£'000	£'000
<b>Net book value at 1 April</b>	<b>30,364</b>	<b>30,986</b>
Additions	6,008	8,499
Derecognition	-	-
Depreciation	(5,405)	(5,645)
Impairment	-	-
Other movements in cost	19	-
<b>Net book value at 31 March</b>	<b>30,986</b>	<b>33,840</b>
<b>Total Property, Plant and Equipment reported on Balance Sheet</b>	<b>2023/24</b>	<b>2024/25</b>
	£'000	£'000
Infrastructure assets **	30,986	33,840
Other Property, Plant and Equipment assets	872,689	937,229
<b>Total Property, Plant and Equipment assets</b>	<b>903,675</b>	<b>971,069</b>

*\*\*Infrastructure Assets are valued on the basis of Net Book Value.*

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure is nil.

## G6. Group Debtors

At 31 March 2025	Council	SHP	Encompass	Cognus	SDEN	SLL	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	14,069	-	-	-	-	-	14,069
Other Local Authorities	10,945	-	-	-	-	-	10,945
NHS Bodies	3,739	-	-	-	-	-	3,739
Other Entities & Individuals	27,008	2,517	-	1,799	117	218	31,659
Local Tax Payers	8,183	-	-	-	-	-	8,183
HRA tenants	1,478	-	-	-	-	-	1,478
Public Corps & Trading Funds	-	-	-	-	-	-	-
<b>Total</b>	<b>65,422</b>	<b>2,517</b>	<b>-</b>	<b>1,799</b>	<b>117</b>	<b>218</b>	<b>70,073</b>

At 31 March 2024	Council	SHP	Encompass	Cognus	SDEN	SLL	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	17,323	-	-	-	-	-	17,323
Other Local Authorities	9,469	-	-	-	-	-	9,469
NHS Bodies	2,877	-	-	-	-	-	2,877
Other Entities & Individuals	38,349	845	1,088	805	151	87	41,325
Local Tax Payers	7,664	-	-	-	-	-	7,664
HRA tenants	1,295	-	-	-	-	-	1,295
Public Corps & Trading Funds	-	-	-	-	-	-	-
<b>Total</b>	<b>76,977</b>	<b>845</b>	<b>1,088</b>	<b>805</b>	<b>151</b>	<b>87</b>	<b>79,953</b>

## G7. Group Creditors

At 31 March 2025	Council	SHP	Encompass	Cognus	SLL	SDEN	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	(4,734)	-	-	-	-	-	(4,734)
Other Local Authorities	(14,733)	-	-	-	-	-	(14,733)
NHS Bodies	(988)	-	-	-	-	-	(988)
Other Entities & Individuals	(41,638)	(2,758)	-	(3,192)	(13,355)	(1,723)	(62,666)
Local Tax Payers	(4,016)	-	-	-	-	-	(4,016)
<b>Total</b>	<b>(66,109)</b>	<b>(2,758)</b>	<b>-</b>	<b>(3,192)</b>	<b>(13,355)</b>	<b>(1,723)</b>	<b>(87,137)</b>

At 31 March 2024	Council	SHP	Encompass	Cognus	SLL	SDEN	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	(3,635)	-	-	-	-	-	(3,635)
Other Local Authorities	(19,140)	-	-	-	-	-	(19,140)
NHS Bodies	(4,113)	-	-	-	-	-	(4,113)
Other Entities & Individuals	(40,400)	(2,989)	(3,342)	(2,351)	(588)	(2,617)	(52,286)
Local Tax Payers	(3,549)	-	-	-	-	-	(3,549)
<b>Total</b>	<b>(70,837)</b>	<b>(2,989)</b>	<b>(3,342)</b>	<b>(2,351)</b>	<b>(588)</b>	<b>(2,617)</b>	<b>(82,723)</b>

## G8. Cash and cash equivalents

Cash at bank and in hand	Council	SHP	Encompass	Cognus	SLL	SDEN	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2025	9,476	3,639	-	1,605	335	194	15,249
At 31 March 2024	28,608	4,443	3,000	2,738	29	520	39,338

## G9. Group Usable Reserves

	Balance at 31 March 2023	Transfers Out	Transfers In	Balance at 31 March 2024	Transfers Out	Transfers In	Balance at 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Grants & Contributions Unapplied	(50,193)	21,192	(13,178)	(42,179)	21,902	(2,938)	(23,215)
Capital Receipts Reserve	(21,554)	9,422	(40,010)	(52,142)	39,596	(12,987)	(25,533)
Major Repairs Reserve	(12,993)	12,299	(8,499)	(9,193)	14,641	(9,107)	(3,659)
Housing Revenue Account	(14,294)	12	(5,359)	(19,641)	29	(6,349)	(25,961)
General Reserves – General Fund & Schools	(8,588)	-	(306)	(8,894)	-	(687)	(9,581)
Share of Subsidiaries' Reserves	(3,609)	-	(2,181)	(5,790)	-	2,987	(2,803)
Earmarked Reserves	(37,625)	15,305	(8,332)	(30,652)	4,587	(7,586)	(33,651)
<b>Total Group Usable Reserves</b>	<b>(148,856)</b>	<b>58,230</b>	<b>(77,865)</b>	<b>(168,491)</b>	<b>80,755</b>	<b>(36,667)</b>	<b>(124,403)</b>

## G10. Group Defined Benefit Pension Schemes

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

2023/24			Comprehensive Income and Expenditure Statement (CIES):			2024/25		
LBS	Entities	Total	LBS	Entities	Total			
£'000	£'000	£'000	£'000	£'000	£'000			
Service cost comprising:								
14,576	1,734	16,310	- Current service cost			13,695	1,344	15,039
141	-	141	- Past service cost			2,207	-	2,207
<b>14,717</b>	<b>1,734</b>	<b>16,451</b>				<b>15,902</b>	<b>1,344</b>	<b>17,246</b>
4,593	7	4,600	Net interest expense			1,637	3	1,640
767	75	842	Administration expenses			801	78	879
<b>20,077</b>	<b>1,816</b>	<b>21,893</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>			<b>18,340</b>	<b>1,425</b>	<b>19,765</b>
Other Post Employment Benefit Charged to the CIES								
(51,749)	(3,273)	(55,022)	- Return on plan assets (excluding the amount included in the net interest expense			3,821	737	4,558
(4,263)	(8,103)	(12,366)	- Other Actuarial (gains) and losses arising on assets			(1,216)	7,302	6,086
-	(221)	(221)	- Actuarial (gains) and losses arising on changes in demographic assumptions			-	(66)	(66)
22,748	1,269	24,017	- Experience gain on defined benefit obligation			(8,727)	(376)	(9,103)
(30,050)	(2,221)	(32,271)	- Actuarial (gains) and losses arising on changes in financial assumptions			(103,312)	(6,219)	(109,531)
-	-	-	- Application of asset ceiling			142,928	-	142,928
<b>(63,314)</b>	<b>(12,549)</b>	<b>(75,863)</b>	<b>Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>			<b>33,494</b>	<b>1,378</b>	<b>34,872</b>
<b>(43,237)</b>	<b>(10,733)</b>	<b>(53,970)</b>	<b>Total Post Employment Benefit Charged to the CIES</b>			<b>51,834</b>	<b>2,803</b>	<b>54,637</b>
Movement in Reserves Statement:								
(20,077)	-	(20,077)	Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code			(18,340)	-	(18,340)
19,214	-	19,214	Actual amount charged against the General Fund balance for pensions in year - Employers' contributions payable to scheme			20,663	-	20,663

## G10. Group Defined Benefit Pension Schemes (continued)

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

2023/24						2024/25		
LBS	Entities	Total				LBS	Entities	Total
£'000	£'000	£'000				£'000	£'000	£'000
673,700	55,758	729,458	Present value of defined benefit obligation			(589,168)	(47,472)	(636,640)
21,261	-	21,261	Present value of defined benefit unfunded obligations			(18,009)	(34)	(18,043)
(658,872)	(57,008)	(715,880)	Fair value of plan assets			682,845	47,490	730,335
-	-	-	Application of asset ceiling			(142,928)	-	(142,928)
<b>36,089</b>	<b>(1,250)</b>	<b>34,839</b>	<b>Net Liability arising from defined benefit obligation</b>			<b>(67,260)</b>	<b>(16)</b>	<b>(67,276)</b>

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

2023/24						2024/25		
LBS	Entities	Total				LBS	Entities	Total
£'000	£'000	£'000				£'000	£'000	£'000
<b>686,788</b>	<b>57,153</b>	<b>743,941</b>	<b>Balance at 1 April</b>			<b>694,961</b>	<b>50,054</b>	<b>745,015</b>
14,576	2,282	16,858	Current Service Cost			13,695	1,344	15,039
32,327	2,568	34,895	Interest Cost			33,136	1,812	34,948
4,742	638	5,380	Contributions by Members			4,933	486	5,419
(4,263)	(730)	(4,993)	Actuarial (gains)/losses arising from changes in demographic assumptions			(1,216)	(66)	(1,282)
(30,050)	(6,940)	(36,990)	Actuarial (gains)/losses arising from changes in financial assumptions			(103,312)	(4,791)	(108,103)
22,748	2,467	25,215	Experience gain on defined benefit obligation			(8,727)	(375)	(9,102)
141	-	141	Past Service Cost			2,207	(2)	2,205
(32,815)	(1,680)	(34,495)	Benefits Paid			(29,301)	(1,034)	(30,335)
767	-	767	Administration expenses			801	78	879
<b>694,961</b>	<b>55,758</b>	<b>750,719</b>	<b>Balance at 31 March</b>			<b>607,177</b>	<b>47,506</b>	<b>654,683</b>

## G10. Group Defined Benefit Pension Schemes (continued)

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

2023/24						2024/25		
LBS	Entities	Total				LBS	Entities	Total
£'000	£'000	£'000				£'000	£'000	£'000
<b>588,248</b>	<b>54,558</b>	<b>642,806</b>	<b>Balance at 1 April</b>					<b>658,872</b>
27,734	2,486	30,220	Interest income			31,499	1,809	33,308
Remeasurement gain/loss:								
51,749	3,642	55,391	- Return on plan assets, excluding the amount included in the net interest expense			(3,821)	(737)	(4,558)
19,214	1,706	20,920	Contributions from employer			20,663	1,310	21,973
4,742	638	5,380	Contributions from employees into the scheme			4,933	486	5,419
(32,815)	(1,680)	(34,495)	Benefits Paid			(29,301)	(1,036)	(30,337)
-	(4,212)	(4,212)	Derecognition of surplus (SHP)			-	(5,808)	(5,808)
-	(130)	(130)	Other			-	-	-
<b>658,872</b>	<b>57,008</b>	<b>715,880</b>	<b>Balance at 31 March</b>					<b>682,845</b>

## G11. Group Eliminations

The following adjustments are made in the Group's Movement in Reserves Statement in order to reconcile the General Fund Balance back to its Council position prior to funding basis adjustments being made.

	Memorandum		Usable Reserves							Non-usab le Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2024/25</b>														
Services purchased from Cognus	9,973	-	9,973	-	-	-	-	9,973	-	9,973	(9,973)	-	-	-
Services purchased from Encompass	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan interest from SDEN	(111)	-	(111)	-	-	-	-	(111)	-	(111)	111	-	-	-
Services purchased from SDEN	(167)	-	(167)	-	-	-	-	(167)	-	(167)	167	-	-	-
SLL	1,617	-	1,617	-	-	-	-	1,617	-	1,617	(1,617)	-	-	-
Sutton Housing Partnership	(1,184)		(1,184)	20,004	-	-	-	18,819	-	18,819	(18,819)	-	-	-
Total adjustments between Group Accounts and Council accounts	10,127	-	10,127	20,004	-	-	-	30,131	-	30,131	(30,131)	-	-	-
<b>2023/24 comparative</b>														
Services purchased from Cognus	9,957	-	9,957	-	-	-	-	9,957	-	9,957	(9,957)	-	-	-
Services purchased from Encompass	5,405	-	5,405	-	-	-	-	5,405	-	5,405	(5,405)	-	-	-
Loan interest from SDEN	(126)	-	(126)	-	-	-	-	(126)	-	(126)	126	-	-	-
SLL	(463)	-	(463)	-	-	-	-	(463)	-	(463)	463	-	-	-
Sutton Housing Partnership	(916)	-	(916)	20,189	-	-	-	19,273	-	19,273	(19,275)	-	(2)	(2)
Total adjustments between Group Accounts and Council accounts	13,857	-	13,857	20,189	-	-	-	34,046	-	34,046	(34,048)	-	(2)	(2)

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## 8. Pension Fund Accounts 2024/25

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



Sutton

# Sutton Pension Fund Account for the year ended 31 March 2025

2023/24		2024/25	
	£'000	Note	£'000
Dealings with members, employers and others directly involved in the Fund			
(42,101)	Contributions	7	(45,677)
(6,985)	Transfers in from other pension funds	8	(28,070)
(49,086)			(73,747)
34,654	Benefits	9	42,600
3,385	Payments to and on account of leavers:	10	12,451
38,039			55,051
<b>(11,047)</b>	<b>Net (additions) / withdrawals from dealings with members</b>		<b>(18,696)</b>
Management expenses			
6,096		11	5,294
<b>(4,950)</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>(13,402)</b>
Returns on Investments			
(16,982)	Investment income	12	(16,548)
16	Taxes on income	13	12
(91,525)	(Profit) loss on disposal of investments and changes in the market value of investments	14b	(24,999)
<b>(108,491)</b>	<b>Net (Return)/Loss on Investments</b>		<b>(41,535)</b>
(113,441)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(54,937)
<b>(810,578)</b>	<b>Opening Net Assets of the Scheme</b>		<b>(924,019)</b>
<b>(924,019)</b>	<b>Closing Net Assets of the Scheme</b>		<b>(978,956)</b>

# Sutton Pension Fund Net Assets Statement for the year ended 31 March 2025

2023/24		2024/25	
	£'000		£'000
150	Long term assets		150
908,923	Investment Assets	14	961,849
<b>909,073</b>	<b>Total Net Investments</b>		<b>961,999</b>
17,097	Current Assets	20	18,806
(2,151)	Current Liabilities	21	(1,849)
<b>924,019</b>	<b>Net Assets of the Fund available to fund benefits at the end of the reporting period</b>		<b>978,956</b>

# Notes to the Pension Fund

## PF Note 1 - Description of the Fund

### a) General

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

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

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The LGPS is a contributory defined benefit pension scheme established in accordance with statute, which provides pensions and other benefits for pensionable employees of the London Borough of Sutton and the admitted and scheduled bodies in the Fund. Teachers

are not included as they come within other national pension schemes.

The benefits offered by the LGPS include retirement pensions, early payment of benefits on medical grounds, and payment of death benefits where death occurs either in service or in retirement.

### b) Pension Committee

The Council has delegated all matters relating to the Fund to the Pension Committee. Its core functions include deciding upon the investment strategy, approving policy statements, and monitoring performance. The Committee is made up of six Members of the Council each of whom has voting rights and two other non-voting representatives.

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

### c) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Fund, remain in the Fund or make their own personal arrangements outside the Fund.

Organisations participating in the London Borough of Sutton Pension Fund include:

- Scheduled bodies which are automatically entitled to be members of the fund.
- Admitted bodies, which participate in the fund under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Active Fund employers at 31 March 2025 included the Administering Authority and LEA schools. Other participating organisations were as follows:

<b>Scheduled bodies</b>	<b>Scheduled bodies (cont.)</b>	<b>Admission bodies</b>
Abbey Primary School	• Wallington County Grammar School	ABM Catering (Overton Grange)
Addington Valley Academy	• <i>Wood Field Primary School</i>	Brayborne (Cheam Academies Network)
All Saints Carshalton CofE Primary School	Harris Academy Sutton	Caterlink (2023 Contract)
Beddington Park Academy	Harris Junior Academy Carshalton	Citizens Advice - Sutton
Carew Academy	LEO Academy Trust pool:	CleanTEC Services (Girls' Learning Trust)
Carshalton Boys Sports College	• <i>Brookfield Primary Academy</i>	Cognus
Cheam Academies Network pool:	• <i>Cheam Common Infants' Academy</i>	Cucina Restaurants (Glenthorne School)
• <i>Cheam High School</i>	• <i>Cheam Common Junior Academy</i>	Cucina Restaurants (Wilson's School)
• <i>Oaks Park High School</i>	• <i>Cheam Fields Primary Academy</i>	DB Services (Dorchester Primary)
Cirrus Primary Academy Trust pool:	• <i>Cheam Park Farm Primary Academy</i>	Idverde
• <i>Avenue Primary Academy</i>	• <i>LEO Academy Trust Central Staff</i>	Joskos Solutions (OHCAT)
• <i>Barrow Hedges Primary School</i>	• <i>Manor Park Primary Academy</i>	Junior Adventures Group (Muschamp Primary)

<b>Scheduled bodies</b>	<b>Scheduled bodies (cont.)</b>	<b>Admission bodies</b>
• <i>Cirrus Primary Academy Trust - Central Staff</i>	Orchard Hill College	Olive Dining (Abbey Primary)
• <i>Rushy Meadow Primary Academy</i>	Orchard Hill College Academy Trust - Central Staff	Olive Dining (Dorchester Primary)
• <i>Stanley Park Infants School</i>	Overton Grange School	Orchard Childcare
• <i>Wallington Primary Academy</i>	Sancta Familia Catholic Academy Trust pool:	PlayWise Learning CIC
Girls' Learning Trust pool:	• <i>St Elphege's RC Infants' School</i>	Ridgecrest Cleaning (St Philomena's)
• <i>Carshalton High School for Girls</i>	• <i>St Elphege's RC Junior School</i>	Saba Park Services
• <i>Girls' Learning Trust - Central Staff</i>	Sutton Grammar School	Sports and Leisure Management
• <i>Nonsuch High School for Girls</i>	Sutton Housing Partnership	
• <i>Wallington High School for Girls</i>	The Limes College	
Glenthorne High School	The Link School	
Greenshaw Learning Trust pool:	Wandle Valley Academy	
• <i>Bandon Hill Primary School</i>	Westbourne Primary School	
• <i>Green Wrythe Primary School</i>	Wilson's School	
• <i>Greenshaw High School</i>		
• <i>Tweeddale Primary School</i>		
• <i>Victor Seymour Infants' School</i>		

The following table summarises the membership numbers of the Fund:

<b>2023/24</b>		<b>2024/25</b>	
<b>No.</b>		<b>No.</b>	
62	Number of Employers with active members	67	
Active Members			
2,669	London Borough of Sutton	2,571	
3,637	Scheduled bodies	3,628	
139	Admission bodies	110	
6,445		6,309	
Deferred Members			
5,031	London Borough of Sutton	4,957	
2,114	Scheduled bodies	2,618	
128	Admission bodies	164	
7,273		7,739	
Pensioners (including Dependents)			
4,176	London Borough of Sutton	4,305	
551	Scheduled bodies	649	
83	Admission bodies	127	
4,810		5,081	
<b>18,528</b>	<b>Total</b>	<b>19,129</b>	

#### d) Benefits

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

Key details of the scheme's variants are shown in the table below.

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

A range of other benefits are also provided including early retirement, ill-health pensions and death benefits. Further information is available at <https://www.lgpsmember.org>

#### e) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Under the current scheme members can opt for the 50:50 option where they pay half their contributions for half the benefits.

Employers' contributions are set based on triennial actuarial funding valuations. Employer contribution rates payable from 1 April 2024 were set by the triennial valuation as at 31 March 2022, the results of which were published on 31 March 2023. In 2024/25, employer contribution rates ranged from 0.0% to 32.4% of pensionable pay.

## PF Note 2 - Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2024/25 financial year and its position as at 31 March 2025. The Accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2024/25' (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The continuation of service principle applies and these accounts have consequently been prepared on a going concern basis. The pension fund is a statutory backed scheme and also backed by an administering authority with tax raising powers.

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

on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these Accounts.

### Accruals Concept

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

### Valuation of Investments

Investments are stated at their market values as at 31 March 2025 and are determined as follows:

- All investments priced within the Stock Exchange Electronic Trading Service (SETS), a Recognised or Designated Investment Exchange or

Over-The-Counter market, are valued at the bid-market prices at close of business on the exchange or market on which the investment trades, or at the last trading price recorded.

- Securities which are not covered by the above are valued at their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review.
- The value of Pooled Investment Vehicles have been determined at fair value in accordance with the requirements of the Code and IFRS 13
- Investments held in foreign currency have been valued on the relevant basis and translated into Sterling at the rate ruling at the balance sheet date.
- Transactions in foreign currency are translated into Sterling at the exchange rate ruling at the time of transaction.

# PF Note 3 - Summary of significant accounting policies

## Fund account – revenue recognition

### a) Contribution Income

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

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

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Additional employer's contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

### b) Transfers to and from other schemes

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

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

basis in accordance with the terms of the transfer agreement.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis.

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

### c) Investment income

- Interest income

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

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

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

- Distributions from pooled funds are recognised at the date of issue and accrued at year end if not received at that time. Income on pooled investment vehicles which are held in accumulation share

classes is retained within the pooled investment vehicle and therefore not recognised as investment income. This is reflected in the Change in Market Value of Investments (CIMV).

- Movement in the net market value of investments

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

## Fund account – expense items

### d) Benefits payable

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

### e) Taxation

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

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

## **f) Management Expenses**

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

- **Administrative Expenses**

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

- **Oversight and Governance Costs**

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

- **Investment Management Expenses**

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

An element of the LCIV Global Equity Fund fee is performance related.

Where an investment manager's fee has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account.

Catch-up payments or additional contributions made to equalize an investor's capital position with other investors are recognised as investment management expenses when incurred. Such payments are considered administrative in nature and do not form part of the financial asset's fair value or the investor's capital contribution.

## **Net Assets Statement**

### **g) Financial assets**

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

### **h) Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts,

overseas investments and purchases and sales outstanding at the end of the reporting period.

### **i) Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

### **j) Financial liabilities**

A financial liability is recognised in the net asset statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

### **k) Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits should be disclosed and based on the

requirements of IAS26 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (Note 19).

#### **I) Additional Voluntary Contributions**

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the Pension Fund (see Note 22). AVCs are paid to the

AVC providers by employers, specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement from the AVC provider company showing the amount held in their account and the movements in year.

#### **m) Contingent assets and contingent liabilities**

A contingent asset arises where an event has taken place giving rise to a possible asset

whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

## **PF Note 4 - Critical judgements in applying accounting policies**

Critical judgements are those decisions other than estimation uncertainty that have the most significant impact on the financial statements. They represent decisions about how the authority has applied an accounting policy to a particular transaction, rather than about how that transaction has been valued. There were no such critical judgements made during 2024-25.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Actuarial present value of promised retirement benefits	The calculation of a Local Government Pension Scheme (LGPS) Fund's liabilities is heavily reliant on a range of long-term financial and demographic assumptions. Should these assumptions prove inaccurate, the Fund's reported financial position and, consequently, its funding strategy could be materially affected. These assumptions include the discount rate, future inflation rates (both general and for pension increases), salary growth, and member longevity. Each of these factors plays a crucial role in estimating the present value of future pension payments. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	If the actual long-term investment returns are lower than the assumed discount rate (i.e., the discount rate was set too high), the Fund's liabilities will have been underestimated. This means the Fund would have insufficient assets to meet its future obligations, potentially leading to a higher deficit and requiring increased employer contributions in the future. Conversely, if the discount rate was set too low, liabilities would be overstated, which could mean current contribution rates are higher than strictly necessary. Similarly, underestimating longevity or future salary and pension increases would also lead to an understatement of liabilities, while overestimation would have the opposite effect. The sensitivity of the net Pension Fund liability to a change in assumptions can be measured. For example a 0.1% decrease in the discount rate assumption would result in an approximate increase of £16m in the Fund's pension liability; a one year increase in member life expectancy would increase the liability by approximately £36m and a 0.1% increase in the rate of salary increase would increase the liability by approximately £1m.
Unquoted investments	The assets held by the Pension Fund are managed by fund managers on a pooled basis. Some of these assets are unquoted and values are estimated by fund managers using comparable market data, indices and data from third parties, as well as projected revenue streams associated with the assets. Property, private debt and infrastructure funds do not have published prices, are not regularly traded and have many unobservable inputs feeding into their valuations and so are treated as level 3.	The potential impact of this uncertainty cannot be measured accurately. The total of level 3 funds held by the Pension Fund are valued at £179.1m, and the variation around this value is estimated to be +/- 10%, which equates to +/- £17.9m.

Legal and regulatory uncertainty	<p>Beyond the core actuarial assumptions, the financial position of an LGPS Fund can also be significantly impacted by uncertainties surrounding legal judgments and evolving regulatory landscapes. The Fund may need to make provisions or assumptions about the potential outcomes of ongoing legal cases (such as McCloud or Goodwin) or anticipated changes in pension legislation and guidance. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>If a legal judgment results in a requirement to provide additional benefits or recalculate past service costs more extensively than initially assumed, the Fund's liabilities could see a substantial increase. This would place unexpected strain on the Fund's assets and potentially necessitate higher employer contribution rates to address the recognised shortfall. Conversely, if a feared regulatory change with a negative financial impact does not materialize, or its effect is less severe than anticipated, liabilities might have been overstated. While this scenario is less detrimental, it could mean that past funding decisions were overly cautious.</p>
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## PF Note 6 - Events after the reporting period end

The unaudited Statement of Accounts was authorised for issue by the Strategic Director of Resources (S151 Officer) on 27 June 2025.

At the date of authorisation the Council is not aware of any events that would require adjustment to these statements.

## PF Note 7 - Contributions receivable

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

### By Category

2023/24		2024/25
£'000		£'000
(9,032)	Employees' contributions	(9,602)
	Employers' contributions	
(27,089)	Normal Contributions	(29,022)
(5,801)	Deficit Recovery Contributions	(4,696)
(179)	Augmentation contributions	(2,357)
<b>(33,069)</b>		<b>(36,075)</b>
<b>(42,101)</b>		<b>(45,677)</b>

### By Authority

2023/24		2024/25
£'000		£'000
(24,147)	London Borough of Sutton	(26,646)
(16,829)	Scheduled bodies	(16,624)
(1,125)	Admitted bodies	(2,407)
<b>(42,101)</b>		<b>(45,677)</b>

## PF Note 8 - Transfers in from other pension funds

2023/24		2024/25
£'000		£'000
(6,985)	Individual transfers	(15,570)
-	Group transfers	(12,500)
<b>(6,985)</b>		<b>(28,070)</b>

For the year ending 31 March 2025, an accrual of £12.5m was made due from Croydon Council for the bulk transfer of Idverde.

## PF Note 9 - Benefits payable

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

### By Category

2023/24		2024/25
£'000		£'000
30,397	Pensions	33,558
3,582	Commutation and Lump sum retirement benefits	7,500
675	Lump sum death benefits	1,542
<b>34,654</b>		<b>42,600</b>

By Authority

2023/24		2024/25
£'000		£'000
29,309	London Borough of Sutton	35,032
4,605	Scheduled bodies	6,183
740	Admitted bodies	1,385
<b>34,654</b>		<b>42,600</b>

## PF Note 10 - Payments to and on account of leavers

2023/24		2024/25
£'000		£'000
109	Refunds to members leaving service	124
-	Group transfers	-
3,276	Individual transfers	12,327
<b>3,385</b>		<b>12,451</b>

## PF Note 11 - Management expenses

2023/24	2024/25	
£'000	£'000	
1,080	Administration Expenses	1,249
4,831	Investment Management Expenses	3,778
185	Oversight and Governance	267
<b>6,096</b>		<b>5,294</b>

## PF Note 11a - Investment management expenses

Investment Management Expenses are further analysed below in line with CIPFA Guidance on Accounting for Management Costs in the LGPS. The figures below include management costs and embedded transaction costs deducted from the net asset value or from investment income.

2023/24	2024/25	
£'000	£'000	
4,757	Management Fees	3,210
(174)	Performance Fees	-
8	Custody Fees	15
240	Transaction Costs	553
<b>4,831</b>		<b>3,778</b>

## PF Note 11b - External audit costs

2023/24	2024/25
£'000	£'000
- 2023/2024 & 2024/2025 Pension Fund Audit Fees to be Billed by KPMG *	99
- 2024/2025 Estimated Additional Pension Fund Audit Fees to be Billed by KPMG	12
77 2023/2024 Pension Fund Audit Fees Billed by KPMG	-
(8) 2022/2023 Additional Pension Fund Audit Fees Billed by Grant Thornton **	-
- 2021/2022 Additional Pension Fund Audit Fees Billed by Grant Thornton	32
<b>69</b>	<b>143</b>

\* The 2024/25 Audit fees to be Billed by KPMG includes a scope fee variation of £11,040 relating to the 2023/24 Audit.

\*\* The reversal of an accrual of £8k included in 2022/23 for additional audit fees to be billed by Grant Thornton relating to the 2022/23 audit is included in the 2023/24 Audit Fees figure. Grant Thornton have not billed for these fees during 2023/24 or 2024/25.

## PF Note 12 - Investment income

2023/24	2024/25
£'000	£'000
Pooled Investments:	
(2,939) - Equities	(2,997)
(1,724) - Property	(1,683)
(5,065) - Multi Asset Credit	(6,775)
(821) - Diversified Growth Funds	(412)
- - Private Debt	-
(4,318) - Infrastructure	(1,392)
(2,115) Interest on Cash Deposits	(3,289)
<b>(16,982)</b>	<b>(16,548)</b>

## PF Note 13 - Taxes on income

2023/24		2024/25
£'000		£'000
16	Withholding tax - pooled	12
<b>16</b>		<b>12</b>

## PF Note 14 - Investments

2023/24	Investment Assets	2024/25
£'000		£'000
<b>Pooled Investment Vehicles:</b>		
537,800	Equities	533,272
47,081	Fixed Income	71,885
57,077	Property	68,115
96,689	Multi Asset Credit	104,091
24,038	Diversified Growth Funds	-
64,607	Infrastructure	77,476
31,238	Private Debt	33,515
<b>Other Investment Balances:</b>		
47,030	Cash deposits	73,427
59	Accrued income and recoverable taxes	68
3,304	Amounts receivable for sales of investments	-
<b>908,923</b>	<b>Total Net Investment Assets</b>	<b>961,849</b>

## PF Note 14a - Analysis of Pooled Investment Vehicles

### Pooled Investment Vehicles:

2024/25	ACS	Unit trusts	Unitised insurance policies	OEIC	SICAV	Limited Partnership	Total
	£'000	£'000	£'000	£'000	£'000		£'000
Equities	400,467	-	132,805	-	-	-	533,272
Fixed Income	-	-	71,885	-	-	-	71,885
Property	-	37,961	-	-	15,456	14,698	68,115
Multi Asset Credit	104,091	-	-	-	-	-	104,091
Diversified Growth Funds	-	-	-	-	-	-	-
Infrastructure	-	38,171	-	-	39,305	-	77,476
Private Debt	-	33,515	-	-	-	-	33,515
	504,558	109,647	204,690	-	54,761	14,698	888,354

### Pooled Investment Vehicles:

2023/24	ACS	Unit trusts	Unitised insurance policies	OEIC	SICAV	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	385,153	-	152,647	-	-	537,800
Fixed Income	-	-	47,081	-	-	47,081
Property	-	41,002	-	-	16,075	57,077
Multi Asset Credit	31,678	-	-	65,011	-	96,689
Diversified Growth Funds	24,038	-	-	-	-	24,038
Infrastructure	-	27,234	-	-	37,373	64,607
Private Debt	-	31,238	-	-	-	31,238
	440,869	99,474	199,728	65,011	53,448	858,530

ACS - UK tax transparent collective investment scheme used by the LCIV.

Unit trust - an open-ended investment, where an unlimited number of investors can invest their money into a single fund, that's managed by a dedicated fund manager.

Unitised insurance policies - open-ended investments made available through life assurance companies.

OEIC - "Open-Ended Investment Company" that will issue (or redeem) shares on a regular basis in response to investor demand.

SICAV - "Société d'investissement à capital variable", similar to an OEIC but used in Europe.

Limited Partnership - A limited partnership is a specific type of business partnership that includes at least one 'general partner' and one 'limited partner.'

## PF Note 14b - Reconciliation of movements in investments

2024/25	Value 31 March 2024	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2025
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:					
- Equities	537,800	2,998	(30,977)	23,451	533,272
- Fixed Income	47,081	30,000	(3)	(5,193)	71,885
- Property	57,077	15,973	(5,792)	857	68,115
- Multi Asset Credit	96,689	75,633	(69,507)	1,276	104,091
- Diversified Growth Funds	24,038	412	(25,153)	703	-
- Infrastructure	64,607	15,131	(3,656)	1,394	77,476
- Private Debt	31,238	-	(234)	2,511	33,515
<b>Sub-total Investments</b>	<b>858,530</b>	<b>140,147</b>	<b>(135,322)</b>	<b>24,999</b>	<b>888,354</b>
Other Investment Balances:					
Cash deposits	47,030				73,427
Trade receivables / payables	3,304				-
Accrued income and recoverable taxes	59				68
<b>Net Investment Assets</b>	<b>908,923</b>			<b>24,999</b>	<b>961,849</b>

2023/24	Value 31 March 2023	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:					
- Equities	441,963	155,458	(153,360)	93,739	537,800
- Fixed Income	50,531	-	(2)	(3,448)	47,081
- Property	49,712	12,503	(1,716)	(3,422)	57,077
- Multi Asset Credit	86,140	5,064	(368)	5,853	96,689
- Diversified Growth Funds	95,660	822	(72,625)	181	24,038
- Infrastructure	55,808	13,458	(894)	(3,765)	64,607
- Private Debt	27,533	1,575	(257)	2,387	31,238
<b>Sub-total Investments</b>	<b>807,347</b>	<b>188,880</b>	<b>(229,222)</b>	<b>91,525</b>	<b>858,530</b>
Other Investment Balances:					
Cash deposits	43				47,030
Trade receivables / payables	-				3,304
Accrued income and recoverable taxes	71				59
<b>Net Investment Assets</b>	<b>807,461</b>			<b>91,525</b>	<b>908,923</b>

## PF Note 14c - Investments analysed by fund manager

The market value of the investment assets under the management of each fund manager as at 31 March 2025 is shown below.

31 March 2024			31 March 2025		
Market Value	% of total	Fund Manager	Market Value	% of total	
£'000	%		£'000	%	
<b>Investments managed by London Collective Investment Vehicle</b>					
24,038	2.8%	LCIV Diversified Growth Fund (Baillie Gifford)	-	0.0%	
130,377	15.2%	LCIV Global Equity Fund (Newton)	136,270	15.3%	
130,096	15.2%	LCIV Sustainable Equity Fund (RBC)	131,976	14.9%	
31,678	3.7%	LCIV Multi Asset Credit Fund (CQS, Pimco)	104,091	11.7%	
31,238	3.6%	LCIV Private Debt Fund (Pemberton, Churchill)	33,515	3.8%	
27,234	3.2%	LCIV Renewable Infrastructure (BlackRock, Stonepeak, Quinbrook, and Foresight)	38,171	4.3%	
124,680	14.5%	LCIV Passive Equity Progressive Paris Aligned Fund (State Street Global Advisors Limited)	132,221	14.9%	
11,944	1.4%	LCIV The London Fund (LPPI)	14,698	1.7%	
100	0.0%	LCIV UK Housing Fund (CBRE)	12,945	1.5%	
152,647	17.8%	Legal & General - Future World Global Equity Index Fund	132,805	14.9%	
47,081	5.5%	Legal & General Over 5 Year Index Linked Gilts Fund	71,885	8.1%	
711,113	82.8%		808,577	91.1%	
<b>Investments managed outside of London Collective Investment Vehicle</b>					
65,011	7.6%	M&G Alpha Opportunities Fund	-	0.0%	
9,737	1.1%	LaSalle Investors UK Real Estate Fund of Funds	4,463	0.5%	
19,221	2.2%	BlackRock UK Property Fund	20,553	2.3%	
16,075	1.9%	Invesco Real Estate UK Residential Fund SCSp	15,456	1.7%	
37,373	4.4%	Partners Group Direct & Global - various	39,305	4.4%	
147,417	17.2%		79,777	8.9%	
<b>858,530</b>	<b>100.0%</b>	<b>Total</b>	<b>888,354</b>	<b>100.0%</b>	

## PF Note 15 - Fair value – basis of valuation

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

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

### **Level 1**

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

### **Level 2**

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

### **Level 3**

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

<b>Description of asset</b>	<b>Valuation hierarchy</b>	<b>Basis of valuation</b>	<b>Observable and unobservable inputs</b>	<b>Key sensitivities affecting the valuations provided</b>
Market quoted investments - equities	Level 1	Recognised at market value	Not required	Not required
Market quoted investments - pooled equities and bonds	Level 1	Published bid market price on final day of the accounting period	Not required	Not required
Pooled investments - equities and bonds	Level 2	Closing bid price where bid price published. Closing single price where single price published	NAV based pricing set on a forward pricing basis. Evaluated price feeds	Not required
Pooled property investments where regular trading does not take place	Level 3	Fair value as determined by independent valuers	NAV based pricing set on a forward pricing basis. Unobservable inputs include rental income and gross yield	Valuations of underlying properties could be affected by a range of variables, including changes to estimated rental growth, vacancy levels and construction costs
Pooled infrastructure investments	Level 3	EBITDA multiples, discounted cashflows, market comparable companies, replacement costs and adjusted net asset values	Discount factors, recent transaction prices, reported net asset values and fair value adjustments	Valuations could be affected by a range of variables, such as changes to expected cashflows, or the difference between audited and unaudited accounts
Pooled private debt investments	Level 3	Valued by underlying investment managers	NAV based pricing with many unobservable inputs	Valuations could be affected by a range of variables, such as the quality of underlying collateral, or varying liquidity

## Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025 and 31 March 2024.

2024/25	Potential variation in fair value	Value at 31 March 2025	Potential value on increase	Potential value on decrease
	+/-	£'000	£'000	£'000
Pooled Investment Vehicles:				
- Property	10%	68,115	74,926	61,303
- Infrastructure	10%	77,476	85,224	69,728
- Private Debt	10%	33,515	36,867	30,164
<b>Total</b>		<b>179,106</b>	<b>197,017</b>	<b>161,195</b>

2023/24	Potential variation in fair value	Value at 31 March 2024	Potential value on increase	Potential value on decrease
	+/-	£'000	£'000	£'000
Pooled Investment Vehicles:				
- Property	10%	57,077	62,785	51,369
- Infrastructure	10%	64,607	71,068	58,146
- Private Debt	10%	31,239	34,363	28,115
<b>Total</b>		<b>152,923</b>	<b>168,216</b>	<b>137,630</b>

All movements in the assessed valuation range derive from changes in the net asset value of the underlying property, infrastructure, private debt and real estate assets. The range in potential movement of 10% is caused by how this value is measured.

## PF Note 15a - Fair value hierarchy

31 March 2024				31 March 2025			
Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
385,153	152,647		537,800	Equities	400,467	132,805	533,272
	47,081		47,081	Fixed Income		71,885	71,885
		57,077	57,077	Property			68,115
	96,689		96,689	Multi Asset Credit		104,091	104,091
	24,038		24,038	Diversified Growth Funds		-	-
		64,607	64,607	Infrastructure		77,476	77,476
		31,238	31,238	Private Debt		33,515	33,515
47,030		47,030	Cash		73,427		73,427
<b>432,183</b>	<b>320,455</b>	<b>152,922</b>	<b>905,560</b>	<b>Financial Assets at fair value through profit and loss</b>	<b>473,894</b>	<b>308,781</b>	<b>179,106</b>
							<b>961,781</b>

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

2024/25	Value 31 March 2024	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2025
	£'000			£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Property	57,077	-	-	15,973	(5,792)	857	68,115
- Infrastructure	64,607	-	-	15,131	(3,656)	1,394	77,476
- Private Debt	31,238	-	-	-	(234)	2,511	33,515
<b>Total</b>	<b>152,922</b>	-	-	<b>31,104</b>	<b>(9,682)</b>	<b>4,762</b>	<b>179,106</b>

2023/24	Value 31 March 2023	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2024
	£'000			£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Property	49,712	-	-	12,504	(1,716)	(3,423)	57,077
- Infrastructure	55,808	-	-	13,458	(894)	(3,765)	64,607
- Private Debt	27,533	-	-	1,574	(257)	2,388	31,238
<b>Total</b>	<b>133,053</b>	-	-	<b>27,536</b>	<b>(2,867)</b>	<b>(4,800)</b>	<b>152,922</b>

## PF Note 16a - Classification of financial instruments

2023/24			2024/25		
Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Financial Assets</u></b>					
Pooled Investment Vehicles:					
537,800		Equities	533,272		
47,081		Fixed income	71,885		
57,077		Property	68,115		
96,689		Multi Asset Credit	104,091		
24,038		Diversified Growth Funds	-		
64,607		Infrastructure	77,476		
31,238		Private Debt	33,515		
60,960		Cash deposits and accrued income	75,431		
3,304		Amounts receivable for sales of investments	-		
3,226		Sundry debtors	16,870		
<b>858,530</b>	<b>67,490</b>	-	<b>888,354</b>	<b>92,301</b>	-
<b><u>Long Term Assets</u></b>					
150		London CIV share capital	150		
<b>858,530</b>	<b>67,640</b>	-	<b>888,354</b>	<b>92,451</b>	-
<b><u>Financial Liabilities</u></b>					
-	-	(2,151)	Creditors	-	(1,849)
-	-	(2,151)		-	(1,849)
<b>858,530</b>	<b>67,640</b>	<b>(2,151)</b>	<b>Total</b>	<b>888,354</b>	<b>92,451</b>
					<b>(1,849)</b>

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

2023/24		2024/25
£'000		£'000
<b>Financial Assets</b>		
91,525	Designated at fair value through profit and loss	24,999
	Designated at amortised cost	-
<b>91,525</b>		<b>24,999</b>

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

### Key risks

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

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

### Overall Procedures for Managing Risk

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

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

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

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

### a) Market risk

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

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

### Other price risk

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

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

### Other price risk – sensitivity analysis

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

### Interest rate risk

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

### Interest rate – risk sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets, but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances, but they will affect the interest income received on those balances.

Assets exposed to interest rate risk:

2024/25	Asset Values at 31 March 2025	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash	75,431	75,431	75,431
Fixed interest bonds	47,465	46,113	48,818
Variable rate bonds	18,232	17,713	18,752
<b>Total</b>	<b>141,128</b>	<b>139,257</b>	<b>143,001</b>

2024/25	Interest receivable 31 March 2025	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Cash	(3,289)	(3,321)	(3,256)
Fixed interest bonds	2,182	2,182	2,182
Variable rate bonds	2,604	3,001	2,949
<b>Total</b>	<b>1,497</b>	<b>1,862</b>	<b>1,875</b>

2023/24	Asset Values at 31 March 2024	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash	60,960	60,960	60,960
Fixed interest bonds	65,484	63,585	67,383
Variable rate bonds	31,205	30,352	32,058
<b>Total</b>	<b>157,649</b>	<b>154,897</b>	<b>160,401</b>

2023/24	Interest receivable 31 March 2024	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Cash	(2,115)	(2,136)	(2,094)
Fixed interest bonds	3,259	3,259	3,259
Variable rate bonds	1,806	1,932	1,896
<b>Total</b>	<b>2,950</b>	<b>3,055</b>	<b>3,061</b>

### Currency risk

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

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

### Currency risk – sensitivity analysis

Following analysis of historical data, the council considers the likely volatility associated with foreign exchange rate movements to be 10%. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following table summarises the Fund's currency exposure as at 31 March 2025, along with the impact that a 10% strengthening / weakening of the pound against the various currencies in which the Fund holds investments would have on the values.

The value on increase and value on decrease for an individual currency exposure is calculated with reference to that currency's volatility, relative to GBP, over the three years to March 2025. Given that currency changes are not necessarily correlated it is not appropriate to sum the outputs from each currency. In calculating the increase and decrease at a total fund level, it is necessary to establish the change in value of the aggregate of currencies held. It is this change that is applied to the overall currency exposure.

Value as at 31/03/2024	Value on 10% price increase	Value on 10% price decrease	Currency Exposure - Asset Type	Value as at 31/03/2025	Value on 10% price increase	Value on 10% price decrease
£'000	£'000	£'000		£'000	£'000	£'000
37,373	41,110	33,635	Overseas infrastructure	39,305	43,235	35,374
<b>37,373</b>	<b>41,110</b>	<b>33,635</b>	<b>Total assets available to pay benefits</b>	<b>39,305</b>	<b>43,235</b>	<b>35,374</b>

## Other Price Risk -Sensitivity Analysis

Value as at 31/03/2024	Change +/-	Value on increase	Value on decrease	Asset Type	Value as at 31/03/2025	Change +/-	Value on increase	Value on decrease
£'000	%	£'000	£'000		£'000	%	£'000	£'000
537,800	18.4	636,755	438,845	Equities	533,272	18.7	632,994	433,550
47,081	10.1	51,836	42,326	Fixed income	71,885	10.2	79,217	64,552
57,077	14.8	65,525	48,630	Property	68,115	12.1	76,357	59,873
96,689	10.9	107,228	86,150	Multi Asset Credit	104,091	9.4	113,875	94,306
24,038	10.6	26,586	21,490	Diversified Growth Funds	-	10.0	-	-
64,607	14.4	73,911	55,304	Infrastructure	77,476	10.3	85,457	69,496
31,238	10.6	34,549	27,927	Private Debt	33,515	10.4	37,001	30,030
Cash					0.7			
<b>858,530</b>	<b>996,390</b>	<b>720,672</b>		<b>Total</b>	<b>888,354</b>		<b>1,024,901</b>	<b>751,807</b>

### b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Pension Fund has selected bond managers who have an investment strategy

that requires investment only in high investment grade and collateralised products and who use research and market knowledge to minimise exposure to credit risk. The Pension Fund uses a custodian to ensure that all money due is paid in full and on time. Internally invested cash is placed in an interest bearing account with the Council's bankers.

### c) Liquidity risk

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

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

## PF Note 18 - Funding arrangements

### Description of Funding Policy

Rates of contributions paid by the participating Employers during 2024/25 were based on the actuarial valuation carried out as at 31 March 2022 by the Fund's actuary, Hymans Robertson. The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated April 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term);
- where appropriate, ensure stable employer contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy; and
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of three years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £854 million, were sufficient to meet 101% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £6 million. The following table shows a summary of the results of the 2022 valuation;

Past Service Position	31/03/2022
	£m
Past Service Liabilities	(848)
Market Value of Assets	854
Surplus (Deficit)	6
<b>Funding Level</b>	<b>101%</b>

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

## **Principal Actuarial Assumptions and Method used to value the liabilities**

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

### **Method**

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

### **Assumptions**

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The valuation was undertaken using principal assumptions as follows;

<b>Financial Assumptions</b>	<b>31/03/2022</b>
	<b>Nominal</b>
Discount Rate	4.3%
Salary Increases	2.7%
Pension Increases	2.7%

Assumed life expectancies at age 65 is as follows;

<b>Demographic Assumptions</b>	<b>31/03/2022</b>
Male pensioners	22.1
Male non-pensioners	23.0
Female pensioners	24.8
Female non-pensioners	26.0

The full financial assumptions adopted for the 2022 valuation are contained within the 2022 valuation report and Funding Strategy Statement which are available on request from the Administering Authority to the Fund.

### **Experience over the period since 31 March 2022**

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

## PF Note 19 - Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18). The actuary has also used valued ill health and death benefits in line with IAS 19.

31 March 2024		31 March 2025	
£'m		£'m	
(908)	Actuarial present value of promised retirement benefits	(787)	
924	Net fund assets available to fund benefits	979	
<b>16</b>	<b>Net Asset/Liability</b>	<b>192</b>	

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 18) because IAS 19 stipulates a discount rate, rather than a rate which reflects market rates.

Other key assumptions used are set out in the table below:

2023/24		2024/25	
%		%	
2.8	Pension increase rate (CPI)	2.8	
2.8	Salary increase rate	2.8	
4.8	Discount rate	5.8	

## PF Note 20 - Current assets

31 March 2024		31 March 2025
£'000		£'000
2,716	Contributions	2,943
510	Other debtors	13,927
13,871	Cash at Bank	1,936
<b>17,097</b>	<b>Total Current Assets</b>	<b>18,806</b>

## PF Note 21 - Current liabilities

31 March 2024		31 March 2025
£'000		£'000
-	Transfers out	-
(909)	Benefits Payable	(211)
(1,242)	Current payables	(1,638)
<b>(2,151)</b>	<b>Total Current Liabilities</b>	<b>(1,849)</b>

## PF Note 22 - Additional voluntary contributions

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

The Council's approved AVC providers are Clerical Medical and Utmost (formerly Equitable Life). These are money purchase arrangements reported annually on 31 March. Total contributions paid by members in Clerical Medical during 2024/25 were £257k (£192k in 2023/24), as below. There are no active contributors with Utmost.

31 March 2024	31 March 2025
£'000	£'000
192      Clerical Medical	257
<b>192</b>	<b>257</b>

At 31 March 2025, the total estimated value of the AVC funds with Clerical Medical and Utmost was £1,138k (£1,078k at 31 March 2024).

## PF Note 23 - Related party transactions

The Council is a related party to the Fund and in accordance with the regulations the Council's expenses in administering the Scheme are charged to the Fund. The amount charged by the Council for 2024/25 was £1,237,912 (£1,102,752 in 2023/24)

One of the Councillors voting on the Pension Committee was a member of the Pension Fund at 31 March 2025.

The key management personnel for the Pension Fund are the same as for the Council as a whole. Their costs have been reasonably apportioned between the Pension Fund Accounts and the Authority's Accounts, and are within scheme administration expenses as above. Extra disclosure can be seen in the Authority's accounts under the notes related to Senior Officers remuneration and Related Party Transactions.

## PF Note 23a - Key Management Personnel Remuneration

The key management personnel for the Pension Fund are the Section 151 Officer, the Director of Finance, the Head Pensions Administration and the Head of Pension Investments at London Borough of Sutton. Their costs have been reasonably apportioned between the Pension Fund Accounts and the Authority's Accounts and are given in the table below. The short-term benefits shown below are also included within administration expenses in Note 11. The post-employment benefits shown below are included in the calculation of the actuarial fair value of promised retirement benefits in Note 19.

31 March 2024		31 March 2025
£'000		£'000
126	Short-term benefits	106
202	Post-employment benefits	135
<b>328</b>		<b>241</b>

## PF Note 24 - Contingent liabilities and contractual commitments

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. On 2 September 2025, the Government published draft amendments to the Pensions Scheme Bill which would give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards. The draft legislation will need to be agreed by both Houses of Parliament before it passes into law.

It was not previously clear whether the Virgin Media ruling would apply to the LGPS but, following the publication of draft legislation, we do not now expect the ruling to give rise to any additional liabilities.

There are no outstanding contractual commitments and no material relating non-adjusting events occurring subsequent to the period end.

Outstanding capital commitments (investments) at 31 March 2025 were £95.5m (127.8m at 31 March 2024). These commitments relate to outstanding call payments due on the private debt, property and infrastructure funds within the portfolio. The amounts "called" by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

## PF Note 25 - Events after the Balance Sheet date

At the end of December 2025, prior to the conclusion of the audit, one of the Fund's property investment managers, Invesco Real Estate UK Residential Fund, entered into voluntary liquidation. Additionally, it came to light that significant remedial works are required at one of the properties in the fund's portfolio. This has resulted in the net asset value of the fund having been revised downwards by £2.127m.

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# 9. Annual Governance Statement 2024/25

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

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



# Annual Governance Statement

This statement from the Leader and the Chief Executive provides assurance to all stakeholders that within Sutton Council processes and systems have been established, which ensure that decisions are properly made and scrutinised, and that public money is being spent economically and effectively to ensure maximum benefit to all residents of the borough.

## 1. Scope of responsibility

**1.1** Sutton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

**1.2** The Accounts and Audit (England) Regulations 2015 require the council to prepare an AGS, which must accompany the Statement of Accounts. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

**1.3** In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk and performance. The review of the effectiveness is informed by the work of senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by

comments made by external auditors and other review agencies and inspectors.

**1.4** This statement explains how the Council has complied with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* (2016). The Guidance has identified seven core principles supported by a further 21 sub-principles against which local authorities should measure their compliance. The outcomes of such a review provides the key issues for Members to consider in relation to the production and content of the AGS.

## 2. The governance framework

**2.1** The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of sustainable economic, social and environmental benefits for its residents

**2.2** The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact

should they occur, and to manage them efficiently, effectively and economically.

**2.3** The governance framework has been in place across the Council for the year ended 31 March 2025 and up to the date of approval of the Statement of Accounts.

**2.4** In October 2024, the council participated in a Corporate Peer review, organised by the Local Government Association (LGA). The Peer review involves a team of experienced council officers and councillors from other local authorities to review the vision, priorities and plans, finance, performance and governance information, to provide challenge and share learning. The final report was issued in November 2024. The report noted 'Sutton is a well-performing council with a good record of delivery, supported by an engaged workforce, and a healthy organisational culture with a clear commitment to serving its residents'. There were 11 recommendations covering:

- Brand Sutton
- Financial resilience and reserves
- Inward investment strategy
- Communication and engagement strategy
- Community and Faith Sector (CFCS) and commissioning
- Governance and oversight of outsourced services and council companies
- Different operating models in housing
- Residents' survey
- Prioritisation and resource allocation
- Housing Revenue Account
- Development of the digital strategy

## Annual Governance Statement (continued)

**2.5** The Council has produced an action plan setting out how the recommendations will be progressed, this was approved by the Strategy and Resources Committee in February 2025. The plan details a number of actions to deliver under each recommendation, indicative timescales for this work, and Strategic leads who will be responsible for delivery (Strategic Director, Director and Head of Service). The council will need to prepare a progress review with published findings within twelve months. The Peer team will revisit the council in September 2025, to review progress. The outcome of this will be reported to the Strategy and Resource Committee.

### REVIEW OF EFFECTIVENESS

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

**2.7** Maintaining the effectiveness of the corporate governance framework involves the key member and officer roles outlined below, namely:

The Chief Executive, Section 151 Officer, Monitoring Officer, Audit and Governance Committee, Scrutiny Committee.

**2.8** The review was informed by:

- Constitution and member oversight, delegations.
- Member and officer conduct and development.
- A self assessment provided by each Strategic Director and Director commenting on the effectiveness of the Council's governance arrangements generally and how they impacted on their service areas. These included consideration of the effectiveness of internal controls.
- The annual report of the Head of Internal Audit, to members on the adequacy and effectiveness of the system of internal control, risk management and governance arrangements.

- The risk management strategy and guidance and regular review and oversight of the Corporate risk register
- An annual report of the effectiveness of the Audit and Governance Committee for 2024/25 (July 2025 committee).
- Financial scrutiny and oversight including - Cipfa Financial Management Code assessment and CIPFA Financial Resilience Index
- The Council's external auditors review.
- LGA Peer challenge of Adult Social Care (July 2024)
- LGA Corporate Peer review (October 2024)
- Ofsted
- Regular meetings of the Statutory Officers Group (CEX, s151 and MO)

## Annual Governance Statement (continued)

### 3. Overview of the Council's Governance framework

The Full Council	<p>Sets the policy and budgetary framework and is responsible for the appointment of the Mayor, Members to Scrutiny, other Committees and local committees. It also adopts the Code of Conduct for Councillors, agrees to any changes to the Council's constitution and terms of reference for committees, panels and other member bodies and undertakes any other functions which are reserved to Council either by Statute or the Council's Constitution..</p> <p>Full Council delegates various functions to Committees, Sub-Committees and to Officers for the efficient conduct of business</p>
Scrutiny and governance oversight	<p><b>Standing Committees</b> are appointed on a politically proportionate basis. As well as taking strategic decisions these committees have an overview of the performance of Council services and receive regular performance updates.</p> <p><b>The Scrutiny Committee</b> is formally established to undertake the Council's statutory scrutiny responsibilities in respect of health; crime and disorder and flood risk management. Scrutiny Committee also has the ability to explore matters relating to Sutton Council's services and wider partnership issues which have been referred for consideration by the chairs of standing and local committees or suggested by Scrutiny Committee members.</p> <p><b>The Audit and Governance Committee</b> is a key component of the Council's corporate governance. The committee provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. It also acts as the Council's Standards Committee and reviews the governance of that function and promotes and maintains high standards of conduct by councillors. An annual review of this committee was undertaken in 2024/25 against the: Practical Guidance for Local Authorities and Police (CIPFA, 2013), and found to be compliant.</p>
Decision Making	<p>All decisions are made in compliance with law and the councils Constitution</p> <p>A 'Forward Plan' is published, detailing decisions expected to be taken by Standing Committees.</p> <p>Meetings are held in public, standing committees are live streamed and audio recordings of other meetings are available on the Council's website.</p> <p>All decisions are published on the Council's website and all the minutes of the committees are published including any reports discussed.</p>

## Annual Governance Statement (continued)

### Overview of the Council's Governance framework (Cont)

Corporate Management Team	<p>Council's senior management team, consisting of the Chief Executive, four Strategic Directors and Director of Children's Services and the Monitoring Officer:</p> <p>The Chief Executive (Head of Paid Service). responsible for all council staff and responsible for deciding how executive decisions are implemented.</p> <p>The role of the corporate management team, including the statutory chief officers, such as the Head of Paid Service, (Chief Executive) and the Section 151 officer, as well as the Monitoring Officer, is to support Members in the policy and decision-making process by providing assessments and advice to ensure that decision making is rigorous, lawful and risk based.</p>
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## Annual Governance Statement (continued)

### 4. Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

#### Behaving with integrity

4.1 The Council ensures high standards of conduct for Members and Officers through its Constitution, Member Code of Conduct, and Officer Code of Conduct. The Codes of Conduct outlines the standards expected to be upheld in public life. Such guidance, based upon the Seven [Nolan] Principles of Public Life and other best practice, establishes an expectation about what public service is and ought to be, both for the elected members and officers upholding these ethical standards and the public whom they serve

4.2 The Member Code of Conduct, includes a requirement for members and co-opted voting members to declare any interests; this applies upon election or appointment. A report on the Operation of the Code of Conduct is provided to the Audit and Governance Committee on a bi-annual basis. In 2024/25. The A&G committee considered updates to the member complaints procedures which were agreed by Council in January 2024. Gifts and hospitality for members are recorded with their declarations and published online.

4.3 The Ministry of Housing, Communities and Local Government (MHCLG) published a Consultation: 'Strengthening the standards and conduct framework for local authorities in England' launched on 18 December 2024 and closed on 26 February 2025. Key proposals included a mandatory minimum code of conduct, a formal standards committee with clearer procedures, enhanced

transparency in handling complaints, and increased powers to suspend or disqualify councillors for misconduct. This was considered by the Audit and Governance Committee and a response to the consultation was submitted on behalf of the Council. The council are currently awaiting the outcome of this review. Any changes required will be undertaken in the required timescale.

4.4 The Officer Code of Conduct is given to all new officers upon their appointment, and annual reminders are issued to all employees regarding the need to comply with specific requirements. These requirements include formally recording declarations of interest and declaring any offers of gifts or hospitality. Officers are reminded to complete a new declaration of interest form when their circumstances change, as these declarations are required annually. An audit review on officers gifts and hospitality was undertaken in 2024/25, this provided a reasonable assurance, with actions to improve the reminders to employees and to strengthen the decision making process.

4.5 The anti-fraud and corruption strategy and Whistle blowing policy was reviewed in November 2023. The Head of Fraud presents bi-annual reports on their effectiveness, outcomes, and use to the Audit and Governance Committee. These policies are available online.

4.6 Corporate and service-specific complaints policies are published on the website. The Corporate Management Team receives regular reports on the

number of complaints upheld at Stage 1 and 2. The council is making more information readily available to customers online. Outcome of ombudsman complaints are reported regularly to the Strategy and Resources Committee.

#### Demonstrating strong commitment to ethical values

4.7 The Audit and Governance Committee, along with the Council's Monitoring Officer, establishes, monitors and maintains the organisation's ethical standards and performance, reporting to full Council, as necessary. The committee deals with allegations of breaches of the Member Code and issues reminders/advice notes to Members where issues of conduct cause concern.

4.8 A major review of all the Human Resources policies & procedures was undertaken in 2024/25. The policies for revision undergo extensive discussion with relevant groups within the council and with trade unions before the final version is presented to Members for their approval, only when approved are policies published, and details communicated to officers.

4.9 The Council achieved Silver Trailblazer accreditation for race equality. This certification recognises the actions taken to create a more inclusive workplace and support diverse communities

## Annual Governance Statement (continued)

### Respecting the rule of law

4.10 The Council's arrangements for decision making and conduct of its statutory functions are contained in its Constitution. The Council's Constitution sets out how decisions are made and the procedures that are followed to evidence open and transparent policy and decision making and compliance with established policies, procedures, laws and regulations. The Monitoring Officer completes an annual review of the Council's Constitution and to ensure its aims and principles are given full effect.

4.11 The Council's Constitution sets out the roles and responsibilities of Members and senior officers. The role of the corporate management team, including the statutory chief officers, such as the Head of Paid Service, (Chief Executive) and the Section 151 officer, as well as the Monitoring Officer, is to support Members in the policy and decision-making process by providing assessments and advice to ensure that decision making is rigorous, lawful and risk based.

4.12 The Chief Executive's appointment is made by the Full Council, and any disciplinary actions or

dismissals concerning statutory officers are handled following legal requirements. These requirements ensure that officers can carry out their duties as outlined by laws and regulations. The Appointments Sub-Committee are responsible for decisions regarding the appointment and dismissal of Chief Officers and Deputy Chief Officers. A Statutory Officers Group convenes monthly to guarantee statutory compliance. This group takes both a proactive and retrospective approach in supporting the organisation and Statutory Officers in fulfilling their roles.

4.13 Decisions are made by the Full Council, committees, and officers under delegated authority, all in accordance with relevant statutory requirements and the Council Constitution. The Council Constitution is regularly reviewed, updated, and accessible online.

4.14 Any breaches of law or financial regulations can be reported to the Full Council by the relevant statutory officer. However, no such reports were necessary in 2024/25. Statutory officers are present at Council, Strategy and Resources committee and Audit and Governance committee meetings to provide guidance and ensure that laws and regulations are

upheld.

4.15 There are currently two government consultation papers outstanding relevant to Council governance, one covers remote committee meetings and the other on improving sanctions in the members Code of Conduct. The Government have recently published their response on remote participation and proxy voting, making proposals to significantly change the current provisions to allow both these proposals. No draft legislation or timetable has yet been published. Any recommended action from these will be considered by the Council during 2025/26.

4.16 The Local Government Association released a Councillors' guide on an improvement and assurance framework in August 2024, to support local authorities to develop the effectiveness of their own assurance and to reduce the risk of failure, it is intended as a useful tool to assist Councillors and Officers in fulfilling their roles effectively. A self-assessment against the LGA expectations found the council to be compliant, but suggested that the Audit and Governance Committee receive an annual report on lessons learned from corporate complaints (agreed at December 2024 A&G committee).

## Annual Governance Statement (continued)

### 5. Principal B Ensuring openness and comprehensive stakeholder engagement

5.1 The council's six Local Committees are established forums for engaging with communities, however the attendance at these committees is low. In 2025/26 the Scrutiny Committee is conducting a review of the Local Committee model, drawing on best practices from other councils to assess their value and identify opportunities for improvement.

5.2 The council effectively partners with various organisations, with various governance arrangements in place. Formal and informal partnerships allow for resources to be used more efficiently, and outcomes achieved more effectively; key partnerships include the Safeguarding Children Partnership, Safeguarding Adults Board (SAB), Multi-Agency Risk Assessment Conference (MARAC) and the Community Safety Partnership (CSP). Strong partnership structures, like the Safer Sutton Partnership and the Sutton Health

and Care Alliance, and involvement with the Metropolitan Police and the London Fire Brigade in key governance boards, demonstrate productive working relationships.

5.3 During the LGA Peer review feedback from Charity, Faith and Community Sector (CFCS) organisations highlighted a need for more joined-up working and earlier involvement in service change. The LGA peer team recommended refreshing the joint Compact with the CFCS, prioritising co-production and early collaboration.

5.4 The council engaged residents through the 'Stronger Sutton Conversation' in 2021. The last benchmarkable residents' survey was conducted in 2018. The LGA peer team recommended conducting

a borough-wide survey to understand residents' priorities, satisfaction levels, and feedback to inform council strategies and decision-making.

5.5 Currently, there is no dedicated communications and engagement strategy in place to proactively promote Sutton's successes and outcomes. The LGA Peer review recommended developing such a strategy to strengthen connections with residents, businesses, and stakeholders, and to promote Sutton's achievements, including those related to its STEM excellence and regeneration projects.

5.6 All the recommendations from the peer review are being taken forward, with a clear action plan monitoring framework in place. A follow up visit is due in September 2025.

## Annual Governance Statement (continued)

### Shared Service arrangements

5.7 Shared Services are in place with the Royal Borough of Kingston in the following areas:- Highways & Transport, HR, IT, Regulatory Services, Finance and Pension Administration Services. The governance arrangements in place between the two councils are; Bi annual Shared Services Strategic meetings between the Sutton Chief Executive, Kingston Chief Executive, Strategic Director Resources Sutton, Executive Director Corporate and Communities Kingston and Strategic Director Environment Housing & Neighbourhoods Sutton. Separate bi monthly meetings are held with Directors in HR, IT, Finance and Highways for Kingston and Sutton.

5.8 During 2024/25 the decision was made to separate the Customer Service shared service team back to Sutton and Kingston. Staff were TUPE transferred back to Sutton Council on the 1st May 2025.

5.9 The South London Waste Partnership (SLWP) comprises Sutton, Kingston, Merton and Croydon for waste disposal services. There is a joint committee with councillor representatives from each London Borough. One meeting was held in 2024/25 to discuss contract performance, communication and engagement and budgets.

5.10 The arrangements for the waste collection and street cleansing service changed at the end of March 2025 when the contract through the SLWP with Veolia

ended. Sutton Council awarded a new contract with Veolia from April 2025. To support the delivery of waste services under the new contract, an area was redeveloped on council owned land for a Waste Depot. The governance arrangements in place at Sutton include the Environmental, Housing and Neighbourhood Programme Board, to oversee the project and regular briefings to the Environment and Sustainable Transport Committee.

5.11 The Council has other Shared Service arrangements with 4 other councils, Kingston, Merton, Richmond and Wandsworth for the Shared Legal partnership (SLLP), Internal Audit and Fraud. The governance arrangements for these services are managed through a Shared Service Boards (SSB) comprising senior officers from each of the Councils. The boards meet at least four times a year. Each board meeting provides an opportunity to focus upon key areas of shared service delivery. Alongside looking at performance, monitoring and supporting key delivery priorities and issues. An external review of the current operating model of SLLP has recently been jointly commissioned by the partners.

### Sutton Housing Partnership

5.12 The Sutton Housing Partnership (SHP) is a wholly owned subsidiary of the London Borough of Sutton. It was created in 2006 as an Arms Length Management Organisation (ALMO) to manage and improve the Council's housing stock and estates. A Management Agreement between

the Council and SHP sets out the governance arrangements in place (A new 10 year management agreement took effect from 1 April 2019).

5.13 Operational Protocols set out defined responsibilities and standards including activities carried out by other organisations or by Council owned companies (e.g. Sutton Living).

5.14 The Housing Economy and Business (HEB) Committee is responsible for strategic oversight of housing services and has delegated responsibility for managing the Council's housing stock and the relevant Housing Revenue Account (HRA) budget to Sutton Housing Partnership (SHP). To maintain robust governance and accountability, the Committee receives regular reports from SHP, including the delivery plan and business plan, ensuring alignment with the Council's corporate objectives.

5.15 The Council maintains responsibility for producing the HRA Business Plan, through close working with SHP colleagues. This Business Plan covers capital investment, for maintaining stock and rebuilds. A new HRA Business Plan covering 2025/26 to 2054/55 was approved by the HEB Committee in February 2025.

## Annual Governance Statement (continued)

5.16 SHP is responsible for managing and delivering the HRA Business Plan. SHP are required to produce annual delivery plans for approval by the Housing, Economy and Business Committee. A Delivery Plan covering the financial years 2024/2025 to 2026/2027 was approved by the Housing, Economy and Business Committee in March 2024.

5.17 Governance is reinforced through a structured framework of formal and informal meetings at the senior leadership and management level, ensuring the Council maintains effective oversight of SHP's operations and service delivery. There are quarterly Performance & Partnership Group meetings where partnership issues are raised and reviewed. SHP have their own internal auditors and are externally audited by Beever &

Struthers. In addition to the business plan and delivery plan reports referred to above, the HEB committee reviews housing service performance through biannual "deep dive" performance sessions. Housing performance is also reviewed on a quarterly basis by the Council's Corporate Management Team, on an exceptions reporting basis where any KPIs RAG rated at amber or red are reviewed and discussed.

### Council owned companies

5.18 The Committee on Standards in Public Life carried out a review on Local Government Ethical Standards in January 2019 which recommended areas of best practice.

*Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.*

5.19 The governance arrangements for the Council owned companies are overseen by the Sutton Shareholdings Board. This is a sub-committee of the Strategy and Resources Committee and comprises five elected members appointed on a politically proportional basis. The Council has the following companies.

**Table 1 - List of Council owned companies**

<b>Company Name</b>	<b>Details</b>
Sutton Living Ltd 09897512	Housing development company
Sutton Decentralised Energy Network Ltd 10022446	The Council's sustainable energy supplier that provides low-carbon energy to homes and businesses in Sutton.
Encompass LATC Ltd 10184775. <b>Closed</b>	Homelessness and housing needs; Adult Social Care support brokerage; Shared Lives (Adult Social Care); and Financial administration for Direct Payments  A request was made to companies house on 4 February 2025, to close the company and appoint a voluntary liquidator
Cognus Ltd 10276456.	The majority of the Council's education services including: <ul style="list-style-type: none"> <li>• School inclusion</li> <li>• SEND</li> <li>• Attendance and Admissions</li> <li>• School Improvement</li> </ul> *Sutton Music Trust- a subsidiary charity of Cognus.
London Cancer Hub (LCH) Co Ltd 10635978 London Cancer Hub LLP OC416273 <b>closed</b>	Non trading company - The London Cancer Hub (LCH closed on 21 January 2025 and the LLP closed on 13 May 2025 as this is being delivered through an alternative model.

\*Sutton Music Trust (SMT) was established on 1 April 2023 and was formally registered with the Charities Commission in September 2024. It is now a subsidiary charity of Cognus, but a separate legal entity and employer. The Trust is managed through a separate Board of Directors which includes Cognus representation.

## Annual Governance Statement (continued)

5.20 The above companies are registered with Companies House, a review of the published information shows the required accounts have been filed for the year ending March 2024.

5.21 A decision was made to transfer the services provided by Encompass to the council. The commissioning agreement was due to come to an end on 30 September 2024, but was extended to the end of December 2024, whilst services were transferred. The Board of Directors at Encompass met during October 2024 to agree to a company closure and the enacting of a Members Voluntary Liquidation (MVL) in response to a solvent

company.

5.22 The Sutton Shareholdings Board (SSB) met twice during 2024/25, (November 2024 and March 2025) and the agenda and minutes are published on the Council website. The Board considered performance and update reports from the companies and changes to directors. They consider annual reports, business plans and any mid-year amendments with contribution from company directors. All Council companies are regularly invited to CMT meetings and other corporate events to share experiences and learning and to collaborate on Council priorities. This

facilitates close working between the different companies and helps foster effective partnership working.

5.23 The Corporate Peer review recommended that 'With the insourcing of Encompass, the peer team felt the council should consider opportunities to strengthen the functions of the board and its oversight role. This can involve a review of company performance metrics and commissioning reviews of the companies where risk, performance and finances are challenging'. This has been included in the AGS action plan.

## 6. Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

6.1 The Corporate Plan sets out how the Council will work with partners and with communities to improve the borough and make Sutton a more successful place, while delivering a significant savings programme.

6.2 The plan has six priorities each under-pinned by a series of ambitious targets. It considers and balances the economic, social and environmental impact of policies, plans and decisions. The Plan includes a challenging set of performance measures. Documentation demonstrating compliance with the governance principles Identified gaps in compliance, or further

action required.

### Six priorities are-

- Action on climate change;
- An inclusive place for everyone.
- Quality and affordable housing
- Strong and fair economic growth
- Campaign for quality local services
- An efficient and well run council

6.3 The Council's Strategy and Resources Committee, receives annual updates on the transformation programmes, focussing on key

transformation activities which support the delivery of the corporate plan and MTFS. An update was included in the July 2024 S&R committee, financial performance outturn report. Members receive briefings and training in advance of formal meetings to aid their understanding of performance issues and risks. Relevant standing committees review KPIs biannually.

6.4 Progress on Corporate Plan objectives is tracked through KPIs, which are monitored in a monthly performance report presented to the CMT.

## Annual Governance Statement (continued)

6.5 KPIs were refreshed in the spring of 2024 to streamline them and incorporate new metrics for monitoring progress on the four financial sustainability transformation programs. KPIs are available to view via 'live' dashboards and reviewed by CMT and members (at committee meetings) on a regular basis.

6.6 The 'One Sutton' transformation programme is overseen by the Transformation Board. Progress is monitored on the key transformation programs, risks and issues to ensure successful delivery. In early 2024, due to revenue budget pressures, the transformation program was refocused specifically on areas posing material risk to the Council's budget. This was reported to the S & R committee in February 2024, in the 2024/27 Medium Term Financial Plan and 2024/25 Budget Setting report. The refocused program included:-

- Adult Social Care Transformation

Managing demand and costs in Adult Social Care. A more detailed savings plan is in development,

but specific areas of focus are likely to include: packages of care in the community; nursing care for older people; Supported Living for working age adults.

- Children's Services Transformation

Managing demand and costs in Children's Services, with a specific focus on transforming the delivery model for Children's Services, preventing the need for high cost children's residential placements, and continuing to deliver on work to provide better and more affordable housing for care leavers.

- Housing and Temporary accommodation

Reducing costs associated with emergency and temporary accommodation by continuing to deliver more affordable housing, and ongoing work to prevent homelessness.

- Special Educational Needs & Disabilities (SEND)

Activity to manage the pressures on the Dedicated Schools Grant /High Needs Block budget (funds support for children with Special

Education Needs) as well Home to School Travel Assistance (General Fund). This will include earlier identification of need, strengthening and increasing mainstream and specialist provision, and strengthening our approach to multidisciplinary ways of working.

6.7 Each of the 4 areas above have a programme board, with a sponsor director. Each programme submits a report to CMT on a quarterly basis. Members receive updates on the financial aspect of the programmes, as part of the financial update reports to the S & R committee.

6.8 The LGA peer review (2024) highlighted the critical need for effective prioritisation and resource allocation to ensure the ambitious goals of the Corporate Plan can be realised within the council's capacity and financial constraints.

6.9 An updated social value strategy was agreed in February 2025 and all contracts include the requirement for the London Living Wage.

## Annual Governance Statement (continued)

### 7. Principal E: Developing the entity's capacity, including the capacity of its leadership and the individuals within it.

#### Developing the entity's capacity

7.1 Sutton has a HR and Organisational Development Strategy 2022-2027 which aims to create a better place to work and ensure that the Council has the right people with the appropriate skills in the right areas, to deliver the council's priority. This is due to be reviewed in the Autumn of 2026. Quarterly reporting to CMT on the staff health matrix and an annual workforce report is presented to the Strategy and Resources Committee and an annual HR Update to the Audit and Governance Committee.

7.2 In 2024/25 the programme of voluntary redundancies was completed and 115 Encompass were staff successfully TUPED to Sutton on the 1 January 2025.

7.3 Sutton has a corporate learning programme which covers mandatory learning around topics such as health and safety and data protection, inductions, and core information about the Council and the borough, as well as personal development to help staff succeed in their roles and progress their careers. There are Aspiring managers and leaders courses available, with active involvement from the management team .

Qualification 3, 5 and 7 are also offered through the apprenticeship team.

7.4 There is an established appraisal process, where incremental grade progression is subject to good performance across the previous year.

Performance is measured based on role-related objectives, and applying equality, diversity and inclusion and the Council's PRIDE values. The overall appraisal completion rate for May 2024 was 91.2%.

7.5 The council undertook a multi-stage engagement exercise in 2024/25 to refresh the organisational PRIDE values to People-focused, Responsible, Inclusive, Delivering, and Empowering. Positively, these values resonate strongly across the organisation, setting the expectations and standards for how the council operates.

7.6 Staff networks are in place to network with wider colleagues, support inclusivity and broaden learning and development within a team environment. These help staff to influence Sutton's equality agenda and have a chance to work collaboratively with senior leadership. Each network is allocated funds to support their members and to make available additional learning and development opportunities.

7.7 A staff survey is undertaken every 18 months, the last one was in October 2023, which reported a good level of job satisfaction and a recognition of the council's commitment to being a diverse and inclusive workplace. The next survey is due in June 2025.

#### Developing the capacity of its leadership and individuals with it.

7.8 The Constitution includes role profiles for all Councillors and those in leadership roles, for example Committee Chairs. These provide defined responsibilities in accordance with statutory requirements and demonstrate the different leadership roles Councillors fulfill both individually and collectively within the decision making structures of the Council.

7.9 The Constitution also includes thresholds for decisions at committee and a scheme of delegation. An internal scheme of management is also maintained which gives specific Officers delegations where appropriate.

7.10 The council provides an annual member development programme for all Councillors. Sessions delivered in 2024-25 included: outline planning applications, Dementia Friends tech enabled care,

## Annual Governance Statement (continued)

7.11 Members are provided with training specific to their responsibilities at committee. All new Members are offered induction training on the expected standards of behavior. A comprehensive training program, designed to equip members to

carry out their committee member roles, has been in place and is reported to the Audit and Governance Committee. Ad-hoc training has been offered in 2024/25, covering Treasury Management, Finance, The Neighbourhood Fund,

Local Plan process, and Pavement Licence Legislation Update. Regular training is provided to the Pension Committee and the Pension Board. Preparing for member induction training will take place in 2025/26 for the local elections due in 2026.

## 8. Principle F: Managing risks, data and performance through robust internal control and strong public financial management

### Managing risks

8.1 The Council has a risk management process to identify, assess and manage the significant risks to the Council's objectives including the risks of its key strategic partnerships. The risk management process includes a risk management strategy (annually reviewed), and corporate and directorate risk registers (reviewed quarterly). Directorate Risk Registers are reviewed quarterly by officers and the Corporate Strategic Risk Register is reviewed quarterly by CMT and the Audit and Governance, and Strategy and Resources Committees.

8.2 The Corporate risks for the Council that have been assessed as 'red' highlighted in March 2025 are detailed below. Each of these 10 red risks

has an action plan outlining how the risks are managed.

- The Council requiring Exceptional Financial Support (EFS) to set a balanced budget in future years (linked with DSG deficit)
  - Technology failure
  - Failure to reduce carbon emissions in the borough in line with the Council's commitments and the impacts of dealing with more extreme weather events e. g. flooding, drought, heatwaves
  - Financial risks associated with the rising demand for Education, Health and Care Plans (EHCP) in the Borough
    - Spend on Residential Provision (children)
    - Increased demand from homeless households for temporary and emergency accommodation

- Financial pressure on the Council due to increased demand for support in Adult Social Care (ASC)
  - Housing Revenue Account (HRA): Impact of inflation, capping of rent increases, range of investment priorities and pressures
  - Risks associated with damp and mould in social housing
  - Failure to carry through delivery of Sutton Health and Care Plan ambitions with partners.

8.3 A report to the Audit and Governance Committee on 1 May 2025, outlines the main risks and the action taken to manage these risks.

## Annual Governance Statement (continued)

### Managing data and performance

8.4 The Council has policies dealing with various aspects of data management including security and data protection; Freedom of Information Act; information asset registers; and general records management. These and supporting guidance are all published on the intranet. Data quality policy is published on the website

8.5 The Council has a performance planning process supplemented by detailed business planning to establish, monitor and communicate the Council's objectives. This includes a performance management system that sets key targets and reports on performance monitoring to CMT and Committees. The performance management framework is utilised to measure the quality of services for users, to ensure that they are delivered in accordance with the Council's objectives, and that these services represent the best use of resources and value for money.

8.6 Each committee reviews service performance on a regular basis. The PIs enable the committees to gain a greater understanding of how services are performing and seek assurance from officers that where performance is below target, actions are in place to improve performance.

8.7 The Council has designated the Strategic Director of Resources as Senior Information Risk Owner. Quarterly Information Security and Governance Board meetings are held to review

policy, procedures, and data breaches, with representatives from each department and key officers.

### Financial Management

8.8 The Corporate Plan, Ambitious for Sutton 2022-2027, was agreed by Council in November 2022. The Corporate Plan is underpinned by the Medium Term Financial Strategy (MTFS) 2022 - 2027, which describes how the Council intends to deliver its priorities within the current financial context and with a focus on long term financial sustainability. The Corporate Plan is due to be reviewed in the Autumn of 2026, with the MTFS and the HR and organisational strategy.

8.9 On 4 March 2024, Council set a budget for 2024/25 and agreed the Medium Term Financial Plan 2024/25 - 2027/28, to deliver the priorities set out in Ambitious for Sutton and the MTFS. Quarterly Financial updates were reported to the Strategy and Resources Committee, setting out performance against the budget and a forecast outturn position, areas of emerging pressure and risk, and progress in achieving savings.

8.10 There were significant pressures on the Council's budget in 2024/25 mainly due to its demand-driven services and increasing unit costs. The main contributing services have been social care for children and adults, temporary accommodation for homeless families and individuals, and transport to school for children with special education needs and disability (SEND). These are the services within scope of the

transformation programme, which includes programmes that target demand management and prevention activities. The pressures were well managed in the year and an outturn underspend of £0.7m was achieved across the Council as a whole. This funding will be transferred to the General Reserve to help mitigate risk in future years.

8.11 Budget holders are held accountable for their own budgets through monthly DMT reviews. Budget monitoring is presented to the Corporate Management Team (CMT) 6 times a year with explanations of key variances. The most significant overspending is in Adult Social Care (ASC), Temporary Accommodation and Children's Social Care (CSC).

8.12 There are also significant pressures in the DSG budget with £9.1m overspend reported for 2024/25, taking the total DSG deficit carried forward to £10.2m. This is currently not impacting the Council's financial position because of the Statutory Override mechanism agreed by the Government to be in place until March 2026. It is unclear what reporting requirement may be once the override ceases, but a deficit of this size would have a significantly detrimental impact on the Council's balance sheet, and leave the Council requiring EFS to balance the budget in future years. This is the most significant financial risk facing the Council, but strong monitoring and reporting arrangements are in place, and a DSG recovery plan is being developed alongside the Schools Forum to manage the High Needs Block

## Annual Governance Statement (continued)

spending pressures which are the key driver of the overspending.

8.13 All committee reports have a financial implications section signed off by the S151 Officer or the Deputy S151. This is intended to make clear all financial implications of key decisions for consideration by the decision making committee. Similarly financial implications are set out in Delegated Decision Notices.

8.14 The LGA Peer review team considered Value For Money (VFM) and use of resources as part of their work. The final report was presented to the S&R Committee in February 2025. The review team's view is that the Council offers good VFM and has strong financial controls in place, though should consider increasing general reserves to mitigate future risk.

8.15 The ASC Strategic Plan 2024-2027 (February 2024) identifies new ways to tackle the significant financial challenges faced by the service. The plan is ambitious but is estimated to deliver total savings of £11.5m over the next three years.

8.16 A Capital Strategy and accompanying Treasury Strategy are published annually as part of the MTFP. These are compliant with the Prudential Code and other relevant guidance. Future investment is linked to available capital resources and the costs of investment are planned for in the revenue budget. The commercial property investment portfolio is managed and monitored through regular Asset Strategy Delivery board

meetings. Officers provide robust challenges and make consideration of all options for prudent investment opportunities that are permissible within current guidance or funding constraints. There is also a Capital Board where officers provide scrutiny and challenge to Capital Finance Forecasts and financial management, ahead of the quarterly Finance reports to the S&R Committee that include updates on capital programme budgets.

8.17 CIPFA publishes its annual financial resilience index in January each year based on published Revenue Outturn data. This is a comparative analytical tool used by local authorities to provide an understanding of the councils financial resilience and risk. It highlights areas requiring additional scrutiny. The analysis for Sutton in the 2024 Index is similar to the previous year and shows the following as areas of higher financial stress; low level reserves, high social care costs, low fees and charges in relation to expenditure, and Business Rate growth. Sutton is generally in the mid to higher risk range of the comparator group. A report to the Audit and Governance Committee on 1 May 2025 shows the areas scored as higher risk are consistent with previous years and in line with expectations based on current levels of reserves and budget proposals. The results of the 2024 index do not suggest that any changes are required to these principles or the overall strategy, but provide independent external assessment that validates and supports the assessment of risks set out in the MTFS.

8.18 An annual review of compliance against the CIPFA's Financial Management (FM) Code was

undertaken and progress on actions included in the Councils budget reports approved by Council, as part of the budget setting process.

8.19 The FM Code is the collective responsibility of elected members, the Section 151 Officer and the leadership team of the Council. The principles of the FM Code are supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to financially manage the short, medium and long term finances of a local authority and financial resilience to meet demand on services.

8.20 On the 5 March 2025, Council approved the 2025/26 - 2027/28 Medium Term Financial Plan and the detailed budget plans for 2025/26. The budget includes a balanced revenue budget with growth of £21.3m for services and a savings programme of over £12m. Delivery of the budget is crucial to future financial sustainability and will be monitored closely through revenue budget monitoring and the financial sustainability programme, with quarterly updates provided to the Strategy & Resources Committee. The Spending Review announcements from Government and changes to the Local Government funding formula due this year will inform the MTFP projections made in 2025/26 as well as 2025/26 budget setting.

8.21 The financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015

## Annual Governance Statement (continued)

### 9. Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

#### Implementing good practices in transparency

9.1 The Council Publication Scheme provides access to information, including that which falls under the Transparency Code 2015. This information is available to view or download.

9.2 Member decisions are usually made in public meetings. The constitution does allow for decisions to be made in private, but this is rare. Likewise, delegated decisions are also made in advertised public meetings. The constitution also contains provisions for deputations, petitions and a call-in procedure for key cabinet decisions.

9.3 Decision-making is transparent, with agendas, minutes, and registers published. The standard report template was updated in 2023/24 to include refreshed guidance for report authors. It requires that proposals meet corporate objectives and priorities, and that they be supported by reasoning, evidence, and statutory officer advice (including legal and financial). This ensures a clear basis for decision-making.

#### Audit

9.4 Internal and external audit provides assurance on the Council's system of internal control to support the section 151 officer requirements, including reporting compliance with financial and contract procedure rules across the Council. The outcomes of internal audits and outstanding audit actions were reported to the

Audit and Governance Committee. All outstanding recommendations continue to be monitored. A focus is maintained on ensuring all high priority recommendations are implemented.

9.5 The Council's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010). The Head of Audit and the internal audit service fully complied with the requirements of the mandatory UK Public Sector Internal Audit Standards, as evidenced by peer review and self-assessment. Access to officers, members and information is provided by the Constitution in line with the Public Sector Internal Audit Standards. An external peer review was commissioned in 2023/24 and reported the Internal Audit Service was fully compliant with the standards.

9.6 The Council's counter fraud and anti-corruption arrangements are supported by the South West London Fraud Partnership. The arrangements have been developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

9.7 The Council operates a 'zero tolerance' approach to fraud and corruption. The anti-fraud and corruption policy includes a fraud response plan and anti-bribery compliance. The money laundering policies and a whistle-blowing policy were last updated in 2023. The fraud policies are published on the Council website and regular articles on how to report fraud are published.

9.8 The Council's Head of Internal Audit produces an Annual Report including a Head of Internal Audit Opinion which is presented to the Audit and Governance Committee in July every year. The Annual Report is a key document used as part of our annual review of governance. In 2024/25, there were 5 limited assurance reviews on Sutton Housing Partnership Aids and Adaptation, Sherwood Park school, Foresters primary school, appointee and deputyships, and commercial rents. 21 actions issued in 2024/25 included: Homecare contract, highways contract and street lighting contract. Most of the significant concerns related to contract and procurement issues and management of budgets within schools. At the year end 9 actions had been closed and there were 11 P1 actions in progress. These actions will continue to be followed up.

9.9 The Audit and Governance Committee fulfilled its terms of reference in relation to audit functions; The Audit and Governance Committee's terms of reference are in line with the CIPFA guidance and conforms with CIPFA's application note.

9.10 The Council's Annual Governance Statement (AGS) is produced in accordance with required guidance and included in the statement of accounts; the AGS is reviewed by the CMT to ensure that any gaps in assurance or compliance issues are identified and addressed, and reported to the Audit and Governance Committee.

## Annual Governance Statement (continued)

### 10. Issues currently affecting the Council.

#### Local government funding

10.1 The 2024 Autumn statement announced a return to multi-year spending plans in future years. The proposed return to longer term financial plans is helpful for Local Authorities, in that it will provide a greater level of certainty over future resource levels to enable more effective long term financial planning.

10.2 The budget report provided an overview of how Sutton's funding position for 2025/26 compares to previous years and other authorities, and highlighted that although Core Spending Power has increased, this is based on the assumption that Council Tax will be increased by 4.99%, and overall funding is still materially lower in real terms than it was a decade ago. There is currently little certainty as to funding in 2026/27 or future years, but a spending statement is expected to be made by the Government on 11 June following which further details are likely to be provided over the autumn.

#### Dedicated Schools Grant (DSG)

10.3 The biggest financial risk to the Council is the High Needs Deficit which is there to fund Education services for SEND. The Council entered into a DSG Budget deficit position in 2023/24 with a £1.391m deficit balance carried forward to 2024/25. This increased by a further £9.1m in 2025/26.

10.4 The existing statutory override mechanism means that this deficit does not directly impact the Council's balance sheet position, but this is due to end in March 2026. Currently, the DfE has indicated that LAs should not expect further funding into the High Needs Block which is a significant risk to the Council's future financial sustainability as the liability for this pressure materialises when the override ends. The Council would immediately require Exceptional Financial Support (EFS) if the statutory override is removed. This risk has been included in the risk register.

10.5 A DSG draft management plan has been prepared, with a programme of transformation work over the next two years to try and address the in-year overspend position which include: block transfers from the schools block to high needs block to invest in local specialist provision, freezing of funding arrangements for specialist provision.

10.6 Work on a DSG Action Plan is in progress and will be reported through the Financial Sustainability Programme. This will target actions and transformation towards the areas of high spend and activities that are driving the overspends in the High Needs service areas.

10.7 An internal Audit review in 2024/25 provided reasonable assurance, but highlighted the need for the Health and Wellbeing Board to review its workplan to give proportional coverage to SEND and joint working across health and social care.

#### Low reserves

10.8 The General Fund Reserve at the end of March 2025 remained above the Medium Term Financial Strategy principle of 5% minimum. The low level of un-ringfenced reserves means there is limited capacity to absorb unforeseen financial shocks in future, and increases the risk to the Council that future overspending presents. It is imperative that the Council delivers the planned 2025/26 budget and identifies deliverable options to close the remaining budget gap over the medium term.

10.9 The level of reserves was highlighted as a risk in both the recent peer challenge review and the 2023/24 External Auditor's report. An underspend of £0.7m was achieved in 2024/25 and this will be transferred to the general reserve to help address the issue.

10.10 There have been a number of mitigation measures put in place to help contain pressures on the budget. The Medium Term Financial Plan projects further budget gaps of £17.7m over the following two years. The 2025/26 budget also includes over £12m in savings plans, which are critical to budget delivery in order to afford the growth required in the areas under pressure. Progress against these plans is monitored and reported quarterly to the Strategy & Resources Committee as part of the Finance and Performance Update reports.

## Annual Governance Statement (continued)

### Care Quality Commission assessments

10.11 From 1 April 2023, the Care Quality Commission assesses how local authorities are meeting their social care duties under Part 1 of the Care Act. Five pilots of the assessment process were completed in Lincolnshire, Nottingham City, Birmingham, North Lincolnshire and Suffolk councils. From 2024/25 all local authorities are due to be inspected over the next two years with the first tranche of 20 councils commencing early 2024.

10.12 Sutton commissioned an Adult Social Care Preparation for Assurance Peer Challenge which was delivered in July 2024. An improvement plan was developed in response to the recommendations from the peer review which forms part of the Adult social care financial sustainability programme, with the council working on these in advance of the inspection.

10.13 Sutton received notification from CQC that they were due to start their inspection on 24 May 2025.

### Response to the climate emergency and failure to reduce carbon emissions in the borough

10.14 Sutton Council remains firm in its commitment to reduce carbon emissions, however the support of both regional and national government, citizens and businesses is required for this to be achieved. The Council will work to highlight the importance of climate and the necessity of action by others.

10.15 A Climate Budget was presented as part of the MTFP for the first time in the March 2025 Budget Proposals. The Climate Budget identifies a number of risks in delivering the commitments of the Council. This includes the increasing costs being faced by all Local Authorities, which mean non-statutory services, such as climate action, become increasingly challenging. Secondly, is the acknowledgement that the Council cannot achieve its climate ambitions alone. It requires action by everyone and includes a reliance on partners and other organisations to take action too.

10.16 Current mitigations include the inclusion of climate impact assessments in all committee reports, all managers provided with climate

awareness training and a proactive approach to identifying and levering in external funding and exploring innovative funding solutions, as well as lobbying for funding and policy changes.

### External Audit

10.17 The Council is part of the Public Sector Audit Appointments (PSAA) national scheme which appoints the council's external auditors. KPMG LLP were appointed to act as the external auditors for five years from 2023-24. The auditor completed work on the 2023/24 assessment and presented their findings at the Audit and Governance meeting in January 2025. This meeting also received the 2023/24 Audit Findings Report. The 2023/24 audit opinion was unqualified and provides the auditor's view that the Council has appropriate arrangements in place to deliver Value For Money. A recommendation was made that Sutton should look to increase their reserve balance.

10.18 The Council provided timely support, information and responses to external auditors in 2024/25 and properly considered audit findings and recommendations.

## Annual Governance Statement (continued)

### 11. Conclusion

11.1 The council has been hugely impacted by instability in the economy and the consequent ongoing cost of living crisis in 2024-25. This annual review has shown that the governance framework is consistent with the principles of the CIPFA / SOLACE best practice framework and the examples of the arrangements that should be in place. In particular, Internal Audit has reviewed the effectiveness of the system of internal control for 2024/25. The Head of Internal Audit's opinion based on this work, is that the system of internal control is generally sound and effective.

**Table 1 - Update on actions raised in 2023/24 action plan and progress to date**

<b>1 Financial sustainability (carry forward)</b>
<p><u>Proposed action:</u></p> <p><b>Implement the financial principles set out in the approved Medium Term Financial Strategy to mitigate the risk of future budget gaps, volatility in funding and demand pressures</b></p> <p><b>Transformation programmes set up for Adult and Children Social Care, SEND and Housing and Temporary Accommodation.</b></p> <p>To develop robust analysis and budget reporting to strengthen budget monitoring further in 2024/25. To implement transformation programmes that target financial priorities to address and better manage areas of demand, need and complexity that have driven rising costs and thus mitigate some of these cost pressures in these service areas. This includes work to support access to NHS CHC funding in ASC, review of packages of care and high cost placements in social care, and work to tackle the pressures in Housing Services. Progress will be tracked through the transformation board reports to CMT, as well as budget monitoring reports to CMT.</p> <p>The ASC Strategic Plan 2024-2027 (February 2024) identifies new ways to tackle the significant financial challenges faced by the service. The plan is estimated to deliver total savings of £11.5m over the next three years. This ASC transformation programme is intended to realise this plan.</p>
<p><u>Responsible officer:</u> Section 151 officer</p>

## Progress on Action

The Financial Sustainability Programme covers the transformation programmes in the high risk budget areas. Through this programme detailed financial, performance and activity data is monitored and presented quarterly to CMT. This has helped ensure strong financial control over these areas, and this has resulted in improved accuracy in forecasting and financial management in 2024/25. The final outturn achieved was in line with forecasts made throughout the year, and the growth allocated for 2025/26 has been robustly tested against current activity and performance data.

### **Transformation programmes set up for Adult and Children Social Care.**

More robust analysis and budget reporting is in place and will be strengthened further. These developments have supported the development of a ASC service development and efficiency plan (3 year savings plan) that will be taken forward to address and better manage areas of demand, need and complexity that have driven rising costs and thus mitigate some of these cost pressures: this also includes work to support access to NHS CHC funding. Progress will be tracked through the ASC Transformation Programme.

Officers are engaged and actively participating in Government consultations on LG funding reform and have been working closely with partners in London Councils to monitor and interpret Government funding announcements. The spending review is due in June 2025 and will indicate Government spending priorities for the next three years.

### **2 DSG- Deficit action plans (carry forward)**

A DSG management plan will be prepared in 2024/25, working in partnership with schools and settings in the Borough. This will align with the refresh of the local area's SEND strategy to include a range of different measures - new ways of working with schools, additional SEND schools / specialist capacity, additional vocational and provision in the local area. This is intended to help mitigate financial risk and existing pressures, as well as manage future demand on both DSG and general fund budgeted services.

The DSG management plan will set out measures for management of the DSG deficit carried forward at the end of 2023/24, in line with statutory reporting arrangements for authorities with a deficit DSG balance.

Responsible Officer: Section 151 officer and Director of Children's services

## Progress on action

Work on a DSG Action Plan is in progress and will be reported through the Financial Sustainability Programme. This will target actions and transformation towards the areas of high spend and activities that are driving the overspends in the High Needs service areas.

To complete a Deficit Recovery Plan that will underpin Priority 5 of the SEND and Alternative Provision Strategy

### 3 Response to the climate emergency and failure to reduce carbon emissions in the borough

Taking action on climate change continues to be a key focus for the Council through the Corporate Plan. As agreed by the Environment and Sustainable Transport Committee in October 2024, the Council takes a portfolio approach to its climate work, ensuring there is full oversight of the climate implications of all projects and programmes, and full accountability by DMTs for the climate work of the Council. A focus on mainstreaming has continued, with training provided to managers in 2024/25. The Climate Action Community of Practice for managers continues to meet every two months, to share funding opportunities and develop joint proposals for climate action. Regular monitoring of specific activities to deliver the Environment Strategy and Climate Emergency Response Plan takes place via the EHN DMT Programme Board, and an annual report to the E&ST Committee.

Lobbying for funding, especially for retrofit and transport improvements, and lobbying for policy changes continues to be made to central government through work with London Councils and the LGA. Work has taken place to develop a net zero pathway for both Council emissions and Boroughwide emissions. This will be used as an evidence base and data source to help prioritise actions and funding applications which will be needed to deliver them. In 2024/25, key areas of delivery have been in securing funding to retrofit council housing stock; the building of new Council housing to Passivhaus standard; the achievement of reduction in emissions by businesses on the Green Enterprise Partnership business rates reduction scheme; and continued work to extend Sutton's heat network to provide low-carbon heating and hot water for more homes.

Responsible officer: Strategic Director of Environment, Housing and Neighbourhoods

#### Progress on action

Sutton Council remains firm in its commitment to reduce carbon emissions, however the support of both regional and national government, citizens and businesses is required for this to be achieved. The Council will work to highlight the importance of climate and the necessity of action by others.

A Climate Budget was presented as part of the MTFP for the first time in the March 2025 Budget Proposals. The Climate Budget identifies a number of risks in delivering the commitments of the Council. This includes the increasing costs being faced by all Local Authorities, which mean non-statutory services, such as climate action, become increasingly challenging. Secondly, is the acknowledgement that the Council cannot achieve its climate ambitions alone. It requires action by everyone and includes a reliance on partners and other organisations to take action too.

Current mitigations include the inclusion of climate impact assessments in all committee reports, all managers provided with climate awareness training and a proactive approach to identifying and levering in external funding and exploring innovative funding solutions, as well as lobbying for funding and policy changes.

## Annual Governance Statement (continued)

**Table 2 - Actions for 2025/26**

<b>1. Financial sustainability</b>
<p><u>Proposed action:</u> Implement the financial principles set out in the approved Medium Term Financial Strategy to mitigate the risk of future budget gaps, volatility in funding and demand pressures</p> <p>There remains a cumulative budget gap in 2026/27 and 2027/28 of £17.7m. In addition there is a significant DSG deficit. There is a risk this will need Exceptional Financial Support from the Government to address, which could lead to higher Council Tax rises in future, deeper cuts and cessation of services, or capitalisation of revenue spend increasing financing costs in the future.</p> <p>Through the 2026 to 2027 Settlement, the government plans to introduce an up-to-date assessment of councils' needs and resources, which the council will need to consider. This will involve an update to the funding formula used to allocate local government funding, determined in the Spending Review (in June), to individual authorities. There is a risk this will lead to a greater share of funding being allocated to areas outside of London, and changes to individual elements of the formula which will negatively impact Sutton's funding level. There is also uncertainty about when the new formula will be implemented in full, as it is likely there will be at least some transition from the current arrangements to the new. This creates significant uncertainty for financial planning and increases the risk of having to make adverse decisions to respond to funding reductions at short notice in future.</p> <p><u>Responsible officer:</u> Section 151 officer</p>
<b>2. DSG - Deficit action plans</b>
<p><u>Proposed action:</u> To complete the Deficit Recovery Plan that will underpin Priority 5 of the SEND and Alternative Provision Strategy.</p> <p><u>Responsible Officers:</u> Section 151 officer and Director of Children's services</p>

### 3. Implement actions arising from LGA Peer Review

Proposed action: To implement the action plan for 2025/26 action and to prepare for the review visit from the LGA team in September 2025.

Responsible officer: Chief Executive

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

## 12. Statement of the Leader of the Council and the Chief Executive

- 12.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by senior management and the Audit and Governance Committee. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.
- 12.2 It is our opinion that the Council's governance arrangements in 2024/25 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2025/26.

Chief Executive:



Date 24/7/25



Leader:

Date: 24/7/25

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# 10. Glossary of Terms

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



# Glossary of Terms

## **Accounting Policies**

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

## **Accruals**

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

## **Active Member**

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

## **Actuarial Valuation**

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

## **Actuary**

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

## **Admitted Body**

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

## **Amortisation**

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

## **Appropriations**

The transfer of resources to and from various revenue reserves.

## **Capital Expenditure**

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

## **Capital Receipts**

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

## **Carrying Amount**

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

## **Council Tax**

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

## **Creditors**

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

## **Debtors**

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

## **Depreciation**

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

## **Earmarked Reserves**

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

## **Effective Interest Rate**

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

## **General Fund**

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

## **Going Concern**

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

## **Housing Revenue Account (HRA)**

A local authority statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

## Glossary of Terms (continued)

### **Impairment**

A reduction in the value of a non-current asset below its carrying value (but not through economic consumption).

### **Intangible Assets**

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

### **Levies**

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

### **Minimum Revenue Provision**

The minimum amount that the council must charge to the revenue account to provide for the repayment of debt due to capital expenditure. The minimum provision is currently based on the asset life (annuity) method and is applied to both 'supported' and 'unsupported' borrowing. This results in more even payments linked to average asset life. The average lives of the council's assets funded by 'supported' and 'unsupported' borrowing are within the recommended 50 years

### **Non-Domestic Rates (NDR)**

Business rates, or non-domestic rates, collected by councils are the way that those who are responsible for non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1 April 2013, authorities keep a proportion of the business rates paid locally.

### **Precept**

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

### **Property, plant and equipment**

Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

### **Provisions**

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

### **Reserves**

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

### **Revenue Expenditure**

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

### **Support Services**

Services that are provided by the administrative and professional service groups that support all the Council's services. They include financial, legal, personnel, information technology, property and general administrative support.

## Glossary of Terms (continued)

### Abbreviations used in the accounts

<b>ALMO</b>	Arms Length Management Organisation	<b>DLUHC</b>	Department for Levelling Up, Housing and Communities
<b>AVC</b>	Additional Voluntary Contribution	<b>MIRS</b>	Movement in Reserves statement
<b>CCG</b>	Clinical Commissioning Group	<b>MRA</b>	Major Repairs Allowance
<b>CF</b>	Collection Fund	<b>MRP</b>	Minimum Revenue Provision
<b>CIES</b>	Consolidated Income and Expenditure Statement	<b>NNDR</b>	National Non Domestic Rates (Business Rates)
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy	<b>PWLB</b>	Public Works Loan Board
<b>CT</b>	Council Tax	<b>REFCUS</b>	Revenue Expenditure Funded From Capital Under Statute
<b>DLUHC</b>	Department for Levelling Up, Housing and Communities	<b>RICS</b>	Royal Institution of Chartered Surveyors
<b>DfE</b>	Department for Education	<b>RCCO</b>	Revenue Contribution to Capital Outlay
<b>DSG</b>	Dedicated Schools Grant	<b>SHP</b>	Sutton Housing Partnership
<b>FTE</b>	Full Time Equivalent	<b>TFL</b>	Transport for London
<b>GLA</b>	Greater London Authority	<b>TPA</b>	Teachers' Pension Agency
<b>HRA</b>	Housing Revenue Account	<b>UCR</b>	Usable Capital Receipts
<b>IAS</b>	International Accounting Standard		
<b>I&amp;E</b>	Income and Expenditure		
<b>IFRS</b>	International Financial Reporting Standard		
<b>IT</b>	Information Technology		
<b>LASAAC</b>	Local Authority (Scotland) Accounts Advisory Committee		
<b>LATC</b>	Local Authority Trading Company		
<b>LOBO</b>	“Lenders Option Borrowers Option” Loan		

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# 11. Auditor's Reports 2024/25

Auditor's Report on the Financial Statements

Auditor's Report on the Pension Fund Financial Statements





# Independent auditor's report

## To the members of the London Borough of Sutton

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### 1. Our opinion is unmodified

We have audited the financial statements of the London Borough of Sutton (the "Council") for the year ended 31 March 2025, which comprise the Group and Council Comprehensive Income and Expenditure Statements, Group and Council Movement in Reserves Statements, Group and Council Balance Sheets, Group and Council Cashflow Statements, Collection Fund, Housing Revenue Account and the related notes, including the Expenditure and Funding Analysis and the accounting policies in note 1.

#### In our opinion the financial statements:

- give a true and fair view of the financial position of the Group and Council as at 31 March 2025 and of the Group's and Council's income and expenditure for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We were first appointed as auditor by the Public Sector Audit Appointments Limited on 1 April 2023. The period of total uninterrupted engagement is for the five financial years ended 31 March 2028. We have fulfilled our ethical responsibilities under, and we remain independent of the Council and the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

#### Overview

<b>Materiality:</b> Group financial statements as a whole	£7m (2023/24: £6.3m) 1% (2023/24: 1%) of Group expenditure
<b>Coverage</b>	94% (2023/24: 97%) of Group expenditure
<b>Key audit matters</b>	<b>vs 2023/24</b>
<b>Recurring risks</b>	Valuation of land and buildings and investment property

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below the key audit matters (unchanged from 2023/24), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures.

These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

The risk	Our response	
<p><b>Valuation of land and buildings and investment property</b> (£940 m; 2023/24: £907m)</p> <p><i>Refer to Note 10 (accounting policy) and Note 13-14 (financial disclosures).</i></p>	<p><b>The carrying amount of revalued land and buildings and investment property differs materially from its current value/ fair value</b></p> <p>The Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) requires land and buildings to be measured at current value in existing use, which could include depreciated replacement cost for specialised assets or existing use value – social housing for council dwellings.</p> <p>Investment properties are measured at fair value. Valuations of land and buildings are carried out on a five-year rolling programme, whereas council dwellings and investment properties are valued annually.</p> <p>The Council engaged Montagu Evans LLP to value the portfolio of properties for the year ended 31 March 2025. The valuer has performed a valuation over the entire portfolio of investment property and council dwellings and approximately 90% of the portfolio of other land and buildings.</p> <p>This increases the risk for those assets that are revalued in the year, which involves significant judgement and estimation by the valuer.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of land and buildings and investment property has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole</p> <p>The financial statements (note 4) disclose the sensitivity estimated by the Council.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>– <b>Assessing valuer's credentials:</b> Assessing the independence, objectivity and expertise of the valuers used to carry out the valuation of the Council's properties at 31 March 2025;</li> <li>– <b>Inspection of Valuer Instructions:</b> Inspecting the instructions issued to the valuers and evaluating whether they are appropriate to produce a valuation consistent with the requirements of the Code;</li> <li>– <b>Test of detail:</b> Comparing the data provided to the valuers for the development of the valuation to underlying information;</li> <li>– <b>Evaluation of controls:</b> Evaluating the design and implementation of controls in place for management to review the valuation and the appropriateness of the assumptions used;</li> <li>– <b>Assessment of valuation report:</b> Challenging the appropriateness of the valuation of the assets, including any material movements from the previous revaluations and the key assumptions used by the valuer in carrying out the valuation;</li> <li>– <b>Recalculation:</b> Agreeing the calculations performed of the movements in assets and assessing whether these have been accurately accounted for in line with the requirements of the Code, we tested 61% of the total revalued portfolio;</li> <li>– <b>Involvement of Specialists:</b> Utilising our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology used to value land and buildings and investment properties; and</li> <li>– <b>Assessing transparency:</b> Considering the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.</li> </ul> <p>We performed the tests above rather than seeking to rely on any of the Council's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>– The results of our testing were satisfactory and we concluded following our procedures that the valuation of land, buildings and investment property is acceptable.</li> </ul>

The risk	Our response
<p><b>Valuation of post retirement defined benefit obligation</b>            (£606 million; 2023/24: £695m)</p> <p><i>Refer to Note 1i (accounting policy) and Note 31 (financial disclosures).</i></p>	<p><b>An inappropriate amount is estimated and recorded for the defined benefit obligation</b></p> <p>The valuation of the post retirement defined benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates.</p> <p>The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of post retirement benefit obligations has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p> <p>The financial statements (note 31) disclose the sensitivities estimated by the Council.</p>

### 3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £7m, determined with reference to a benchmark of Group expenditure as disclosed in the CIES, of £649.8m, of which it represents 1%.

Materiality for the Council financial statements as a whole was set at £6.8m determined with reference to a benchmark of total expenditure, of which it represents 1%.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% of materiality for the financial statements as a whole, which equates to £4.550m for the Group and £4.420m for the Council. We applied this percentage in our determination of performance materiality because of the magnitude of misstatements identified during the previous year's audit which indicated an elevated level of risk.

We agreed to report to the Audit and Governance Committee any corrected or uncorrected identified misstatements exceeding £350k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement. Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

In total, we identified six components, having considered the Group's operational structure and our ability to perform audit procedures centrally. Of the Group's six components, we subjected only the Council to full scope audit for group purposes. The component within the scope of our work accounted for the percentages illustrated opposite.

The remaining 1% of total Group revenue, 6% of Group expenditure and 2% of total Group assets is represented by the remaining five reporting components. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

**Group expenditure  
(Cost of Services)**  
£650m (2023/24: £629m)

**Group Materiality**  
£7m (2023/24: £6.3m)



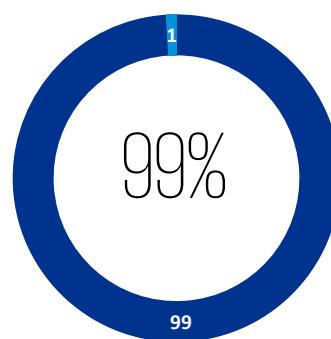
**£7m**  
Whole financial statements materiality (2023/24: £6.3m)

**£4.550m**  
Whole financial statements performance materiality (2023/24: £4.095m)

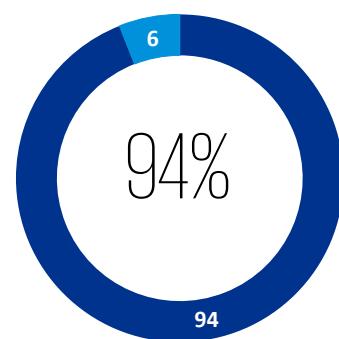
**£6.8m**  
Council materiality (2023/24: £6.2m)

**£350k**  
Misstatements reported to the audit committee (2023/24: £315k)

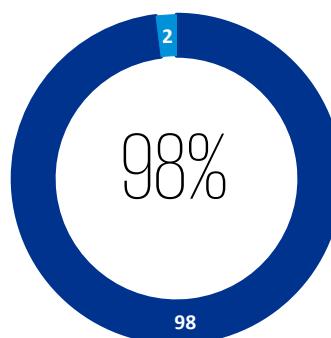
**Group revenue**



**Group expenditure**



**Group total assets**



■ Full scope for group audit purposes 2024/25  
■ Residual components 2024/25

#### 4. Going concern

The Strategic Director of Resources has prepared the financial statements on the going concern basis as they have not been informed by the government of the intention to either cease the Group and the Council's services or dissolve the Group and the council without the transfer or its services to another public sector entity.

They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Strategic Director of Resources' conclusion, we considered the inherent risks associated with the continuity of services provided by the Group and the Council over the going concern period.

Our conclusions based on this work:

- we consider that the Strategic Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Council's ability to continue as a going concern for the going concern period;

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

#### 5. Fraud and breaches of laws and regulations – ability to detect

##### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management, the Audit and Governance Committee, internal audit and inspection of policy documentation as to the council's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the council's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the incentives for management to manipulate reported financial performance as a result of financial pressures in order to be able to set a balanced budget for future periods;
- Reading Council and Audit and Governance Committee minutes;
- Using analytical procedures to identify any unusual or unexpected relationships; and
- Reading the Group's and the Council's accounting policies.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible financial pressures at the Council, we performed procedures to address the risk of management override of controls, in particular the risk that council management may be in a position to make inappropriate accounting entries.

On this audit we did not identify a fraud risk related to revenue recognition due to our assessment that there was limited opportunity for manipulation of revenue reported given the nature of the funding provided to the Council during the year.

We did not identify any additional fraud risks

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries posted to unusual account combinations with cash, borrowings and revenue, journal entries posted by infrequent users; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

##### *Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general sector experience and through discussion with the Strategic Director of Resources as required by auditing standards, and from inspection of the Group's and Council's regulatory and legal correspondence and discussed with the Strategic Director of Resources the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of noncompliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements, including the financial reporting aspects of local government legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of noncompliance alone could have a material effect on amounts or disclosures in the financial statements.

##### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect noncompliance with all laws and regulations.

## 6. Other information

The Strategic Director of Resources is responsible for the other information, which comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the other information included in the statement of accounts for the financial year is consistent with the financial statements.

## 7. Strategic Director of Resources' and Audit and Governance Committee' responsibilities

As explained more fully in their statement set out on page 18, the Strategic Director of Resources is responsible for the preparation of the financial statements that they give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the government of the intention to either cease the services provided by the Group and the Council or dissolve the Group and the Council without the transfer of their services to another public sector entity.

The Audit and Governance Committee is responsible for overseeing the Group's financial reporting process.

## 8. Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## 9. Report on other legal and regulatory matters

*Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources*

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the "NAO Code of Audit Practice"), we are required to report to you if we identify any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources.

We have nothing to report in this respect.

*Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources*

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. We are required under section 20(1) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively. We are also not required to satisfy ourselves that the Authority has achieved value for money during the year.

We planned our work and undertook our review in accordance with the NAO Code of Audit Practice and related statutory guidance, having regard to whether the Authority had proper arrangements in place to ensure financial sustainability, proper governance and to use information about costs and performance to improve the way it manages and delivers its services. Based on our risk assessment, we undertook such work as we considered necessary.

### *Statutory reporting matters*

We are required by Schedule 2 to the NAO Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make written recommendations to the Authority under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in this respect.

## **10. The purpose of our audit work and to whom we owe our responsibilities**

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

## **11. Delay in certificate of completion of the audit**

As at the date of this audit report, we are unable to confirm that we have completed our work in respect of the Authority's Whole of Government Accounts consolidation pack for the year ended 31 March 2025 because we have not received confirmation from the NAO that the NAO's audit of the Whole of Government Accounts is complete.

Until we have completed this work, we are unable to certify that we have completed the audit of the London Borough of Sutton for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO Code of Audit Practice.

*J Lees*

**Joanne Lees**  
**for and on behalf of KPMG LLP**  
*Chartered Accountants*  
15 Canada Square  
London E14 5GL

17 February 2026

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF SUTTON ON THE PENSION FUND'S FINANCIAL STATEMENTS**

### **Opinion**

We have audited the financial statements of Sutton Pension Fund ("the Pension Fund") for the year ended 31 March 2025 on pages 174 to 216 which comprise the Fund Account, the Net Assets Statement and the related notes to the Pension Fund financial statements, including the accounting policies in note 3.

In our opinion the Pension Fund financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the London Borough of Sutton (as administering authority for the Pension Fund, the "Authority") in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The Strategic Director of Resources has prepared the Pension Fund financial statements on the going concern basis as they have not been informed by the government of the intention to either cease the Authority's services or dissolve the Authority without the transfer of its services to another public sector entity. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Pension Fund financial statements ("the going concern period").

In our evaluation of the Strategic Director of Resources' conclusions, we considered the inherent risks associated with the continuity of services provided by the Authority over the going concern period.

Our conclusions based on this work:

- we consider that the Strategic Director of Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate; and
- we have not identified, and concur with the Strategic Director of Resources' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Authority will continue in operation.

## **Fraud and breaches of laws and regulations – ability to detect**

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management and the Audit and Governance Committee as to the Pension Fund’s high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected, or alleged fraud.
- Reading Pension Committee and Audit and Governance Committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we performed procedures to address the risk of management override of controls in particular the risk that Pension Fund management may be in a position to make inappropriate accounting entries. On this audit we did not identify a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedules.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals with unusual debits/credits to revenue or cash and entries posted by users who does not usually post journal entries.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

### *Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Pension Fund financial statements from our general sector experience and through discussion with the Strategic Director of Resources and other management (as required by auditing standards), the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Pension Fund financial statements varies considerably.

The Pension Fund is subject to laws and regulations that directly affect the Pension Fund financial statements, including the financial reporting aspects of local government legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Pension Fund is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the Pension Fund financial statements.

### ***Context of the ability of the audit to detect fraud or breaches of law or regulation***

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Pension Fund financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Pension Fund financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Other information**

The Strategic Director of Resources is responsible for the other information, which comprises the information included in the Statement of Accounts, other than the Pension Fund financial statements and our auditor's report thereon. Our opinion on the Pension Fund financial statements does not cover the other information and, accordingly, in this audit report we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Pension Fund financial statements audit work, the information therein is materially misstated or inconsistent with the Pension Fund financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### **Strategic Director of Resources and Audit and Governance Committee's responsibilities**

As explained more fully in the statement set out on page 18, the Strategic Director of Resources is responsible for the preparation of Pension Fund financial statements, that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of Pension Fund financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the government of the intention to either cease the services provided by the Authority or dissolve the Authority without the transfer of its services to another public sector entity.

The Audit and Governance Committee of the Authority is responsible for overseeing the Pension Fund's financial reporting process.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the members of London Borough of Sutton, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of London Borough of Sutton, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than London Borough of Sutton and the members of London Borough of Sutton, as a body, for our audit work, for this report, or for the opinions we have formed.

*J. Lees*

**Joanne Lees**  
**for and on behalf of KPMG LLP**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

17 February 2026