

LONDON BOROUGH OF SUTTON

STATEMENT OF ACCOUNTS

2023/24

Richard Simpson CPFA
Strategic Director of Resources



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1. Narrative Report 2023/24

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 2024, 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 large proportion of one person households at 27.0% though 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 85.3% economically active as at December 2023 from the Annual Population Survey. The two highest occupation types in Sutton are professional occupations (30.2%) and associate professional and technical operations (14.3%). There were 9,615 active businesses recorded in the last census (2021) and in 2023 92.6% 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 15.1% are in professional, scientific and technical fields.

Sutton has relatively low levels of deprivation. 10.4% of Sutton [children are living in households with relative low income](#) (compared to 15.0% across London, and 19.2% across England). 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 14.4 in London and 11.7 nationally. Sutton has a low crime rate compared to London and England, with the rolling crime rate between February 2023 and January 2024 being 64 per thousand persons. This compares to 83.6 nationally. Of this 15.4 crimes per 1,000 persons are antisocial behaviour, and 23.7 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

3. Organisational overview

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

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

At the end of March 2024, Sutton Council had 1,293 staff. An additional 338 (as at 31.3.24) staff in HR and Organisational development, IT and digital services and Shared Environment 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 30% to 32%. The percentage of women employees has remained constant in 2024 at 73% and higher paid women in the workforce has increased 7% in the last year to 66%. 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.

Narrative Report (continued)

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; Development, Growth & Regeneration; 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 maintained a strong balance sheet, with £1,011.196m of Long Term Assets as at 31 March 2024 and Current Assets of £171.919m, Current Liabilities of £125.723m, and Long Term Liabilities of £457.456m. Furthermore, the Council has usable reserves of £162.701m.

	31/03/2023	31/03/2024
	£'000	£'000
Long Term Assets	977,774	1,011,196
Current assets	164,683	171,919
Current Liabilities	(70,938)	(125,723)
Long Term Liabilities	(511,559)	(457,456)
Net Assets	559,960	599,936
Usable Reserves	(145,248)	(162,701)
Unusable Reserves	(414,712)	(437,235)
Total Reserves	(559,960)	(599,936)

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 2023/24 was £161.2m and for 2024/25 it is £174.2m. The required level is therefore a minimum of £8.71m at 31/03/2024. This level is required to ensure there are sufficient resources for both working capital and to cover emergency expenditure.

	31/03/2022	Movement	31/03/2023	Movement	31/03/2024
	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves	(44,458)	6,832	(37,626)	6,974	(30,652)
General Fund Balance	(8,960)	372	(8,588)	(306)	(8,894)
Total	(53,418)	7,204	(46,213)	6,668	(39,546)

Narrative Report (continued)

6. Outlook and Risks

The Council continues to face significant financial pressure following funding reductions through the years of austerity and significant increases in demand for core services. Sutton has an ageing population requiring increasingly complex levels of care and support, and a relatively high proportion of children with special education needs and disabilities. Over the past twelve months Sutton, like many London boroughs, has experienced a surge in demand for housing support that has placed additional pressure on temporary accommodation budgets.

It is not only the volume of services provided that has had to increase; the cost of meeting needs has also increased. Inflation has been at a high level for the past three years, placing significant strain on budgets where funding from Government has not risen at the same rate. The UK Consumer Price Index began to fall partway through this year, strengthening hopes that it will return to the Bank of England target of 2% over the Medium Term. CPI Inflation at the start of this year was 8.7% and had fallen to 3.2% by the end of March 2024.

The key corporate risks and mitigations the Council face and which will affect future cashflows are:

- A balanced budget has been set for 2024/25, but an estimated £30.567m budget gap remains in the forecast across the next 2 years
- Cost of Living and inflation pressures remain significant and causing Council costs to rise, devaluing our investments, and causing financial strain for Sutton residents. Although the rate of inflation has fallen since last year, it remains over 50% higher than the Bank of England target. The Medium Term Financial Plan to 2027/28 assumes a return to the government target inflation rate of 2%.
- The Council budgeted for a 2% pay award in 2024/25, although pay negotiations continue.
- The Council has mitigation in place for inflation risks in 2024 through use of the budgeted corporate contingency, as well as use of earmarked reserves. This should be sufficient to mitigate the pressures as currently forecast. Financial risks are kept under review through regular budget monitoring, analysis and monitoring of key cost drivers.
- Demographic and other demand pressures, in particular from adult and children's social care, and also an increase in the numbers of people presenting as homeless. Mitigations include budget growth and the use of relevant data to track and evidence changes and ensure early warning to the organisation, as well as the use of London and national networks to articulate challenges and seek external solutions.
- Continuing increase in Education Health Care (EHC) plans beyond our financial means creates significant budget pressures in Dedicated Schools Grant (DSG) and Special Educational Needs transport and therapies costs funded from the General Fund. The DSG reserve has entered a deficit position at the end of 2023/24, though this is currently mitigated by the temporary statutory override in place.
- The savings programme for 2024/25 is £10.6m in addition to in year savings that will be required to manage demand within existing levels of budget allocated. This will be challenging to deliver but is essential to delivery of the 2024/25 budget, and to managing the 2025/26 position.
- 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 MTFP. The latest version of the MTFP is published here: [Full Council](#).

Narrative Report (continued)

7. Revenue Budget Performance

The Council has experienced a continuation of the budget pressures experienced last year leading to an overspend position against service budgets in 2023/24. The main areas of pressure are in the Peoples directorate, with Adults Social Care reporting an overspend of £12.741m driven primarily by high unit costs and market pressures, as well as high levels of complexity in care needs. Children's Social Care reported an overspend of £2.324m driven by higher than budgeted number and cost for residential placements. The Education budget was impacted by high demand for travel and therapies support for children with Education Health and Care Plans (which also created pressures in the DSG High Needs budget). Outside of the Peoples directorate, the main area of pressure was the Temporary Accommodation budget. The number of people requiring support has risen significantly both in Sutton and in London more widely this year, and there is a lack of supply of suitable accommodation, with existing options charging high rates. This led to a £1.397m overspend on Temporary Accommodation this year.

These overspends were partially mitigated by underspends in other service areas, and the release of the £2m corporate contingency budget as well as a number of underspends in corporate budgets. This included £2.329m in interest receipts over and above the budgeted amount, £4.079m increase in business rates and £0.843m on the concessionary fares budget. A transfer from Earmarked Reserves to the General Fund was made to ensure the General Fund reserve remains above the 5% target approved in the Medium Term Financial Strategy for the 2024/25 year. The net position was an overspend of £1.553m that was met by transfers out of Earmarked Reserves.

General Fund (GF):

	Budget	Outturn	Variance	
	£000s	£000s	£000s	%
Health & Wellbeing	3,971	3,966	(5)	-0.13
Resources & Chief Executive	25,037	23,642	(1,395)	-5.57%
Environment, Housing & Neighbourhoods	28,743	29,679	936	3.26%
Development Growth & Regeneration	1,011	923	(88)	-8.70%
Peoples	130,280	146,213	15,933	12.23%
SERVICE OUTTURN	189,042	204,423	15,381	8.14%
General contingency	2,000	0	(2,000)	-100.00%
Corporate costs	(191,042)	(202,870)	(11,828)	-6.19%
TOTAL OUTTURN	0	1,553	1,553	
DRAWDOWN FROM RESERVES	0	(1,553)	(1,553)	

Narrative Report (continued)

Housing Revenue Account (HRA):

	Budget	Outturn	Variance	
	£000s	£000s	£000s	%
HRA	6,505	(5,335)	(11,839)	-182.00%

Dedicated School Grant (DSG):

	Budget	Outturn	Variance	
	£000s	£000s	£000s	%
Early Years	16,685	16,234	(451)	-2.70%
Schools Block	52,826	52,951	125	0.24%
Central Services Block	2,054	2,066	12	0.57%
High Needs Block	49,903	53,160	3,257	6.53%
DSG Grant	(121,468)	(123,020)	(1,552)	1.28%
TOTAL	0	1,391	1,391	

Narrative Report (continued)

GF: Environment, Housing & Neighbourhoods

The Environment, Housing & Neighbourhoods directorate was overspent by £0.936m. Whilst the overall directorate outturn slightly improved from the Q3 forecast, the Temporary Accommodation (TA) service costs increased by £0.416m to a £1.397m overspend. There has been an increase in the number of households presenting for assistance that require emergency accommodation, in part due to the cost of living crisis. Not only are more people presenting, they are also required to stay in this accommodation for longer periods due to lack of “move on” options. There has also been an increase in the nightly unit cost from suppliers. This is not just because of inflationary increases but also, due to lack of local affordable supply, the council is having to place people in areas where the unit costs are sometimes higher.

In addition, there were pressures in the Planning and Building Control service due to staffing and income from applications. Underspends in the waste disposal costs and in other areas mitigated some of the overspending services.

GF: Peoples

The Peoples directorate comprises the services providing social care for children and adults and education.

The ASC unit's outturn was a £12.741m overspend, made up of £1.495m related to employee costs and the remaining £11.246m arising from placement costs. The final outturn from ASC was £1.904m higher than forecast at Q3. The final increase in variance was due to actual

costs being above forecast rather than an increase in demand. The demand for ASC services has continued to rise since the Covid-19 pandemic and unit costs are increasing.

The CSC unit had an overspend of £2.324m. Whilst there was a slight deterioration in the final quarter of the year, this overspend was forecast and caused by a significant cost pressure in residential placements for children looked after. The average residential placement is £7k per week and individual placement costs range from £3k up to £11k per week. These costs continue to rise due to a lack of supply of suitable placements, market pressures and the impact of high inflation.

The Education unit also overspent by £0.863m with the SEND transport service being overspent by £1.260m. Much like CSC, this was forecast and is as a result of both increasing demand and higher unit costs. This is despite mitigations carried out during the year to optimise routes, which avoided costs of circa £0.750m.

GF: Corporate Costs

The Corporate Costs budget covers capital financing, government grants, contingencies and other non-service costs. This underspent by £11.828m, which was £4.578m more underspent than forecast at Q3. This section of the council's revenue is difficult to fully forecast throughout the year and relies to some degree on factors outside the revenue budget.

GF: Resources & Chief Executive

The Resources and Chief Executive directorates were underspent by £1.395m, which was circa £1m more underspent than projected at Q3. The underspend is mostly due to staffing underspends, in part due to the recruitment freeze and transformation/grant funding of project staff.

HRA

The HRA outturn position was an underspend of £11.839m, resulting in a contribution to reserves of £5.335m, compared with a budgeted drawdown from reserves of £6.505m. This was largely due to a budgeted revenue contribution to capital of £7.896m not being required to fund capital dwelling works as a result of in-year underspends on the HRA capital programme. The HRA stock investment requirement is being rephased for the publication of the HRA Business Plan in June 2024. This underspend in effect is just as a result of that delay and doesn't improve the long term position of the HRA.

DSG

The DSG outturn position is an overspend of £2.878m, which had been predicted through the year. This overspend is partially offset by the remaining £1.487m balance of the DSG reserve to result in a £1.391m DSG deficit.

The DSG deficit is carried forward but is separate to the council's revenue budget due to the Government's statutory override that is in place until 2025/26. As a result, whilst the override is in place, the deficit does not have any impact on the council's overall financial position.

Narrative Report (continued)

The most significant cost pressure for the DSG is in the high needs block, which is used to provide support for children with SEND and was overspent by £3.256m. There is an increasing number of Education Health and Care Plans (EHCPs) required for children in Sutton and they grant a statutory right to additional support that's funded from this block of the grant. In addition, the cost of support has increased at a higher rate than was expected when the original budget was set. This is in part due to an increased number of placements in independent settings that are as a result of the state funded provision being full.

8. Capital Expenditure

The final outturn for the General Fund programme was an underspend of £13.701m, of which £13.683m is due to slippage of budgets into 2024/25.

The slippage has been attributed to a number of factors but the most common causes are as a result of procurement and commissioning activity taking longer than planned and resulting in spend being incurred later than planned, and also delays caused by rescoping programmes to manage higher delivery costs and inflation pressures.

The Development, Growth and Regeneration directorate has a £5.416m underspend of which £5.266m is proposed to be slipped into 2024/25.

£1.431m underspend on Northern Gateway is due to the options for the delivery of the scheme being under review; £1.355m underspend on 137-145 High Street whilst the design was reviewed to enable delivery within the budget available causing delivery delays; £2.363m underspend on London Cancer Hub, including Belmont Transportation improvements, due to contractor delays including in demolition; £0.778m underspend on Oru Sutton Enhanced whilst design and planning progressed; and £0.721m overspend on Sutton Works due to construction works progressed faster than anticipated this year.

These schemes are largely grant funded and phasing is managed to meet grant conditions and deadlines.

The Environment, Housing & Neighbourhoods directorate has a £5.957m underspend of which £6,011m is proposed to be slipped into 2024/25.

The Housing General Fund programme was £4.027m underspent due to delays in the additional affordable housing scheme (£3.787m) and delays in delivery at the Pastures travellers site (£0.279m).

The Highways and Transportation programme was underspent by £1.190m which is reprogrammed into future years. Similarly the TfL funded capital programme has been reviewed and reprogrammed. Regulatory services spent £0.943m more than previously forecast due to a demand-led increase in Disabled Facilities Grant (DFG) funded works. These are fully covered by the grant allocation.

Narrative Report (continued)

	Capital Budget	Capital Outturn	Variance	Slippage
	£000s	£000s	£000s	£000s
Health & Wellbeing	177	272	94	(39)
Resources & Chief Executive	6,889	5,538	(1,351)	(1,291)
Environment, Housing & Neighbourhoods	22,255	16,298	(5,957)	(6,011)
Development, Growth & Regeneration	16,755	11,339	(5,416)	(5,266)
Peoples	8,215	7,143	(1,071)	(1,076)
Total	54,291	40,590	(13,701)	(13,683)

Narrative Report (continued)

9. Pensions Liability

The Council has net pension liabilities of £36.09m 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 2024. 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 2023/24 which in turn is underpinned by International Financial Reporting Standards.

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

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

The other financial statements also include:

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

2. Statement of Responsibilities

This sets out the different responsibilities of the Council and the Strategic Director 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 2024. 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.

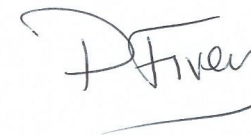
I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2024 and its income and expenditure for the year.



Richard Simpson
Strategic Director of Resources (S151 Officer)
25 February 2025

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 11 February 2025 to the Strategic Director of Resources, in consultation with the Chair of the Committee.



Chair, Audit and Governance Committee
25 February 2025

3. Core Financial Statements 2023/24



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 2023/24, 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
2022/23	2022/23	2022/23			2023/24	2023/24	2023/24
£000	£000	£000			£000	£000	£000
27,188	(18,966)	8,222	Health and Wellbeing		29,968	(20,871)	9,097
65,564	(23,669)	41,895	Environment, Housing and Neighbourhoods		64,418	(24,622)	39,796
1,632	(368)	1,264	Development Growth and Regeneration		1,510	(88)	1,422
290,024	(151,161)	138,863	Peoples Services		326,553	(169,589)	156,964
100,516	(63,522)	36,994	Resources		124,005	(63,445)	60,560
868	(16)	852	Chief Executive (Electoral Services)		511	(72)	439
			Housing Revenue Account				
30,228	(41,149)	(10,921)	- Main HRA Revenue Account		32,512	(45,564)	(13,052)
	(9,034)	(9,034)	- Revaluation loss/(gain) - Dwellings		6,937	-	6,937
3,138	(79)	3,059	Corporate Costs		33,810	(55,712)	(21,902)
519,158	(307,964)	211,194	Cost of services		620,224	(379,963)	240,261

Comprehensive Income and Expenditure Statement (continued)

Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
2022/23	2022/23	2022/23			2023/24	2023/24	2023/24
£000	£000	£000			£000	£000	£000
4,304	(8,952)	(4,648)	Other operating expenditure	6	47,304	(43,035)	4,269
27,049	(9,511)	17,538	Financing and investment income and expenditure	7	20,030	(12,599)	7,431
-	(227,064)	(227,064)	Taxation and non-specific grant income	8	-	(199,739)	(199,739)
550,511	(553,491)	(2,980)	(Surplus) or deficit on the provision of services		687,558	(635,336)	52,222
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(10,923)	Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets	12a			(28,884)
		(217,839)	Remeasurement of the net defined benefit liability on the pensions reserve	12c			(63,314)
		(228,762)	Other comprehensive income and expenditure				(92,198)
		(231,742)	Total comprehensive income and expenditure (surplus)/deficit				(39,976)

* Corporate Costs were previously reported as 'Non Service Revenue Accounts' in the 2022/23 Statement of Accounts. This is a change in description only.

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.

	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		
2023/2024										
Balance at 31 March 2023	(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	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	6,667	-	6,667	(5,347)	8,014	3,801	(30,588)	(17,453)	(22,523)	(39,976)
Transfers to / (from) Earmarked Reserves (Note 11)	(6,973)	6,973	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	(306)	6,973	6,667	(5,347)	8,014	3,801	(30,588)	(17,453)	(22,523)	(39,976)
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 in Reserves Statement (continued)

	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
2022/2023										
Balance at 31 March 2022	(8,960)	(44,457)	(53,417)	(10,773)	(39,492)	(12,224)	(14,864)	(130,770)	(197,449)	(328,219)
Movement during 2022/23:-										
Total Comprehensive Expenditure and Income	28,265	-	28,265	(31,245)				(2,980)	(228,762)	(231,742)
Adjustments between accounting basis and funding basis under regulations (Note 10)	(21,061)	-	(21,061)	27,724	(10,701)	(770)	(6,690)	(11,498)	11,498	0
Net (Increase)/Decrease before transfers to Earmarked Reserves	7,204	-	7,204	(3,521)	(10,701)	(770)	(6,690)	(14,478)	(217,264)	(231,742)
Transfers to / (from) Earmarked Reserves (Note 11)	(6,832)	6,832	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	372	6,832	7,204	(3,521)	(10,701)	(770)	(6,690)	(14,478)	(217,264)	(231,742)
Balance at 31 March 2023	(8,588)	(37,625)	(46,213)	(14,294)	(50,193)	(12,994)	(21,554)	(145,248)	(414,712)	(559,960)

Balance Sheet

This sets out the financial position of the Council as at 31 March 2024 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 2023		Notes	31 March 2024
£'000			£'000
	Non-Current Assets		
866,295	Property, Plant and Equipment	13	895,834
4,487	Intangible Assets	13b	5,333
98,311	Investment Properties	14	102,293
10	Long Term Investments	17a	10
8,671	Long Term Debtors	17a	7,726
977,774	Total Non-Current Assets		1,011,196
	Current Assets		
44,042	Short Term Investments	17a	56,203
936	Assets Held for Sale	15	936
43,700	Investment Properties Held for Sale	14	-
4	Inventories	33	2,789
74,830	Debtors	18	76,912
1,171	Cash and Cash Equivalentents	20	35,079
164,683	Total Current Assets		171,919

Balance Sheet (continued)

31 March 2023		Notes	31 March 2024
£'000			£'000
	Less Current Liabilities		
-	Cash and Cash Equivalents	20	(6,471)
(1,979)	Short Term Borrowing	17a	(32,288)
(55,177)	Creditors	19a	(72,023)
(13,782)	Grants Received in Advance	19b	(14,941)
(70,938)	Total Current Liabilities		(125,723)
	Less Non-Current Liabilities		
(6,072)	Provisions	21	(7,420)
(406,947)	Long Term Borrowings	17a	(406,947)
-	Long Term Creditors		(7,000)
(98,540)	Liability Related to Defined Benefit Pension Scheme	31c	(36,089)
(511,559)	Total Non-Current Liabilities		(457,456)
559,960	Net Assets		599,936
(414,712)	Total Unusable Reserves	12	(437,235)
(145,248)	Total Usable Reserves	11	(162,701)
(559,960)	Total Reserves		(599,936)

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.

2022/23			2023/24
£000		Notes	£000
2,980	Net surplus or (deficit) on the provision of services	-	(52,222)
19,549	Adjustment to the net surplus or deficit on the provision of services for non-cash movements	22	120,098
(21,279)	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	22	(62,029)
1,250	Net cash flows from operating activities		5,847
(440)	Net cash flows from investing activities	23	(10,008)
(5,106)	Net cash flows from financing activities	24	31,598
(4,296)	Net increase/(decrease) in cash and cash equivalents		27,437
Represented by:			
5,467	a Cash and cash equivalents at the beginning of the reporting period	20	1,171
1,171	b Cash and cash equivalents at the end of the reporting period	20	28,608
(4,296)	Net increase/(decrease) in cash and cash equivalents (b-a)		27,437

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

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 2023/24 financial year and its position at the year-end of 31 March 2024. 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. During the year, the Council has changed their assessment of the volatility of its Money Market Funds. These were previously held in Short Term Investments, but have been reclassified as Cash Equivalents due to the insignificant risk of 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 are only made when required by accounting practice or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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

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

- depreciation;

Note 1 Accounting Policies (continued)

- 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

Note 1 Accounting Policies (continued)

the Movement in Reserves Statement to transfer the accounting standards based entries to the Pension Reserve and replace these with the amount payable to the Pension Fund.

i) Post Employment Benefits

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

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

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 2024 was 4.8% 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

Note 1 Accounting Policies (continued)

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.

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 has four subsidiaries:

- Sutton Housing Partnership Limited which is a community interest company wholly owned by the Council;
- Encompass LATC Ltd which is also wholly owned and providing a range of services within housing and social care;
- Cognus Limited which became 100% owned by the Council in June 2021 (previously 75% ownership). Cognus mainly provides educational services;
- Note, Opportunity Sutton Ltd, which was a wholly owned company that acted as parent to a number of subsidiary companies, was wound up on 31 March 2024 and it had consisted of:
 - Sutton Living Ltd
 - Sutton Living Design & Build Ltd
 - Sutton Decentralised Energy Network Ltd

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. 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. The Council does not hold any finance leases.

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

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

Operating Leases

The Council as Lessee

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

The Council as Lessor

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

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 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 2023/24 (the Code).

As at the Balance Sheet date, the following new accounting standard and amendments had not yet been adopted by the Code:

IFRS 16 - Leases From 1 April 2024, the authority will apply IFRS 16 Leases as adopted by the CIPFA Code of Accounting Practice to replace the previously applied standards of IFRIC 4 and IAS 17 for Leases. The main impact of the new requirements is for Lessees in that for arrangements previously accounted for as an operating lease (i.e. without recognising the leased property as an asset and future rents as liability) a right of use asset and a lease liability are to be brought onto the balance sheet as at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

IFRS 16 will be applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right of use assets and lease liabilities will be calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures.

The authority is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The authority will account for its leases in accordance with IFRS 16 from the date of application of 1 April 2024.

The 2024/25 period will be the transitional period whereby the full implications of the standard will be adopted and prepared and the impact for the Authority will be determined. This change in accounting standard will be included as part of the financial statements for the year ended 31 March 2025.

IFRIC 14 applicability - Sutton Council has not applied any asset restriction/additional liability under the requirements of IFRIC 14 and has therefore recognised a pension deficit of £42,511k (including unfunded liabilities). Our actuary Hymans Robertson has confirmed that, given there is sufficient headroom in the employer's position, there is no IFRIC 14 adjustment required as at 31 March 2024.

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 £70.200m at 31 March 2024, 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 £12.796m at 31.3.2024.

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 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 2023/24, all expenditure and income was judged to be Principal. Comparative information about this is provided In Note 9 (Grant Income).

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

This reclassification from the prior year is a result of management's assessments that the 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 2023/24 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.</p> <p>A reduction of 1% in the value of PPE at 31.3.2024 that is held at current value (rather than historic cost) (£811.642m) would reduce the balance sheet value by £8.116m.</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	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.	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 31.3.2024 (£102.293m) would equate to £7.161m, although this would not result in a charge to the general fund under local authority accounting practices.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The sensitivity of the net Pension Fund liability (£36.089m at 31.3.2024) 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 £11.7m in the Council's pension liability; a one year increase in member life expectancy would increase the liability by approximately £27.8m 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, GMP equalisation, the Goodwin treatment and Section 37 confirmations.

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.

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	3,966	1,528	5,494	3,603	9,097
Environment, Housing and Neighbourhoods	29,679	741	30,420	9,376	39,796
Development Growth and Regeneration	923	38	961	461	1,422
Peoples Services	146,213	2,317	148,530	8,434	156,964
Resources	23,175	6,175	29,350	31,210	60,560
Chief Executive(Electoral Services)	467	(17)	450	(11)	439
Housing Revenue Account	(5,335)	(7,686)	(13,021)	6,906	(6,115)
Corporate Costs	(202,870)	179,860	(23,010)	1,108	(21,902)
Net cost of services	(3,782)	182,956	179,174	61,087	240,261
Other Operating Expenditure	-	609	609	3,660	4,269
Financing and Investment income	-	137	137	7,294	7,431
Taxation and non-specific grant income	-	(178,600)	(178,600)	(21,139)	(199,739)
Drawdown from Reserves to fund GF overspend	(1,553)	1,553	-	-	-
(Surplus) or Deficit	(5,335)	6,655	1,320	50,902	52,222
Opening GF, Earmarked Reserves and HRA Balance			(60,507)		
Add (Surplus) or Deficit on GF and HRA Balance in Year			1,320		
Closing GF, Earmarked Reserves and HRA Balance at 31 March			(59,187)		

Note 5 Expenditure and Funding Analysis (continued)

2022/23 Comparative	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	7,074	(2,298)	4,776	3,446	8,222
Environment, Housing and Neighbourhoods	36,558	(4,736)	31,822	10,073	41,895
Development Growth and Regeneration	924	57	981	283	1,264
Peoples Services	125,345	1,971	127,316	11,547	138,863
Resources	22,756	9,651	32,407	4,587	36,994
Chief Executive(Electoral Services)	450	352	802	50	852
Housing Revenue Account	-	(10,923)	(10,923)	(9,032)	(19,955)
Non Service Revenue Accounts	(193,107)	195,965	2,858	201	3,059
Net cost of services	-	190,039	190,039	21,155	211,194
Other Operating Expenditure	-	868	868	(5,516)	(4,648)
Financing and Investment income	-	4,719	4,719	12,819	17,538
Taxation and non-specific grant income	-	(191,943)	(191,943)	(35,121)	(227,064)
(Surplus) or Deficit	-	3,683	3,683	(6,663)	(2,980)
Opening General Fund and HRA Balance			(64,190)		
Add (Surplus) or Deficit on General Fund and HRA Balance in Year			3,683		
Closing General Fund and HRA Balance at 31 March			(60,507)		

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	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
-	1,528	1,528	Health and Wellbeing	4,281	(689)	11	3,603
(1,191)	1,932	741	Environment, Housing and Neighbourhoods	9,659	(288)	5	9,376
-	38	38	Development Growth and Regeneration	499	(47)	9	461
(219)	2,536	2,317	Peoples Services	8,465	(1,716)	1,685	8,434
3,552	2,623	6,175	Resources	32,551	(1,355)	14	31,210
-	(17)	(17)	Chief Executive(Electoral Services)	11	(22)	-	(11)
(7,674)	(12)	(7,686)	Housing Revenue Account	6,937	(31)	-	6,906
183,386	(3,526)	179,860	Corporate Costs	690	418	-	1,108
177,854	5,102	182,956	Net cost of services	63,093	(3,730)	1,724	61,087
610	-	610	Other Operating Expenditure	3,660	-	-	3,660
136	-	136	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	Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	50,500	863	(461)	50,902

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	2022/23 Comparative	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
-	(2,298)	(2,298)	Health and Wellbeing	2,056	1,313	77	3,446
-	(4,736)	(4,736)	Environment, Housing and Neighbourhoods	9,377	657	39	10,073
-	57	57	Development Growth and Regeneration	156	135	(7)	284
-	1,971	1,971	Peoples Services	6,657	7,838	(2,948)	11,547
-	9,651	9,651	Resources	5,153	2,660	(3,226)	4,587
-	352	352	Chief Executive(Electoral Services)	-	50	-	50
-	(10,923)	(10,923)	Housing Revenue Account	(9,109)	77	-	(9,032)
193,106	2,859	195,965	Non Service Revenue Accounts	-	200	-	200
193,106	(3,067)	190,039	Net cost of services	14,290	12,930	(6,065)	21,155
-	868	868	Other Operating Expenditure	(5,516)	-	-	(5,516)
-	4,719	4,719	Financing and Investment income	4,679	8,140	-	12,819
(194,285)	2,342	(191,943)	Taxation and non-specific grant income	(32,612)	-	(2,509)	(35,121)
Statement of Movement on General Fund Balances							
(1,179)	4,862	3,683	Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(19,159)	21,070	(8,574)	(6,663)

Note 5b Expenditure and Income Analysed by Nature

The Council' expenditure and income is analysed as follows:

2022/23		2023/24
£000		£000
	Expenditure	
173,708	Employee expenses	177,610
319,142	Other operating expenses	379,219
26,395	Depreciation, amortisation and impairment	64,056
-	Payments to Housing Capital Receipts Pool	-
19,997	Interest payments	16,573
564	Loss on FV revaluation of Financial Instruments	(20)
6,486	Loss on FV investment properties	2,815
868	Precept and Levies	609
	Disposal costs	80
3,351	NBV written out on disposal of non-current assets	46,616
550,511	Total expenditure	687,558
	Income	
(85,854)	Fees and charges and other service income	(119,094)
(9,933)	Interest and investment income	(12,437)
(12,226)	Revaluation gains on non-current assets	(5,918)
(9,027)	Capital Receipts	(43,035)
(148,154)	Income from Council Tax and Business Rates	(159,885)
(288,297)	Government grants and contributions	(294,967)
(553,491)	Total income	(635,336)
(2,980)	(Surplus) or Deficit on Provision of Services	52,222

* fees for payroll services were recognised as a reduction to payroll expenses in 22-23 rather than as a separate income stream. In 23-24 they are instead part of fees and charges rather than operating expenses, as they are a distinct commercial transaction and not a pass through.

Note 6 Other operating expenditure

2022/23		2023/24
£'000		£'000
868	Levies paid to Other Local and Public Authorities	609
-	Payment to the Government Housing Capital Receipts Pool	-
-	Disposal costs	80
3,437	NBV written out on disposal of non-current assets	46,616
(8,952)	Capital Receipts	(43,035)
(4,648)	TOTAL	4,270

Note 7 Financing and investment income and expenditure

2022/23		2023/24
£'000		£'000
11,856	Interest payable and similar charges	11,980
8,141	Net interest on the net defined benefit pension scheme liability	4,594
(2,428)	Interest receivable and similar income	(5,022)
564	Financial Instruments - change in Fair Value	(20)
(7,083)	Income in relation to investment properties	(7,577)
2	Expenditure in relation to investment properties	661
6,486	Changes in the Fair Value of investment properties	2,815
17,538	TOTAL	7,431

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

2022/23		2023/24
£'000		£'000
(112,748)	Council Tax Income	(122,285)
(34,805)	Business Rates Retention Scheme	(36,727)
(337)	Business Rates Retention Scheme Pool	(610)
(46,298)	Non ringfenced government grants*	(20,779)
(264)	Renewable energy Schemes retained by the authority	(264)
(32,612)	Capital grants and contributions	(19,074)
(227,064)	Total Credited to Taxation and Non-Specific Grant Income	(199,739)

*Some grants and contributions that were previously treated as non-ringfenced grants in the 2022/23 accounts, have now been classified as ringfenced grants and included in the cost of services gross income, instead of here in Taxation and non-specific grant income. See Note 9 for further details.

Note 9 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24

2022/23	Grants Credited to Taxation and Non-Specific Grant Income	2023/24
£'000	Non ringfenced government grants:	£'000
(6,964)	Revenue Support Grant	(7,894)
(6,159)	Section 31 Business Rate Grant	(10,241)
(582)	Housing Benefit and Council Tax Admin Grant	(614)
(100)	New Homes Bonus	(243)
(15,009)	Bettercare Fund *	-
(5,764)	Social Care Support grant *	-
(4,067)	Improved Better Care Fund Grant *	-
(2,784)	Homes for Ukraine *	-
(2,511)	Services Grant	(1,473)
(1,267)	COVID-19 funding / reliefs	49
(1,091)	Other	(364)
(46,298)	Total	(20,780)

* these grants are specific grants and so are now more appropriately sitting within the cost of services, shown in the table further below.

Note 9 Grant Income (continued)

2022/23	Capital Grants and Contributions:	2023/24
£'000		£'000
(7,217)	Education Grants	(3,498)
(952)	Mayors Grant (GLA)	-
(1,624)	Section 106 Contributions	(3,493)
(1,478)	GLA - Strategic Investment Pot	6
(4,887)	DLUHC Future High Street Fund	(4,282)
(12,232)	GLA Housing New Build	(230)
(2,277)	GLA Supported & Specialised Housing	-
-	GLA Grants	(3,967)
-	Transport Grants	(1,279)
-	DLUHC - Housing Grant	(788)
(1,872)	Disabled Facilities	(1,966)
(310)	GLA/BEIS Leap Funding	-
(220)	Other Capital Grants and Contributions	423
(33,069)	Total	(19,074)

*the "other capital grants and contributions" row is a debit balance due to reversal of amounts previously recognised as grant income.

Note 9 Grant Income (continued)

2022/23	Revenue Grants Credited to Services	2023/24
£'000		£'000
(112,862)	Dedicated Schools Grant	(121,532)
(6,472)	Education & Skills Funding Agency funding	(6,264)
(55)	Teachers Pay Grant	(783)
(226)	Teachers Pension Grant	(116)
(10,476)	Public Health Grant	(10,818)
(9,646)	Housing Benefit Rebate Subsidy	(9,811)
(5,345)	Housing Benefit Rebate Subsidy - outside HRA	(6,703)
(29,467)	Housing Benefit Allowances	(28,851)
-	Bettercare Fund	(16,524)
-	Social Care Support Grant	(9,517)
-	Improved Better Care Fund Grant	(4,067)
(339)	Discretionary Housing Payments	(353)
(2,896)	Pupil Premium (schools)	(3,065)
(2,418)	Asylum Seekers	(2,744)
(684)	Troubled Families Grant	(551)
(1,069)	Universal Infants Free School Meals	(1,054)
(1,053)	Homes for Ukraine	(1,585)
(1,964)	Homelessness Prevention Grant	(962)
(614)	Winter Pressures Grant	-
(3,011)	COVID-19 & Household Support funding	-

Note 9 Grant Income (continued)

2022/23	Revenue Grants Credited to Services contd.	2023/24
£'000		£'000
(498)	Data Accelerator Programme	-
(615)	Holidays Activity and Food Programme	(658)
(1,478)	School Supplementary Grant	-
-	GLA Free School Meals	(3,000)
-	Mainstream Schools Additional Grant	(1,770)
-	ASC Market Sustainability and Improvement Fund	(1,726)
-	ASC Discharge Fund	(570)
-	Early Years Supplementary Grant	(1,010)
(17,742)	Other	(21,078)
(208,930)	Total Revenue Grants included in Cost of Services	(255,112)

Note 9 Grant Income (continued)

Agency Transactions

The Council received a range of grants from the Central Government in 2021/22 and 2022/23 to continue providing support to residents and businesses due to the ongoing impact of the COVID 19 pandemic, and also the steep rise in energy costs.

When presenting information on grant income and expenditure, the Council had to determine whether in administering the grant it was acting as an agent or principal.

The following conditions apply where the Council was acting as an agent:

- It was acting as an intermediary between the recipient and the Government department.
- It did not have "control of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council acted as a principal it was at its own discretion when allocating the amount of grant payable.

The tables below sets out the summary of agency related grant receipts, amounts to return to Central Government, and corresponding expenditure. It should be noted that in many circumstances, the allocation of grant was an estimate, and could not be deployed by the Council under the conditions the funding was subject to. Unspent funds are held as creditors. The excess £63k for Council Tax Energy Rebates was returned to the Central Government in 2023/24, as shown below.

Agency Grants - 2023/24	Grant Allocation	The Council acting as Agent	The Council acting as Principal	Amount of Agent Grant held as Grants - Receipts In Advance	Expenditure as at 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Council Tax Energy Rebates	-	-	-	-	-
Infection Control, Rapid Testing and Vaccine combined funding			-		-
	-	-	-	-	-

Agency Grants - 2022/23 Comparative	Grant Allocation	The Council acting as Agent	The Council acting as Principal	Amount of Agent Grant held as Grants - Receipts In Advance	Expenditure as at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Council Tax Energy Rebates	9,440	9,440	-	63	9,376
Infection Control, Rapid Testing and Vaccine combined funding	103	103	-	0	103
	9,543	9,543	-	63	9,480

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)

2023/24	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS TO THE REVENUE RESOURCES						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 31)	(19,952)	(125)	-	-	-	20,077
Pensions costs (transferred to (or from) the Pensions Reserve)	19,088	126	-	-	-	(19,214)
Sub Total for Pensions Reserve	(864)	1	-	-	-	863
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
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	(56,840)	(14,902)	-	-	-	71,742
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES						
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(44,353)	(2,263)	-	-	-	46,616

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

2023/24 (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 (transfer to the Capital Adjustment Account)	33	-	-	-	-	(33)
Use of capital receipts for revenue purposes	(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)
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	8,220	12,620	(2,924)	(8,499)	(37,224)	27,807
ADJUSTMENTS TO CAPITAL RESOURCES						
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
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	-	-	10,938	12,300	6,636	(29,874)
Total Adjustments	(48,620)	(2,282)	8,014	3,801	(30,588)	69,675

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

2022/23 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
ADJUSTMENTS TO THE REVENUE RESOURCES						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 31)	(33,407)	(222)	-	-	-	33,629
Pensions costs (transferred to (or from) the Pensions Reserve)	16,257	79	-	-	-	(16,336)
Sub Total for Pensions Reserve	(17,150)	(143)	-	-	-	17,293
Financial instruments (transferred to the Financial Instruments Adjustments Account)	72	-	-	-	-	(72)
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	2,509					(2,509)
Holiday pay (transferred to the Accumulated Absences Reserve)	2,746					(2,746)
Charges for depreciation and impairment of non-current assets	(12,485)	(8,514)	-	-	-	20,999
Revaluation loss/(gain) on Property Plant and Equipment	(233)	9,034	-	-	-	(8,801)
Movements in the market value of Investment Properties	(6,486)	-	-	-	-	6,486
Amortisation of intangible assets	(1,971)	-	-	-	-	1,971
Revenue expenditure funded from capital under statute	(9,167)	-	-	-	-	9,167
Financial Instruments Revaluation Reserve	(565)	-	-	-	-	565
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	(42,730)	377	-	-	-	42,353
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES						
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(3,351)	-	-	-	3,351

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

2022/23 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	564	8,463	-	-	(9,027)	-
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	2,300	-	-	-	-	(2,300)
Capital expenditure financed from revenue balances (charged to HRA)	-	-	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	-	-	-	-	-
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)	(86)	-	-	-	86	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	8,514	-	(8,514)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	16,122	13,721	(29,843)	-	-	-
Capital Grants and contributions applied	2,769	-	-	-	-	(2,769)
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	21,669	27,347	(29,843)	(8,514)	(8,941)	(1,718)
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	2,251	(2,251)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	7,744	-	(7,744)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	19,142	-	-	(19,142)
Cash payment in relation to deferred capital receipts	-	-	-	-	-	-
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	-	-	19,142	7,744	2,251	(29,137)
Total Adjustments	(21,061)	27,724	(10,701)	(770)	(6,690)	11,498

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 2023/24. It also includes usable capital resources.

	Balance at 31 March 2022	Transfers Out	Transfers In	Balance at 31 March 2023	Transfers Out	Transfers In	Balance at 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
General Fund balances	(8,960)	372	-	(8,588)	-	(306)	(8,894)
Sub total	(8,960)	372	-	(8,588)	-	(306)	(8,894)
Schools Reserves:-							
DSG Balances	(1,367)	497	(616)	(1,486)	1,486	-	-
Balances held by schools under a scheme of delegation	(3,566)	1,042	(953)	(3,477)	2,466	(2,118)	(3,129)
Earmarked Reserves:-							
- Insurance Fund	(5,151)	1,016	(568)	(4,703)	1,996	-	(2,707)
- Risk Reserve	(3,828)	1,562	(1,765)	(4,031)	319	(1,147)	(4,859)
- Redundancy Costs	(775)	-	-	(775)	282	-	(493)
- Revenue Grants Unapplied	(5,278)	4,361	(3,954)	(4,871)	2,225	(886)	(3,532)
- Transitional Grant Reserve	(149)	112	-	(37)	37	-	-
- Commercial Property Investment Reserve	(3,652)	-	(1,152)	(4,804)	-	(1,152)	(5,956)
- Capital Strategy Reserve	(729)	97	-	(632)	9	(1,420)	(2,043)
- Town Centre Reserve	(853)	65	-	(788)	788	-	-
- Non Grant Carry Forwards	(1,021)	43	(48)	(1,026)	608	(27)	(445)
- Public Health Reserve	(1,889)	159	(84)	(1,814)	1,376	(25)	(463)
- Sustainable Investment Fund	(555)	-	(26)	(581)	825	(244)	-
- Opportunity Sutton Reserve	(254)	-	-	(254)	254	-	-

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

	Balance at 31 March 2022	Transfers Out	Transfers In	Balance at 31 March 2023	Transfers Out	Transfers In	Balance at 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves continued:-							
- Welfare Support	(584)	496	-	(88)	88	-	-
- Catering Reserve (School Meals Delegated Funds)	(258)	-	(83)	(341)	-	(10)	(351)
- Renewals and Repairs Fund	(115)	-	-	(115)	115	-	-
- Other	(101)	-	-	(101)	101	-	-
- Covid 19 Grant funding (COMF & other)	(520)	520	-	-	-	-	-
- Additional Restriction Grant Discretionary (LRSG)	(109)	109	-	-	0	-	-
- Extended Retail Relief Sect 31 funding	(2,920)	2,920	-	-	0	-	-
- Fair Funding Reserve	(1,321)	-	-	(1,321)	-	(165)	(1,486)
- Business Rates Risk Reserve	(3,481)	1,500	-	(1,981)	1,981	-	-
- Concessionary Fares Reserve	(923)	923	-	-	-	-	-
- Economic Recovery Reserve	(833)	833	-	-	-	-	-
- Inflation Risk Reserve	(2,000)	2,000	-	-	-	-	-
- St Nicholas Centre RPP Reserve	(362)	-	(283)	(645)	-	-	(645)
- Budget Stabilisation Reserve	(1,864)	-	(1,681)	(3,545)	350	(1,348)	(4,543)
- Local Tax Guarantee	-	-	-	-	-	-	-
- HR & OD Strategy delivery	-	-	(210)	(210)	-	210	-
Sub total	(44,458)	18,255	(11,423)	(37,626)	15,306	(8,332)	(30,652)

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

	Balance at 31 March 2022	Transfers Out	Transfers In	Balance at 31 March 2023	Transfers Out	Transfers In	Balance at 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA:							
Housing Revenue Account	(10,162)	-	(3,509)	(13,671)	12	(5,347)	(19,006)
Hillcroombe and Harrow Reserve	(34)	-	(13)	(47)	-	(12)	(59)
Heating Reserve	(530)	-	-	(530)	-	-	(530)
Freeholders Contributions	(46)	-	-	(46)	-	-	(46)
Sub total	(10,772)	-	(3,522)	(14,294)	12	(5,359)	(19,641)
Capital Grants and Contributions Unapplied	(39,492)	19,142	(29,843)	(50,193)	21,192	(13,178)	(42,179)
Capital Receipts Reserve	(14,864)	15,673	(22,363)	(21,554)	9,422	(40,010)	(52,142)
Major Repairs Reserve	(12,224)	7,745	(8,514)	(12,993)	12,299	(8,499)	(9,193)
Total	(130,770)	61,187	(75,665)	(145,248)	58,231	(75,684)	(162,701)

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.

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

Earmarked Reserves contd.

- 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 2023		31 March 2024
£'000		£'000
(165,935)	(a) Revaluation Reserve	(192,121)
(354,269)	(b) Capital Adjustment Account	(287,894)
98,540	(c) Pensions Reserve	36,089
394	(d) Financial Instruments Adjustment Account	301
(529)	(e) Deferred Capital Receipts	(329)
1,313	(f) Collection Fund Adjustment Account	(758)
3,425	(g) Accumulated Absences Account	3,758
2,348	(h) Financial Instruments Revaluation Reserve	2,328
-	(i) Dedicated Schools Grant Adjustment Account	1,391
(414,713)	TOTAL	(437,235)

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.

2022/23		2023/24
£'000		£'000
(157,453)	Balance at 1 April	(165,935)
(20,403)	Upward revaluation of assets	(86,713)
9,480	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	57,829
(10,923)	Surplus or deficit on revaluation of non current assets not posted to the surplus/(deficit) on the provision of services	(28,884)
2,441	Difference between fair value depreciation and historical cost depreciation	2,698
-	Accumulated losses on assets sold or scrapped	-
2,441	Amount written off to the Capital Adjustment Account	2,698
(165,935)	Balance at 31 March	(192,121)

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.

2022/23		2023/24
£'000		£'000
(350,795)	Balance at 1 April	(354,269)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
20,999	Charge for depreciation and impairment of non-current assets	21,139
(8,801)	Revaluation gains/(losses) on Property, Plant and Equipment	34,746
1,971	Amortisation of intangible assets	2,252
	Adjustment in respect of over charged amortisation in prior years	
9,167	Revenue expenditure funded from capital under statute	10,387
3,351	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	46,616
-	Amounts of long term debtor written down by loan repayment	1,000
26,687		116,140
(2,441)	Difference between fair value depreciation and historical cost depreciation	(2,698)
-	Accumulated losses on assets sold or scrapped	-
24,246	Net written out amount of the cost of non-current assets consumed in the year	113,442

Note 12 Unusable Reserves (continued)

Capital Adjustment Account (continued)

2022/23		2023/24
£'000	Capital financing applied in the year:	£'000
	Loan repayments from Capital Receipts Reserve to finance write down of long term debtor	(1,000)
(2,251)	Use of the Capital Receipts Reserve to finance new capital expenditure	(6,836)
(7,744)	Use of the Major Repairs Reserve to finance new capital expenditure	(12,300)
(2,769)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(16,144)
(19,142)	Application of grants to capital financing from the Capital Grants Unapplied Account	(10,938)
(2,300)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	(2,632)
-	Funded from Revenue Reserves	(33)
(34,206)		(49,883)
6,486	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,816
(354,269)	Balance at 31 March	(287,894)

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.

2022/23		2023/24
£'000		£'000
299,086	Balance at 1 April	98,540
(217,839)	Remeasurement of the net defined benefit liability	(63,314)
33,629	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	(19,214)
(16,336)	Employers pension contributions and direct payments to pensioners payable in year	20,077
98,540	Balance at 31 March	36,089

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.

2022/23		2023/24
£'000		£'000
466	Balance at 1 April	394
(72)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(93)
394	Balance at 31 March	301

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.

2022/23		2023/24
£'000		£'000
(529)	Balance at 1 April	(529)
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
-	Transfer of deferred sales proceeds to the Capital Receipts Reserve upon payment	200
(529)	Balance at 31 March	(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.

2022/23		2023/24
£'000		£'000
3,822	Balance at 1 April	1,313
(2,509)	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	(2,071)
1,313	Balance at 31 March	(758)

Note 12 Unusable Reserves (continued)

g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, i.e. annual leave entitlement carried forward at 31 March 2024. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from this Account.

2022/23		2023/24
£'000		£'000
6,171	Balance at 1 April	3,425
(6,171)	Settlement or cancellation of accrual at the end of the preceding year	(3,425)
3,425	Amounts accrued at the end of the current year	3,758
(2,746)	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	333
3,425	Balance at 31 March	3,758

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.

2022/23		2023/24
£'000		£'000
1,783	Balance at 1 April	2,348
-	Upward revaluation of investments	-
565	Downward revaluation of investments	(20)
2,348	Balance at 31 March	2,328

Note 12 Unusable Reserves (continued)

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.

2022/23		2023/24
£'000		£'000
-	Balance at 1 April	-
-	Amount of Dedicated Schools Grant (surplus) / deficit transferred to unusable reserves	1,391
-	Contribution (to)/from DSG Adjustment account	-
-	Balance at 31 March	1,391

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

Movement on balances

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
Cost or Valuation							
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)
At 31st March 2024	496,428	309,680	5,360	8,131	6,545	42,496	868,640

Note 13 Property, Plant and Equipment (continued)

Movement on balances

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
Accumulated Depreciation and Impairment							
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
At 31st March 2024	-	(940)	(2,852)	-	-	-	(3,792)
Net Book Value:							
At 31 March 2023	492,015	314,077	2,699	6,702	6,281	14,157	835,931
At 31 March 2024	496,428	308,740	2,508	8,131	6,545	42,496	864,848

Note 13 Property, Plant and Equipment (continued)

Movement on balances

Comparative movements in 2022/23	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
Cost or Valuation							
At 1st April 2022	473,578	325,310	9,043	6,304	8,305	9,387	831,927
Additions	12,548	2,906	1,259	398	-	13,368	30,479
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	9,783	-	-	(2,024)	-	7,759
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	642	(830)	-	-	-	-	(188)
Derecognition - disposals	(3,351)	-	-	-	-	-	(3,351)
Derecognition - other	-	-	(822)	-	-	-	(822)
Assets reclassified (to)/from held for sale	-	-	-	-	-	-	-
Reclassification and transfers	8,598	-	-	-	-	(8,598)	-
At 31st March 2023	492,015	337,169	9,480	6,702	6,281	14,157	865,804

Note 13 Property, Plant and Equipment (continued)

Movement on balances

Comparative movements in 2022/23	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
Accumulated Depreciation and Impairment							
At 1st April 2022	-	(20,783)	(6,270)	-	-	-	(27,053)
Depreciation Charge:	(8,427)	(6,027)	(1,333)	-	(7)	-	(15,794)
Depreciation charge written out to the Revaluation Reserve	-	3,156	-	-	7	-	3,163
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	8,427	562	-	-	-	-	8,989
Derecognition - disposal	-	-	-	-	-	-	-
Derecognition - other	-	-	822	-	-	-	822
Reclassification and transfers	-	-	-	-	-	-	-
At 31st March 2023	-	(23,092)	(6,781)	-	-	-	(29,873)
Net Book Value:							
At 31 March 2022	473,578	304,527	2,773	6,304	8,305	9,387	804,874
At 31 March 2023	492,015	314,077	2,699	6,702	6,281	14,157	835,931

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	2022/23	2023/24
	£'000	£'000
Net book value at 1 April	30,859	30,364
Additions	4,710	6,008
Derecognition	-	-
Depreciation	(5,205)	(5,405)
Impairment	-	-
Other movements in cost	-	19
Net book value at 31 March	30,364	30,986

Total Property, Plant and Equipment reported on Balance Sheet	2022/23	2023/24
	£'000	£'000
Infrastructure assets **	30,364	30,986
Other Property, Plant and Equipment assets	835,931	864,848
Total Property, Plant and Equipment assets	866,295	895,834

****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 2023/24 the Council invested £15.245m of capital expenditure on improvements to council dwellings, and spent £0.398m on the purchase of dwellings. As at 31 March 2024, 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 2024 are detailed in the following table:

Expenditure commitment 31 March 2023		Expenditure commitment 31 March 2024
		£'000
2,969	Council Dwellings - Major Works	9,387
10,621	Council Dwellings - Housing New Build	40,984
37,951	Estate Regeneration	
-	Environment Capital Programme	930
6,042	Housing General Fund - Travellers Sites	6,207
-	Other capital commitments under £500k	14,976
-	Other Development Growth & Regeneration Projects	5,492
57,583	Total	77,976

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 2023/24 were carried out by Montagu Evans LLP. The latest valuation was carried out as at 31 March 2024.

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 2023/24 the social housing factor for London remains at 25% which results in a value adjusted for the social housing factor of £496.428m.

Infrastructure and community assets have been included at historical cost.

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

Note 13 Property, Plant and Equipment (continued)

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

	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	71	2,508	30,986	8,131	-	42,496	84,192
Valued at current value as at:								
31 March 2024	496,428	281,864	-	-	-	6,545	-	784,837
31 March 2023	-	26,805	-	-	-	-	-	26,805
31 March 2022	-	-	-	-	-	-	-	-
31 March 2021	-	-	-	-	-	-	-	-
31 March 2020	-	-	-	-	-	-	-	-
Total Cost or Valuation	496,428	308,740	2,508	30,986	8,131	6,545	42,496	895,834

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 2024. 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 2023					31 March 2024			
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	-	6,281	6,281	Surplus Assets	-	6,545	-	6,545
-	-	142,011	142,011	Investment Properties (see Note 14)	-	102,293	-	102,293
-	-	3,880	3,880	Other Land and Buildings	-	-	2,652	2,652
-	-	936	936	Assets Held for Sale (see Note 15)	-	-	936	936
-	-	153,108	153,108	Total	-	108,838	3,588	112,426

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

Valuation Techniques used to measure fair value	Unobservable inputs	Valuation Process
Market approach	Market comparables for similar properties <ul style="list-style-type: none"> • Rental values • Investment yields • Location of comparable properties and transactions • Timing of comparable transactions applying to similar properties • Certain detail about physical characteristics and detailed transactional information of comparable properties for which adjustments may need to be made 	Analysed comparable evidence data from local property transactions carried out by the council or otherwise within the valuer's scope of knowledge to place a land / building value on the subject property / site, then made adjustments for site location, site restrictions, layout and quality

Type of Property	Fair Value as at 31 March 2024 £'000	Valuation Techniques used to measure fair value	Unobservable inputs	Quantitative Information Used (Range)	Sensitivity
Residential development:- Other Land & Buildings	2,652	Residual or comparison method	Estimated residential sale prices Estimated build or conversion costs Estimated developer's profit Estimated financing costs Estimated professional fees on build Estimated contingency allowance on costs	£6,000 per sq m £1,755 per sq m 10%-20% of development value 7% on costs 12% on build costs 5% on build costs	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Assets Held for Sale	936	Residual method	Estimated residential sale prices Estimated build or conversion costs Estimated developer's profit Estimated financing costs Estimated professional fees on build Estimated contingency allowance on costs Estimated external works costs relative to build	£5,800 to £6,000 per sq m £1,900 to £2,600 per sq m 10% to 20% of development value 6% to 7% on costs 10%-12% on build costs 5%-7.5% on build costs 10%-12% on build costs	Significant changes in unobservable inputs could result in a significantly lower or higher fair value

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 2023/24 as no acquisitions or disposals took place. The nature and significance of these assets are detailed below.

Land and Buildings

a) Museums

Honeywood £0.323m and Whitehall £1.368m

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 £0.757m

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

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 mediaeval 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

(1792-1867), Joseph Powell (c1780-c1834),
William Tatton Winter (1855-1928),

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 2023		31 March 2024
£'000		£'000
	Balance at start of year:	
10,140	Gross carrying amounts	12,863
(6,405)	Accumulated amortisation	(8,376)
3,735	Net carrying amount at start of year	4,487
	Transactions in year:-	
2,723	Additions	3,098
(1,971)	Amortisation	(2,252)
4,487	Net carrying amount at end of year	5,333
	Comprising:-	
12,863	Gross carrying amounts	15,961
(8,376)	Accumulated amortisation	(10,628)
4,487		5,333

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 2023/24 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:

2022/23		2023/24
£'000		£'000
148,497	Balance at the start of the year	142,011
-	Reclassification from Other Land and Buildings	6,737
-	Additions	60
-	Disposals	(43,700)
(43,700)	Classified as Investment Properties Held for Sale	-
(6,486)	Net gains/(losses) from fair value adjustments (Revaluations and Impairments)	(2,815)
98,311	Closing Balance (non-current assets)	102,293
43,700	Investment Properties Held for Sale (current assets)	-
142,011	Total Balance at the end of the year	102,293

Investment Property Held for Sale valued at £43.700m was disposed of during 2023/24. The property sold was Oxfam House, Oxford Business Park.

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:

2022/23		2023/24
£'000		£'000
(7,083)	Rental income from investment property	(7,577)
2	Direct operating expenses arising from investment property	661
(7,081)	Net gain	(6,916)

Note 15 Assets Held for Sale

As at 31 March 2024 the Council had a number of properties categorised as Assets Held for Sale, and comprising a total value of £0.936m.

2022/23		2023/24
£'000		£'000
936	Opening Balance	936
-	Additions	-
-	Reclassifications	-
-	Revaluations	-
936	Closing Balance	936

Note 16 Capital Expenditure and Capital Financing

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

2022/23		2023/24
£'000		£'000
480,845	Opening Capital Financing Requirement	493,718
	Capital Investment:	
35,189	Property, Plant and Equipment	66,194
-	Investment Properties	60
2,723	Intangible Assets	3,098
-	Inventories (Property buybacks)	2,788
9,167	Revenue Expenditure Funded from Capital Under Statute	10,387
	Sources of Finance:	
-	Loan repayments received	(1,000)
(2,251)	Capital Receipts	(6,836)
(19,142)	Transfers from capital grants unapplied	(10,938)
(2,769)	Capital grants and contributions recognised as income and applied	(16,144)
(7,744)	Major Repairs Reserve	(12,300)
	Sums set aside from revenue	
-	- Direct revenue contributions	(33)
(2,300)	- MRP / Loans fund principal	(2,632)
493,718	Closing Capital Financing Requirement	526,362
	Explanation of movements in year	
(12,873)	Increase in underlying need to borrow (unsupported by government financial assistance)	(32,644)
(12,873)	Increase in Capital Financing Requirement	(32,644)

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 £28,608k. See Note 20 for further information.

Categories of financial assets

31 March 2023						31 March 2024						
Non-current		Current		Total	FINANCIAL ASSETS	Non-current		Current		Total		
Investments	Debtors	Investments	Debtors	Cash		Investments	Debtors	Investments	Debtors	Cash		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
-	819	18,739		-	19,558	Fair value through profit and loss	-	629	-	-	629	
-	7,852	25,303	47,058	1,171	81,384	Amortised Cost	-	7,097	56,203	37,206	28,608	129,114
10	-	-		-	10	Fair value through other comprehensive income - designated equity instruments	10	-	-	-	-	10
10	8,671	44,042	47,058	1,171	100,952	Total financial assets	10	7,726	56,203	37,206	28,608	129,753

Categories of financial liabilities

31 March 2023					31 March 2024					
Non-current		Current		Total	FINANCIAL LIABILITIES	Non-current		Current		Total
Borrowings	Creditors	Borrowings	Creditors			Borrowings	Creditors	Borrowings	Creditors	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(406,947)	-	(1,979)	(54,105)	(463,030)	Amortised Cost	(406,947)		(32,288)	(41,586)	(480,821)
(406,947)	-	(1,979)	(54,105)	(463,030)	Total financial liabilities	(406,947)	-	(32,288)	(41,586)	(480,821)

Note 17 Financial Instruments (continued)

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

Opportunity Sutton had equity in two subsidiary companies - Sutton living and SDEN (Sutton Decentralised Energy Network Ltd). The Council's total investment for 2023/24 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:

2022/23			2023/24	
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
£'000	£'000		£'000	£'000
Net gains/losses on:				
(512)	-	Financial assets measured at fair value through profit or loss	(20)	-
-	-	Financial assets measured at amortised cost	-	-
-	-	Investments in equity instruments designated at fair value through other comprehensive income	-	-
(512)	-	Total net gains/losses	(20)	-
Interest revenue:				
(410)	-	Financial assets measured at amortised cost	(3,189)	-
(169)	-	Other Financial assets measured at fair value through profit and loss	(74)	-
(579)	-	Total interest revenue	(3,263)	-

Note 17 Financial Instruments (continued)

c) Fair Value

2022/23			2023/24	
Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000		Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000
Interest expense:				
11,832	-	Financial assets or financial liabilities that are not at fair value through profit or loss	11,882	-
11,832	-	Total interest expense	11,882	-
Fee expense:				
-	-	Financial assets or financial liabilities that are not at fair value through profit or loss	-	-
-	-	Total fee expense	-	-

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 2023 £'000	As at 31 March 2024 £'000
Fair Value through Profit and Loss				
Other financial instruments classified as fair value through profit and loss	Level 3	Discounted cashflow	819	629
Total			819	629
Fair Value through Other Comprehensive Income				
Sutton Living Limited	Level 3	Equity share attributable to shareholders	5	5
SDEN LTD	Level 3	Equity share attributable to shareholders	5	5
Total			10	10

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 2023/24 the shares are £0.005m.
- SDEN - the shares in this company are not traded in an active market and the shares for 2023/24 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 5.5%.

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 2023 are also provided for comparison.

Note 17 Financial Instruments (continued)

Fair Value of Liabilities Carried at Amortised Cost

31 March 2023			31 March 2024	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
283,288	217,815	PWLB debt	313,574	233,264
25,616	22,669	Market Debt	25,619	20,413
100,022	52,977	European Primary Placement Facility (Bond)	100,041	49,515
54,105	54,105	Short term creditors	41,586	41,586
463,031	347,566	Total financial liabilities	480,820	344,778

The fair value of PWLB loans of £233.2m 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 £313.5m would be valued at £233.2m. 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 £262.8m.

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 2023			31 March 2024	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
44,042	44,042	Short term investments	56,203	56,203
10	10	Equity investments	10	10
47,058	47,058	Short term debtors	37,206	37,206
8,671	8,671	Long term debtors	7,726	7,726
1,171	1,171	Cash and cash equivalents	28,608	28,608
100,952	100,952	Total financial assets	129,753	129,753

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 2024	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<i>Recurring fair value measurements using:</i>	£'000	£'000	£'000	£'000
Financial liabilities				
Financial liabilities held at amortised cost:				
PWLB	-	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
Total	-	344,778	-	344,778
Financial assets				
Financial assets held at amortised cost:				
	-	129,114	-	129,114
Total	-	129,114	-	129,114

Note 17 Financial Instruments (continued)

31 March 2023 comparative	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<i>Recurring fair value measurements using:</i>	£'000	£'000	£'000	£'000
Financial liabilities				
Financial liabilities held at amortised cost:				
PWLB	-	217,815	-	217,815
Non-PWLB	-	22,669	-	22,669
European Primary Placement Facility (Bond)		52,977	-	52,977
Short term creditors	-	54,105	-	54,105
Total	-	347,566	-	347,566
Financial assets				
Financial assets held at amortised cost:				
	-	81,384	-	81,384
Total	-	81,384	-	81,384

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 2024 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 2023		31 March 2024	
£'000		£'000	
3,848	Less than 3 months	3,870	
2,655	Three to six months	2,103	
3,095	Six months to one year	2,485	
9,654	More than one year	11,114	
36,477	Other debtors	25,360	
55,729	Total	44,932	

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 2023		31 March 2024	
		Fair Value through Profit & loss	Amortised Cost	Fair Value through Profit & loss	Amortised Cost
		£'000	£'000	£'000	£'000
Bank Accounts	A	-	5,002	-	-
Local Authorities	AA-	-	10,186	-	50,981
Short-term deposits	A+	-	10,100	-	5,222
Money Market Funds	AAAm	-	18,739	-	35,074
Total		-	44,027	-	91,277

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 2023		31 March 2024
£'000		£'000
282,326	Public Works Loans Board	313,574
25,300	Market debt	25,619
99,321	European Primary Placement Facility (Bond)	100,041
406,947	Total	439,234
-	Less than 1 year	30,691
-	Between 1 and 2 years	-
4,200	Between 2 and 5 years	4,297
15,000	Between 5 and 10 years	20,461
387,747	More than 10 years	383,786
406,947	Total	439,234

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 2024 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2023	31 March 2024
	£'000	£'000
Increase in interest payable on variable rate borrowings	153	153
Increase in interest receivable on variable rate investments	(536)	(640)
	-	
Impact Surplus or Deficit on the Provision of Services	(383)	(487)
Share of overall impact debited to the HRA	(200)	(250)
Increase/(Decrease) in fair value of fixed rate investment assets	(99)	(56)
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)	(40,116)	(35,463)

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 2023				At 31 March 2024		
Gross debtors	Provision for bad debts	Total Net debtors		Gross debtors	Provision for bad debts	Total Net debtors
£'000	£'000	£'000		£'000	£'000	£'000
Public sector bodies:						
34,691	-	34,691	Central government bodies	17,379	(56)	17,323
3,410	-	3,410	Other local authorities	9,892	(423)	9,469
1,096	-	1,096	NHS bodies	3,472	(595)	2,877
39,197	-	39,197	Sub total public sector bodies	30,743	(1,074)	29,669
Sundry debtors:						
3,283	(2,377)	906	HRA tenants	3,449	(2,154)	1,295
44,650	(11,618)	33,032	Other entities and individuals	49,219	(10,935)	38,284
8,964	(7,269)	1,695	Local Tax payers	13,117	(5,453)	7,664
56,897	(21,264)	35,633	Sub total sundry debtors	65,785	(18,542)	47,243
96,094	(21,264)	74,830	Total debtors	96,528	(19,616)	76,912

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 2023		At 31 March 2024	
£'000		£'000	
(3,915)	Central government bodies	(3,635)	
(12,030)	Other local authorities	(19,140)	
(840)	NHS bodies	(4,113)	
(38,392)	Other entities and individuals	(41,586)	
-	Local Tax payers	(3,549)	
(55,177)	Total	(72,023)	

b) Grants Received in Advance

At 31 March 2023		At 31 March 2024	
£'000		£'000	
(9,220)	Capital Grants Receipt in Advance	(14,782)	
(4,562)	Revenue Grants Received in Advance	(159)	
(13,782)	Total	(14,941)	

Note 20 Cash and cash equivalents

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

At 31 March 2023		At 31 March 2024	
£'000		£'000	
29	Cash held by the authority	-	
1,142	Bank current accounts	(6,466)	
	Short-term liquid deposits *	35,074	
1,171	Sub total cash and cash equivalents	28,608	
-	Bank overdraft	-	
1,171	Total	28,608	

* Money Market Funds (totalling £18,739 in 22-23) have been reclassified from short-term investments to liquid deposits in 23-24. Please see Note 3.

Note 21 Provisions

Provisions have been established for the following purposes:

	Balance b/fwd 1 April 2023	Additional provisions made in 2023/24	Amounts used in 2023/24	Unused amounts reversed in 2023/24	Balance c/fwd 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Provisions					
a) NNDR Appeals	(1,631)	(1,125)	732	-	(2,024)
b) Insurance Claims	(3,012)	(713)	-	-	(3,725)
c) Municipal Mutual Insurance Liability	(294)	-	-	-	(294)
d) Energy from Waste	(1,135)	(242)	-	-	(1,377)
Total	(6,072)	(2,080)	732	-	(7,420)

- 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 2024.
- 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 by 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:

2022/23		2023/24
£'000		£'000
2,428	Interest received	5,022
(19,997)	Interest paid	(16,573)
(17,569)	Total	(11,551)
Adjustments to net surplus or deficit on the provision of services for non-cash movements:		
20,999	Depreciation	21,139
(8,801)	Impairment or revaluation (gains) / losses charged to the surplus or deficit on provision of services	34,746
1,971	Amortisation	2,252
(33,049)	Increase / (decrease) in creditors	10,924
-	Movement in liabilities arising from financing activities	309
8,915	(Increase) / decrease in debtors	(56)
6	(Increase) / decrease in inventories	3
(1,399)	Increase / (decrease) in provisions	1,348
21,070	Movement in Pension Liability	863
6,486	Other non cash items charged to the net surplus or deficit on the provision of services	1,955
3,351	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	46,616
19,549	Total of adjustments for non-cash movements	120,098

*In the previously published 2022/23 Statement of Accounts, the £1,399k decrease in provisions was included in the line for "Other non cash items charged to the net surplus or deficit on the provision of services" line. This has now been disaggregated onto a separate row.

Note 22 Cash Flow from Operating Activities (continued)

2022/23		2023/24
£'000		£'000
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities:	
(29,842)	Capital Grants credited to surplus or deficit on the provision of services	(19,074)
(8,941)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(42,955)
17,504	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(21,279)	Total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities	(62,029)

Note 23 Cash Flows from Investing Activities

2022/23		2023/24
£'000		£'000
(41,898)	Purchase of property, plant and equipment, investment property and intangible assets	(72,219)
-	Purchase of short term and long term investments	(698,530)
8,941	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	50,156
-	Other payments from investing activities	
32,517	Other receipts from investing activities	22,610
-	Proceeds from short-term and long-term investments	652,220
-	Reclassification of money market funds from short term investments to cash and cash equivalents	35,000
-	Movement in receivables from subsidiaries	755
(440)	Total cash inflow/(outflow) from investing activities	(10,008)

Note 24 Cash Flows from Financing Activities

2022/23		2023/24
£'000		£'000
-	Cash receipts of short and long term borrowing	30,000
-	Other receipts from financing activities	-
(7,208)	Repayment of short term and long term borrowing	-
2,102	Other payments for financing activities	1,598
(5,106)	Total cash inflow/(outflow) from financing activities	31,598

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 figures included exit costs but this was excluded in 2022/23.

2022/23		Remuneration Band £	2023/24	
Schools Employees	Non-Schools Employees		Schools Employees	Non-Schools Employees
2	79	50,000 - 54,999	19	109
6	51	55,000 - 59,999	11	63
3	31	60,000 - 64,999	11	47
1	13	65,000 - 69,999	1	33
1	13	70,000 - 74,999	6	14
3	12	75,000 - 79,999	2	11
-	5	80,000 - 84,999	4	10
1	19	85,000 - 89,999	2	11
-	1	90,000 - 94,999	2	19
1	3	95,000 - 99,999	1	1
-	-	100,000 - 104,999	1	4
-	1	105,000 - 109,999	1	2
-	4	110,000 - 114,999	-	5
-	-	115,000 - 119,999	-	-
-	1	120,000 - 124,999	-	1
-	-	125,000 - 129,999	-	-
-	1	130,000 - 134,999	-	-
-	-	135,000 - 139,999	-	2
-	-	140,000 - 144,999	-	1

Note 25 Officers Remuneration and Exit Packages (continued)

2022/23		Remuneration Band (continued) £	2023/24	
Schools Employees	Non-Schools Employees		Schools Employees	Non-Schools Employees
-	2	145,000 - 149,999	-	1
-	-	150,000 - 154,999	-	1
-	1	160,000 - 164,999	-	-
-	-	165,000 - 169,999	-	1
-	-	170,000 - 174,999	-	1
-	-	175,000 - 179,999	-	1
-	1	185,000 - 189,999	-	-
-	-	190,000 - 194,999	-	1
-	-	205,000 - 210,000	-	1
-	-	235,000 - 239,999	-	1
-	-	240,000 - 244,999	-	1
18	238	Total	61	342

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:

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	1	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)

2022/23	Note	Salary, fees and allowances	Compensation for loss of office	Employers pension contributions	Total
		£		£	£
Chief Executive - Helen Bailey		187,169	-	26,765	213,934
Strategic Director of Resources - Richard Simpson		162,824	-	23,284	186,108
Strategic Director - People Services 01/04/2022 - 12/07/2022)	1	40,600	-	5,787	46,387
Interim Strategic Director of People Services - Guy Van Dichele	1	205,636	-	-	205,636
Acting Statutory Director - Children's Services (from 20/06/2022)	2	99,176	-	14,169	113,345
Strategic Director of Development, Growth and Regeneration		145,296	-	20,777	166,073
Strategic Director of Public Health and Wellbeing		130,045	-	18,596	148,641
Strategic Director of Environment, Housing and Neighbourhoods		145,296	-	20,777	166,073
Monitoring Officer		66,555	-	9,517	76,072

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

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	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
£							£	£
0 - 20,000	3	12	9	18	12	30	81,297	215,360
20,001 - 40,000	1	-	3	14	4	14	133,788	412,345
40,001 - 60,000	-	-	2	6	2	6	91,508	309,400
60,001 - 80,000	1	-	-	4	1	4	76,084	270,792
80,001 - 100,000	-	-	-	3	-	3	-	273,771
100,001 - 150,000	-	1	-	4	-	5	-	688,142
150,001 - 200,000	-	-	-	6	-	6	-	1,050,455
200,001 - 250,000	-	-	-	3	-	3	-	697,342
250,001 - 300,000	-	-	-	1	-	1	-	252,642
Total	5	13	14	59	19	72	382,677	4,170,249

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:

2022/23		2023/24
£'000		£'000
970	Allowances	1,068
8	Expenses	8
978		1,076

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 2023/24 are as follows:

	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2023/24 before Academy recoupment	-	-	273,690
Less Academy figure recouped for 2023/24	-	-	(151,650)
Total DSG after Academy recoupment for 2023/24	-	-	122,040
Plus: brought forward from 2022/23	-	-	1,487
Less: carry forward to 2024/25 agreed in advance	-	-	(1,487)
Agreed initial budgeted distribution in 2023/24	49,770	72,270	122,040
In-year adjustments		65	65
Final budget distribution for 2023/24	49,770	72,335	122,105
Less actual central expenditure	(53,512)		(53,512)
Less actual ISB deployed to schools		(71,471)	(71,471)
Carry forward to 2024/25	(3,742)	864	(2,878)
Plus : carry -forward to 2024/25 agreed in advance			1,487
Carry forward to 2024/25			-
DSG unusable reserve at the end of 2022/23			-
Addition to DSG unusable reserve at the end of 2023/24			(1,391)
Total of DSG unusable reserve at the end of 2023/24			(1,391)
Net Deficit as at 31 March 2024			(1,391)

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 Assistant Director, People Services (Adult Social Care) is the Pooled fund Manager. The monitoring of the use of the pool is undertaken by the BCF Finance Sub-Committee on a quarterly basis, with a highlight report being presented to the BCF stakeholders on a monthly basis as well as twice a year a summary of expenditure is reported to the Health and Wellbeing Board.

At 31 March 2024 the 2023/24 outturn position was a £0.310m underspend and will be carried forward as funding for 2024/25.

31 March 2023		31 March 2024
£'000		£'000
	Funding:	
(3,342)	Underspend brought forward from previous year	(960)
(7,131)	London Borough of Sutton	(8,333)
(15,009)	NHS South West London ICB	(16,524)
(960)	Additional funding NHS SWL ICB	-
(26,442)	Total Funding	(25,817)
	Expenditure:	
7,585	London Borough of Sutton	8,499
14,724	NHS SWL ICB	16,498
3,342	Spend of reserve balance	510
25,651	Total Expenditure	25,507
(791)	Total underspend to be carried forward	(310)

Note 29 Related Parties

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

Central Government

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

South London Waste Partnership

The Authority is a partner in the South London Waste Partnership, a joint committee established in September 2007 to secure waste establishment treatment and disposal services for the London Boroughs of Croydon, Merton and Sutton and the Royal Borough of Kingston. Kingston is the lead borough for procurement, payments totalling £0.34m in 2023/24 are included in the Comprehensive Income and Expenditure Account as paid to Kingston. Croydon also shares some of the procurement activities.

Members

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

Following disclosures received from Members and a review of the register of interests, there

are third party organisations that Members have declared interests in. Details of transactions with such third parties, which are material to these accounts, are shown in the table below:

Organisation	Nature of Transactions	2022/23	2023/24
		£'000	£'000
Community Action	Grant and Various payments	1,397	N/A
Encompass - Empty Homes scheme	Rent for Self contained flats	12	22
Epsom & Ewell Borough Council	Nonsuch Committee Joint Management	107	235
Local Government Information Unit	Subscriptions	16	16
Volunteer Centre Sutton		15	N/A

* N/A indicates that the Council no longer had members with relationships with these third parties in 2023/24.

Subsidiaries of London Borough of Sutton: Opportunity Sutton

The London Borough of Sutton's Opportunity Sutton programme was launched in 2012 to provide a focus for economic development in the borough. The Opportunity Sutton programme is based within the Environment, Housing, and Regeneration service. Opportunity Sutton had two sub companies, Sutton Living Ltd and Sutton Decentralised Energy Network Ltd detailed below. Opportunity Sutton Ltd no longer operates, as at the end of 31 March 2023, and the existing subsidiary companies are now wholly owned directly by Sutton Council.

Sutton Living Ltd.

This is a local housing company established by Sutton Council to increase the housing supply and choice of housing for local residents. At 31 March 2024, the balance on the loan from the Council to Sutton Living Ltd towards the development of the Wallington Public Hall was £2.368m after principal repayment of £690k in the 2023/24 financial year. 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 of £2.768m to SDEN for the construction of the heat infrastructure which is currently supplying clients with heating and water. At 31 March 2024, the outstanding balance was £257,546.50. Further information is available on the company's website <http://sden.org.uk/>

Note 29 Related Parties (continued)

Sutton Housing Partnership

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

Management fees totalling £18.766m (2022-23: £17.562m) were paid to SHP. Services provided and charged to SHP amounted to £1.116m (2022-23: £1.032m). Balance owing to SHP (excluding VAT) as at the year-end was £1.105m, (2022-23: £1.166m)

A copy of SHP's accounts is available to be downloaded from their website, www.suttonhousingpartnership.org.uk

Encompass LATC Ltd

Encompass is a wholly owned subsidiary of the London Borough of Sutton. It is responsible for delivering a comprehensive range of services including Advice and Information, Homelessness Prevention, Choice Based Lettings, Landlord Services, Support Brokerage, Shared Lives, Business Development and Support, and Digital Innovation. The London Borough of Sutton paid Encompass £5.509m, (2022/23 £6.156m). Further

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

Cognus Ltd

Cognus provides Speech Language and Communication and Occupational Therapy Support. The team works with schools to identify and support children and young people with speech language and communication and occupational therapy needs. London Borough of Sutton owns 100% of Cognus Ltd. Payments to Cognus for commissioning agreements amounted to £7.138m (£3.259m funded from General fund (GF) and £3.879m from DSG). This included payments of £1.911m for provision of speech and language therapies. Further information is available on the company's website. <https://cognus.org.uk/>

Shared Service Arrangements with Other Local Authorities

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

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

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

Note 30 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Councils external auditors. Public Sector Audit Appointments has appointed KPMG LLP as the external auditor for 2023/24.

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

The audit fee payable to Grant Thornton in relation to the external audit services for the 2022/23 accounts, previously disclosed as £147k has now been increased to £163k. The difference of £16k is shown as a separate line above.

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 2023/24 totalled £0.720m (£0.695m in 2022/23).
- 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 2024 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 27.55% of pensionable pay. In 2023/24 the employer contributions amounted to £19.214m and the employees

contribution was £4.742m (employers' were £12.558m and employees' were £4.285m in 2022/23).

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)

2022/23	Comprehensive Income and Expenditure Statement	2023/24
£'000		£'000
	Service cost comprising:	
24,791	- Current service cost	14,576
69	- Past service cost	141
-	- (gain)/loss from settlements	-
24,860		14,717
8,141	Net interest expense	4,593
628	Administration expenses	767
33,629	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	20,077
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
54,343	- Return on plan assets (excluding the amount included in the net interest expense)	(51,749)
(6,022)	- Actuarial (gains) and losses arising on changes in demographic assumptions	(4,263)
-	- Other Actuarial (gains) and losses arising on assets	-
51,145	- Experience (gains) /losses on defined benefit obligation	22,748
(317,305)	- Actuarial gains and losses arising on changes in financial assumptions	(30,050)
(217,839)	Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(63,314)
(184,210)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	(43,237)
	Movement in Reserves Statement	
(33,629)	Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	(20,077)
16,336	Actual amount charged against the General Fund balance for pensions in year - Employers' contributions payable to scheme	19,214

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:

2022/23		2023/24
£'000		£'000
664,608	Present value of defined benefit funded obligations	673,700
22,180	Present value of defined benefit unfunded obligations	21,261
(588,248)	Fair value of plan assets	(658,872)
98,540	Net Liability arising from defined benefit obligation	36,089

* unfunded obligations refer to £13,284k of LGPS unfunded pensions and £7,977k of Teachers' unfunded pensions

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:

2022/23		2023/24
%		%
3.0	Rate of Inflation	2.8
3.0	Rate of Increase in Salaries	2.8
3.0	Rate of Increase in Pensions	2.8
5.9	Rate of Return on Assets	13.6
4.8	Rate for Discounting Scheme Liabilities	4.8
40.0	Take-Up of Option to Convert Annual Pension into Retirement Lump Sum	40.0
Years		Years
21.8	Longevity at 65 for Current Pensioners - Men	21.7
24.5	Longevity at 65 for Current Pensioners - Women	24.3
22.9	Longevity at 65 for Future Pensioners - Men	22.7
25.8	Longevity at 65 for Future Pensioners - Women	25.6

Note 31 Defined Benefit Pension Scheme (continued)

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

2022/23		2023/24
£'000		£'000
931,178	Balance at 1 April	686,788
25,419	Current Service Cost	15,343
25,160	Interest Cost	32,327
4,285	Contributions by Members	4,742
(6,022)	Actuarial (gains)/losses arising from changes in demographic assumptions/other experience	(4,263)
(317,305)	Actuarial (gains)/losses arising from changes in financial assumptions	(30,050)
69	Past Service Cost	141
(27,141)	Benefits Paid	(32,815)
-	Liabilities extinguished on settlements	-
51,145	Experience loss/(gain) on defined benefit obligation	22,748
686,788	Balance at 31 March	694,961

Note 31 Defined Benefit Pension Scheme (continued)

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

2022/23		2023/24
£'000		£'000
635,870	Balance at 1 April	588,248
17,019	Interest income	27,734
	Remeasurement gain/loss:	
(54,343)	- The return on plan assets, excluding the amount included in the net interest expense	51,749
12,558	Contributions from employer	19,214
4,285	Contributions from employees into the scheme	4,742
(27,141)	Benefits Paid	(32,815)
-	Other	-
588,248	Balance at 31 March	658,872

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 2023/24, 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.

2023/24	Quoted	Unquoted	Total	Percentage of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents		22,274	22,274	3
Equities				
- UK	368,597		368,597	56
- Overseas				-
Bonds				
Fixed Interest Government Securities				
- UK			-	0
- Overseas				-
Index Linked Government Securities				
- UK	3,646		3,646	-
- Overseas				-
Corporate Bonds				
- UK	23,350		23,350	4
- Overseas	46,635		46,635	7
Property				
Infrastructure		49,868	49,868	8
Other		144,502	144,502	22
Total	442,228	216,644	658,872	100

Note 31 Defined Benefit Pension Scheme (continued)

g) Scheme History

	31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	807,451	1,000,946	931,178	686,788	694,961
Fair Value of Assets	(494,737)	(622,308)	(635,870)	(588,248)	(658,872)
Deficit	312,714	378,638	295,308	98,540	36,089

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net liability of £36.089m (based on IAS19 assumptions) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet.

In practice, the deficit (based on long term funding assumptions, which will differ from IAS19 assumptions) will be made good over a recovery period to 2040, as assessed by the Council's actuary.

h) History of Experience Gains and Losses

The related experience gains and losses for 31 March 2024 and earlier years are as follows:

	31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024
	%	%	%	%	%
On assets as % of Fair Value	2	(2)	(1)	9	3
On liabilities as % of Present Value	1	(1)	(1)	7	3

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 2024:

Change in assumptions at 31 March 2024		
	Approx. % increase to liability	Approx. £'000 amount
0.1% decrease in real interest rate	2%	11,749
1 year increase in member life expectancy	4%	27,798
0.1% increase in the salary increase rate	0%	328
0.1% increase in the pension increase rate	2%	11,633

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. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by the court in this case may have implications for other UK defined benefit plans. The Fund is monitoring developments in terms of whether there is expected to be any impact on LGPS Funds and will consider if there are any implications for the pension scheme. As a result, Sutton Council do not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

Note 32 Leases

Authority as Lessor - Operating Leases

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

31 March 2023		31 March 2024
£'000		£'000
11,092	No later than one year	10,279
27,595	Later than one year but no later than five years	22,658
94,668	Later than five years	84,444
133,355	Total Operating Lease Income	117,381

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

Note 33 Inventory

At 31 March 2023			At 31 March 2024		
Items held in services	Property buybacks	Total	Items held in services	Property buybacks	Total
£'000	£'000	£'000	£'000	£'000	£'000
10	-	10	4	-	4
		-			
6	-	6	3	2,788	2,791
(12)	-	(12)	(6)	-	(6)
4	-	4	1	2,788	2,789

Note 34 Contingent Liabilities

There is one contingent asset as at 31 March 2024. This is in relation to the prior sale of Oxfam House where there is a probable chance of an additional £9m receipt should the purchaser decide to install a power upgrade at the site within seven years from the date of the sale (27/3/24).

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.

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

2022/23	HRA Income and Expenditure Statement	Notes	2023/24
£'000			£'000
	Expenditure		
17,496	Sutton Housing Partnership management fee		18,766
3,595	Other operating costs		5,101
240	Rents, rates, taxes and other charges		43
8,515	Depreciation of fixed assets	8	8,499
	Impairment costs and revaluation losses		6,937
390	Increase in bad debt provision		103
30,236	Total Expenditure		39,449
	Income		
(37,173)	Gross rent from Council dwellings		(40,097)
(494)	Gross non dwellings rent		(502)
(3,309)	Charges for services and facilities		(4,965)
(9,034)	Revaluation Gains		-
(172)	Contributions towards expenditure		-
(50,182)	Total Income		(45,564)
(19,946)	Net Cost of HRA Services		(6,115)
-	Add HRA services share of Corporate and Democratic Core		-
(19,946)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(6,115)

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

2022/23	HRA Income and Expenditure Statement	2023/24
£'000		£'000
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
7,820	Interest payable and similar charges	8,927
(346)	Interest and investment income	(1,253)
-	(Gain)/Loss on Investment Property revaluation	(533)
(13,720)	Capital Grants and Contributions received	(2,412)
(5,112)	(Profit)/Loss on disposal of non current assets	(1,709)
58	Pensions interest cost and expected return on pension assets	30
(31,246)	Surplus for the Year on HRA Services	(3,065)

Statement of Movement on the Housing Revenue Account Balance

2022/23	Statement of Movement on the Housing Revenue Account Balance	2023/24
£'000		£'000
(10,162)	Balance on the Statutory HRA at the end of the previous year	(13,671)
(31,246)	Surplus on the HRA Income and Expenditure Account for the year	(3,065)
	Adjustments between accounting basis and funding basis under statute:	
	Amounts included in the HRA Income and Expenditure Account but required to be excluded when determining the HRA Surplus or Deficit for the year	
(222)	- Net Charges made for Retirement Benefits in Accordance with FRS17	(125)
5,112	- Profit on disposal of non current assets	1,709
-	- Impairment Costs and Revaluation Losses	(6,937)
13,720	- Capital Grants and Contributions received in year	2,412
9,034	- Revaluation Gains in year	-
-	- (Gain)/Loss on Investment Property revaluation	533
	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	
80	- Employers Contributions Payable to the Pension Fund	126
(3,522)	Net increase before transfers to or from reserve	(5,347)
13	Transfers to/ (from) Hillcroombe & Harrow Reserve	12
(13,671)	Balance on the Statutory HRA Reserve Carried Forward	(19,006)
(530)	Heating Reserve - Accumulated Surplus	(530)
(47)	Hillcrombe & Harrow Reserve	(59)
(46)	Freeholder Contributions	(46)
(14,294)	Total HRA Balances and Reserves	(19,641)

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 2024 of £19,006k equates to 43% of 2023/24 income.

In addition the HRA carries a Heating Reserve of £530k which holds the net balance of tenants' charges and recoveries for heating and hot water and will be used to help smooth future price volatility. Surplus service charges on the Council's Hillcroom Road / Harrow Road properties are held in reserve against future expenditure, currently £59k at 31.3.2024.

HRA 3. Housing Stock

At 31 March 2024 the Council owned and managed 6,022 tenanted dwellings. In addition, it manages a further 1,375 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 2022/23		Bedsits	Flats	Houses	Total 2023/24
6,040	Dwellings at 1 April	184	3,120	2,724	6,028
-	Demolitions / Transfers	(16)	(4)		(20)
(41)	Right-to Buy Sales		(7)	(10)	(17)
-	Other Disposals				-
29	Acquisitions		29	2	31
-	Net changes through change of use or refurbishment				-
6,028	Dwellings at 31 March	168	3,138	2,716	6,022

HRA 4. Stock Valuation

The latest Council Dwellings valuation is at the 31 March 2024. The following valuations are included in the Council's balance sheet:

Balance Sheet Valuation of HRA Assets:

At 31 March 2023		At 31 March 2024	
£'000		£'000	
	Operational Assets:		
492,015	Council Dwellings	496,428	
7,601	Other Land and Buildings	7,333	
5	Investment Properties	875	
499,621	Total	504,636	

This valuation reflects the use of HRA dwellings as tenanted stock. The vacant possession value on the balance sheet at 31 March 2024 is £1.984m. The balance sheet valuation (£496m) 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.

2022/23		2023/24	
£'000		£'000	
(3,282)	Balance at 1 April	(4,117)	
-	Balance previously shown as RCCO b/f	(8,877)	
(8,427)	Major Repairs Allowance (MRA) received	(8,409)	
(88)	Depreciation on non-dwellings	(90)	
7,744	MRA used on capital projects	12,300	
(64)	Transfer to Statement of Movement on HRA balance	-	
(4,117)	Balance carried forward at 31 March	(9,193)	

HRA 6. Capital Financing

2022/23		2023/24
£'000		£'000
21,782	HRA Capital Expenditure	39,656
	Financed by:	
(7,999)	Borrowing	(15,810)
(7,744)	Major Repairs Reserve	(12,300)
-	Revenue Contributions	-
(54)	Right to Buy receipts	(6,836)
(220)	Leaseholders Contributions	(284)
(2)	S106 Contribution	-
(5,763)	Grants	(4,426)
(21,782)	Total Financing	(39,656)

HRA 7. Capital Receipts

2022/23		2023/24
£'000		£'000
(6,429)	Right to Buy Sales	(3,658)
(297)	Other Disposals	(229)
(6,726)	Total	(3,887)

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 2023/24 equates to £8.5m and has been posted to the HRA Income and Expenditure Statement.

2022/23	Depreciation	2023/24
£'000		£'000
	Operational Assets:	
(8,427)	Council Dwellings	(8,409)
(88)	Other Land and Buildings	(90)
(8,515)	Total	(8,499)

HRA 9. Impairment

There has been a revaluation loss of £6.937m charged to the HRA Income & Expenditure Statement in 2023/24. This is reversed in the Movement In Reserves Statement so that it does not impact the HRA Balance at 31/03/2024.

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 2024 totalled £1.423m as compared to £1.363m at 31 March 2023. As a proportion of gross rent and service income, this represents 3.46% (3.37% in 2022/23). 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 £2.129m at 31 March 2024 compared to £2.082m at 31 March 2023

At 31 March 2023	Tenant Rent and Service Charge Arrears	At 31 March 2024
£'000		£'000
2,392	Current Tenant Arrears	2,795
890	Former Tenant Arrears	714
3,283	Total	3,509
(1,919)	Accounts in credit	(2,086)
1,363	Net Arrears	1,423
Provision included in the accounts for potential bad debts at 31 March:		
(2,082)	Tenants rent and heating charges	(2,129)
(2,082)	Total Bad Debt Provision	(2,129)

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 2023/24

2022/23			Note	2023/24		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
Income						
	(143,731)	(143,731)			(153,351)	(153,351)
(50,558)		(50,558)		(55,613)		(55,613)
(1,383)		(1,383)				-
276		276		(7,373)		(7,373)
264		264		264		264
		-			(347)	(347)
(51,401)	(143,731)	(195,132)		(62,722)	(153,698)	(216,420)
Expenditure						
Precepts, Demands and Shares:			3			
15,240	112,960	128,200		19,766	119,389	139,155
18,795	29,063	47,858		24,378	32,109	56,487
16,763		16,763		21,742		21,742
184		184		186		186
1,377		1,377				-
6		6				-
Charges to Collection Fund:						
		-		30		30
771	1,983	2,754		(290)	(1,452)	(1,742)

Collection Fund Income and Expenditure Account 2023/24 (continued)

2022/23			Note	2023/24		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
Charges to Collection Fund (continued)						
(2,120)		(2,120)	Increase/(decrease) in allowance for appeals	1,310		1,310
Contributions Prior Year (Deficit)/Surplus:						
(4,042)	1,437	(2,605)	London Borough of Sutton	(1,130)	633	(497)
(4,985)	357	(4,628)	Greater London Authority	(1,402)	179	(1,223)
(4,446)		(4,446)	Central Government	(1,280)		(1,280)
37,544	145,800	183,344	Total Expenditure	63,310	150,858	214,168
(13,858)	2,069	(11,789)	Total Income Less Expenditure	588	(2,840)	(2,252)
Movements on the Collection Fund:						
15,717	(1,124)	14,593	(Surplus) / Deficit brought forward at 1 April	1,859	945	2,804
(13,858)	2,069	(11,789)	(Surplus) / Deficit for year	588	(2,840)	(2,252)
1,859	945	2,804	(Surplus) / Deficit carried forward at 31 March	2,447	(1,895)	552
Distribution of Fund Balance						
544	770	1,314	London Borough of Sutton	734	(1,494)	(760)
679	175	854	Greater London Authority	905	(401)	504
636		636	Central Government	808		808
1,859	945	2,804	Total Allocation of Fund Balance	2,447	(1,895)	552

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 (£2048.38 in 2023/24, split London Borough of Sutton £1,614.24 and GLA £434.14) 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 73,959.8 Band D equivalents, compared to 73,467.8 in 2022/23.

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 2023/24 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 2023		Units	
Less Than £40,000	A	700	6/9	466.7	
£40,000 - £52,000	B	4,858	7/9	3,778.4	
£52,000 - £68,000	C	21,372	8/9	18,997.3	
£68,000 - £88,000	D	21,292	9/9	21,292.0	
£88,000 - £120,000	E	11,725	11/9	14,330.6	
£120,000 - £160,000	F	6,546	13/9	9,455.3	
£160,000 - £320,000	G	3,512	15/9	5,853.3	
£320,000 or more	H	266	18/9	532.0	
		70,271		74,705.6	
Deduct:-					
Adjustment for anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief, reduced second homes discount and exempt properties.				0.0	
				74,705.60	
Adjustment for estimated collection rate				745.8	1%
Council Tax Base				73,959.8	99%
Band D council tax charge				£2,048.38	
Total Precept raised				£151,497,775	

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:

2022/23		2023/24	
pence per £		pence per £	
51.2	Standard non-domestic multiplier	51.2	
49.9	Small business non-domestic multiplier	49.9	

The total rateable value for business premises in Sutton as at 31 March 2024 was £173.5m (£146.6m at 31 March 2023).

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.

2022/23		2023/24	
%		%	
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 2023/24 were estimated before the start of the financial year as follows:

2022/23		2023/24
£'000		£'000
15,240	London Borough of Sutton	19,766
18,795	Greater London Authority	24,378
16,763	Central Government	21,742
50,798		65,886

These sums have been paid in 2023/24 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 £6.745m of which the London Borough of Sutton's share is £2.023m.

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 2024

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2022/23	2022/23	2022/23		2023/24	2023/24	2023/24
£000	£000	£000		£000	£000	£000
27,188	(18,966)	8,222	Health and Wellbeing	29,968	(20,813)	9,155
66,626	(24,429)	42,197	Environment, Housing and Neighbourhoods	70,860	(31,939)	38,921
1,632	(368)	1,264	Development Growth and Regeneration	1,510	(88)	1,422
293,262	(154,506)	138,756	Peoples Services	328,702	(171,374)	157,328
100,516	(63,522)	36,994	Resources	123,925	(62,524)	61,401
868	(16)	852	Chief Executive(Electoral Services)	511	(72)	439
			Housing Revenue Account			
11,898	(40,117)	(28,219)	- Main HRA Revenue Account	12,302	(45,542)	(33,240)
-	(9,034)	(9,034)	- Revaluation loss/(gain) - Dwellings	6,937	-	6,937
19,861	(974)	18,887	- Sutton Housing Partnership	21,149	(2,237)	18,912
3,138	(79)	3,059	Non Service Revenue Accounts	33,810	(55,712)	(21,902)
524,989	(312,011)	212,978	Cost of services	629,674	(390,301)	239,373

Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2024 (continued)

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2022/23	2022/23	2022/23		2023/24	2023/24	2023/24
£000	£000	£000		£000	£000	£000
4,304	(8,952)	(4,648)	Other operating expenditure	47,304	(43,035)	4,269
29,227	(9,533)	19,694	Financing and investment income and expenditure	20,015	(12,078)	7,937
-	(227,064)	(227,064)	Taxation and non-specific grant income	-	(199,739)	(199,739)
558,520	(557,560)	960	(Surplus) or deficit on the provision of services	696,993	(645,153)	51,840
		(260)	Tax expenses of Subsidiaries	-	-	(56)
-	-	700	Group (surplus) / deficit	-	-	51,784
			Group (Surplus) / Deficit attributable to:			
		700	Council's share (London Borough of Sutton)	-	-	51,784
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
-	-	(10,923)	Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets			(18,075)
-	-	(235,884)	Remeasurement of the net defined benefit liability on the pensions reserve			(75,863)
		(246,807)	Other comprehensive income and expenditure			(93,938)
		(246,107)	Total comprehensive income and expenditure (surplus) / deficit			(42,154)
			Comprehensive income and expenditure (surplus) / deficit attributable to:			
		(246,107)	Council's share (London Borough of Sutton)			(42,154)

Group Movement in Reserves Statement

	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance*	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000					
2023/24													
Balance at 31 March 2023	(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)
Net (Increase) / Decrease before transfers to Earmarked Reserves	6,668	-	6,668	(5,349)	8,014	3,801	(30,588)	(17,454)	(22,522)	(39,976)	(2,180)	-	(42,156)
Transfers to / (from) Earmarked Reserves and minority interests	(6,973)	6,973	-										
(Increase) / Decrease in Year	(305)	6,973	6,668	(5,349)	8,014	3,801	(30,588)	(17,454)	(22,522)	(39,976)	(2,180)	-	(42,156)
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)	(5,790)	-	(605,726)

Group Movement in Reserves Statement (continued)

2022/23	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance*	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	(8,961)	(44,457)	(53,418)	(10,771)	(39,492)	(12,224)	(14,864)	(130,769)	(197,449)	(328,218)	10,755	-	(317,463)
Movement during 2022/23:													
Total Comprehensive Expenditure and Income	14,385	-	14,385	(48,543)				(34,158)	(228,762)	(262,920)	16,813		(246,107)
Adjustments between accounting basis and funding basis under regulations	(21,061)	-	(21,061)	27,724	(10,701)	(770)	(6,690)	(11,498)	11,498	-			-
Adjustments between group accounts and authority accounts	13,880	-	13,880	17,298	-	-	-	31,178	-	31,178	(31,178)		-
Net (Increase) / Decrease before transfers to Earmarked Reserves	7,204	-	7,204	(3,521)	(10,701)	(770)	(6,690)	(14,478)	(217,264)	(231,742)	(14,365)	-	(246,107)
Transfers to / (from) Earmarked Reserves and minority interests	(6,832)	6,832	-	-	-	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	372	6,832	7,204	(3,521)	(10,701)	(770)	(6,690)	(14,478)	(217,264)	(231,742)	(14,365)	-	(246,107)
Balance at 31 March 2023	(8,589)	(37,625)	(46,214)	(14,292)	(50,193)	(12,994)	(21,554)	(145,247)	(414,713)	(559,960)	(3,610)	-	(563,570)

Group Balance Sheet

31 March 2023	Notes	31 March 2024
£'000		£'000
	Non-Current Assets	
874,656	Property, Plant and Equipment G5.	903,676
4,491	Intangible Assets	5,336
98,311	Investment Properties	102,293
-	Asset related to Defined Benefit Pension Scheme	1,412
10	Long Term Investments	10
1,398	Long Term Debtors	1,333
978,866	Total Non-Current Assets	1,014,060
	Current Assets	
44,042	Short Term Investments	56,203
936	Assets Held for Sale	936
43,700	Investment Properties Held for Sale	-
4,355	Inventories	3,174
78,610	Debtors G6.	79,952
10,224	Cash and Cash Equivalents G8.	45,809
181,867	Total Current Assets	186,074

Group Balance Sheet (continued)

31 March 2023		31 March 2024
£'000		£'000
	Less Current Liabilities	
(1,979)	Short Term Borrowing	(32,288)
(69,340)	Creditors	G7. (82,722)
(13,782)	Capital Grants Receipt in Advance	(14,939)
-	Provisions	(369)
-	Cash and Cash Equivalents	(6,471)
(85,101)	Total Current Liabilities	(136,789)
	Less Non-Current Liabilities	
(6,262)	Provisions	(7,420)
(407,081)	Long Term Borrowings	(406,947)
-	Long Term Creditors	(7,000)
(98,718)	Liability Related to Defined Benefit Pension Scheme	G10. (36,251)
(512,061)	Total Non-Current Liabilities	(457,618)
563,571	Net Assets	605,726
(414,712)	Total Non-usable Reserves	(437,235)
(148,859)	Total Usable Reserves	G9. (168,491)
-	Minority Interest	
(563,571)	Total Reserves	(605,726)

Group Cash Flow Statement

2022/23		2023/24
£000		£000
(700)	Net surplus or (deficit) on the provision of services	(51,784)
18,747	Adjustment to the net surplus or deficit on the provision of services for non-cash movements	121,428
(22,046)	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	(62,029)
(3,999)	Net cash flows from operating activities	7,615
(1,081)	Net cash flows from investing activities	(10,098)
(5,108)	Net cash flows from financing activities	31,598
(10,188)	Net increase/(decrease) in cash and cash equivalents	29,115
Represented by:		
20,412	a Cash and cash equivalents at the beginning of the reporting period	10,224
10,224	b Cash and cash equivalents at the end of the reporting period	39,338
(10,188)	Net increase/(decrease) in cash and cash equivalents (b-a)	29,114

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 provide a wide range of services including advice on housing , Social care, and innovation.

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 2023/24, 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

2022/23				2023/24		
LBS	Entities	Total		LBS	Entities	Total
£000	£000	£000		£000	£000	£000
Expenditure						
173,708	22,428	196,136	Employee expenses	177,610	24,691	202,301
286,079	16,293	302,372	Other operating expenses	342,675	21,144	363,819
26,395	113	26,508	Depreciation, amortisation and impairment	64,056	160	64,216
		-	Payments to Housing Capital Receipts Pool	-	-	-
19,997	1,610	21,607	Interest payments	16,564	(7)	16,557
564	-	564	Loss on FV revaluation of Financial Instruments	(20)	-	(20)
6,486	569	7,055	Loss on FV Investment properties	2,815	-	2,815
868	-	868	Precept and Levies	609	-	609
-	-	-	Disposal costs	80	-	80
3,351		3,351	NBV written out on disposal of non-current assets	46,616	-	46,616
517,448	41,013	558,461	Total expenditure	651,005	45,988	696,993
Income						
(83,969)	(6,133)	(90,102)	Fees and charges and other service income	(117,104)	(12,322)	(129,426)
(9,933)	(22)	(9,955)	Interest and investment income	(11,919)	2	(11,917)
(12,226)		(12,226)	Revaluation gains on non-current assets	(5,918)	-	(5,918)
(9,027)		(9,027)	Capital Receipts	(43,035)	-	(43,035)
(128,704)		(128,704)	Income from Council Tax and Business Rates	(159,885)	-	(159,885)
(307,747)		(307,747)	Government grants and contributions	(294,967)	(5)	(294,972)
(551,606)	(6,155)	(557,761)	Total income	(632,828)	(12,325)	(645,153)
(34,158)	34,858	700	(Surplus) or Deficit on Provision of Services	18,177	33,663	51,840

G5. Group Property, Plant and Equipment

Movement on balances

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
Cost or Valuation							
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)
Assets reclassified (to)/from held for sale	-	-	-	-	-	-	-
Reclassification and transfers	6,256	(6,824)	-	-	-	(6,275)	(6,843)
At 31st March 2024	496,428	315,326	9,393	8,131	6,545	42,496	878,319

G5. Group Property, Plant and Equipment (continued)

Movement on balances

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
Accumulated Depreciation and Impairment							
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
At 31st March 2024	-	(1,537)	(4,093)	-	-	-	(5,630)
Net Book Value:							
At 31 March 2023	492,015	319,583	5,554	6,702	6,281	14,157	844,292
At 31 March 2024	496,428	313,789	5,300	8,131	6,545	42,496	872,689

G5. Group Property, Plant and Equipment (continued)

Movement on balances

2022/23 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
Cost or Valuation							
At 1st April 2022	473,578	331,407	13,011	6,304	8,305	9,387	841,992
Additions	12,548	3,880	1,318	398	-	13,368	31,512
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	8,815	-	-	(2,024)	-	6,791
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	642	(830)	-	-	-	-	(188)
Derecognition - disposals	(3,351)	-	(32)	-	-	-	(3,383)
Derecognition - other	-	-	(822)	-	-	-	(822)
Assets reclassified (to)/from held for sale	-	-	-	-	-	-	-
Reclassification and transfers	8,598	-	(27)	-	-	(8,598)	(27)
At 31st March 2023	492,015	343,272	13,448	6,702	6,281	14,157	875,875

G5. Group Property, Plant and Equipment (continued)

Movement on balances

2022/23 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
Accumulated Depreciation and Impairment							
At 1st April 2022	-	(21,365)	(7,287)	-	-	-	(28,652)
Depreciation Charge:	(8,427)	(6,042)	(1,461)	-	(7)	-	(15,937)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	-	3,156	-	-	7	-	3,163
Depreciation charge written out to the Revaluation Reserve	8,427	562	-	-	-	-	8,989
Derecognition - disposal	-	-	32	-	-	-	32
Derecognition - other	-	-	822	-	-	-	822
Reclassification and transfers	-	-	-	-	-	-	-
At 31st March 2023	-	(23,689)	(7,894)	-	-	-	(31,583)
Net Book Value:							
At 31 March 2022	473,578	310,042	5,724	6,304	8,305	9,387	813,340
At 31 March 2023	492,015	319,583	5,554	6,702	6,281	14,157	844,292

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	2022/23	2023/24
	£'000	£'000
Net book value at 1 April	30,859	30,364
Additions	4,710	6,008
Derecognition	-	-
Depreciation	(5,205)	(5,405)
Impairment	-	-
Other movements in cost	-	19
Net book value at 31 March	30,364	30,986

Total Property, Plant and Equipment reported on Balance Sheet	2022/23	2023/24
	£'000	£'000
Infrastructure assets **	30,364	30,986
Other Property, Plant and Equipment assets	844,292	872,689
Total Property, Plant and Equipment assets	874,656	903,675

****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 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							
Total	76,977	845	1,088	805	151	87	79,953

At 31 March 2023	Council	SHP	Encompass	Cognus	SDEN	SLL	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	34,691						34,691
Other Local Authorities	3,410	-	-	-	-	-	3,410
NHS Bodies	1,096						1,096
Other Entities & Individuals	32,420	412	1,115	1,149	1,282	434	36,812
Local Tax Payers	1,695						1,695
HRA tenants	906						906
Public Corps & Trading Funds							
Total	74,218	412	1,115	1,149	1,282	434	78,610

G7. Group Creditors

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)
Total	(70,837)	(2,989)	(3,342)	(2,351)	(588)	(2,617)	(82,723)

At 31 March 2023	Council	SHP	Encompass	Cognus	SLL	SDEN	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	(3,915)	(414)	(206)	(807)	(1)		(5,343)
Other Local Authorities	(12,030)	-	-	-		-	(12,030)
NHS Bodies	(840)	-	-				(840)
Other Entities & Individuals	(36,575)	(932)	(3,402)	(1,425)	(6,203)	(2,590)	(51,127)
Local Tax Payers	-	-					-
Total	(53,360)	(1,346)	(3,608)	(2,232)	(6,204)	(2,590)	(69,340)

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 2024	28,608	4,443	3,000	2,738	29	520	39,338
At 31 March 2023	1,171	2,551	3,528	1,782	1,034	158	10,225

G9. Group Usable Reserves

	Balance at 31 March 2022	Transfers Out	Transfers In	Balance at 31 March 2023	Transfers Out	Transfers In	Balance at 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Grants & Contributions Unapplied	(39,492)	19,142	(29,843)	(50,193)	21,192	(13,178)	(42,179)
Capital Receipts Reserve	(14,864)	15,673	(22,363)	(21,554)	9,422	(40,010)	(52,142)
Major Repairs Reserve	(12,224)	7,745	(8,514)	(12,993)	12,299	(8,499)	(9,193)
Housing Revenue Account	(10,772)	-	(3,522)	(14,294)	12	(5,359)	(19,641)
General Reserves – General Fund & Schools	(8,960)	372		(8,588)	-	(306)	(8,894)
Share of Subsidiaries' Reserves	10,756	-	(14,365)	(3,609)	-	(2,181)	(5,790)
Earmarked Reserves	(44,457)	18,255	(11,423)	(37,625)	15,305	(8,332)	(30,652)
Total Group Usable Reserves	(120,013)	61,187	(90,030)	(148,856)	58,230	(77,865)	(168,491)

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:

2022/23			Comprehensive Income and Expenditure Statement (CIES):			2023/24		
LBS	Entities	Total		LBS	Entities	Total		
£'000	£'000	£'000		£'000	£'000	£'000		
			Service cost comprising:					
24,791	4,025	28,816	- Current service cost	14,576	1,734	16,310		
69	-	69	- Past service cost	141	-	141		
-	-	-	- (gain)/loss from settlements	-	-	-		
24,860	4,025	28,885		14,717	1,734	16,451		
8,141	452	8,593	Net interest expense	4,593	7	4,600		
628	83	711	Administration expenses	767	75	842		
33,629	4,560	38,189	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	20,077	1,816	21,893		
			Other Post Employment Benefit Charged to the CIES					
54,343	5,386	59,729	- Return on plan assets (excluding the amount included in the net interest expense)	(51,749)	(3,273)	(55,022)		
-	(273)	(273)	- Other Actuarial (gains) and losses arising on assets	(4,263)	(8,103)	(12,366)		
(6,022)	(2,520)	(8,542)	- Actuarial (gains) and losses arising on changes in demographic assumptions	-	(221)	(221)		
51,145	2,738	53,883	- Experience gain on defined benefit obligation	22,748	1,269	24,017		
(317,305)	(29,674)	(346,979)	- Actuarial (gains) and losses arising on changes in financial assumptions	(30,050)	(2,221)	(32,271)		
(217,839)	(24,343)	(242,182)	Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(63,314)	(12,549)	(75,863)		
(184,210)	(19,783)	(203,993)	Total Post Employment Benefit Charged to the CIES	(43,237)	(10,733)	(53,970)		
			Movement in Reserves Statement:					
(33,629)		(33,629)	Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	(20,077)	-	(20,077)		
16,336	-	16,336	Actual amount charged against the General Fund balance for pensions in year - Employers' contributions payable to scheme	19,214	-	19,214		

G10. Group Defined Benefit Pension Schemes (continued)

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

2022/23				2023/24		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
664,608	54,308	718,916	Present value of defined benefit obligation	673,700	55,758	729,458
22,180		22,180	Present value of defined benefit unfunded obligations	21,261		21,261
(588,248)	(54,130)	(642,378)	Fair value of plan assets	(658,872)	(57,008)	(715,880)
98,540	178	98,718	Net Liability arising from defined benefit obligation	36,089	(1,250)	34,839

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

2022/23				2023/24		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
931,178	77,848	1,009,026	Balance at 1 April	686,788	57,153	743,941
24,791	4,025	28,816	Current Service Cost	14,576	2,282	16,858
25,160	2,162	27,322	Interest Cost	32,327	2,568	34,895
4,285	653	4,938	Contributions by Members	4,742	638	5,380
(6,022)	(2,520)	(8,542)	Actuarial (gains)/losses arising from changes in demographic assumptions	(4,263)	(730)	(4,993)
(317,305)	(29,674)	(346,979)	Actuarial (gains)/losses arising from changes in financial assumptions	(30,050)	(6,940)	(36,990)
51,145	2,902	54,047	Experience gain on defined benefit obligation	22,748	2,467	25,215
69	-	69	Past Service Cost	141	-	141
(27,141)	(1,171)	(28,312)	Benefits Paid	(32,815)	(1,680)	(34,495)
628	83	711	Administration expenses	767	-	767
-	-	-	Liabilities extinguished on settlements	-	-	-
686,788	54,308	741,096	Balance at 31 March	694,961	55,758	750,719

G10. Group Defined Benefit Pension Schemes (continued)

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

2022/23				2023/24		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
635,870	62,382	698,252	Balance at 1 April	588,248	54,558	642,806
17,019	1,710	18,729	Interest income	27,734	2,486	30,220
-	-	-	Remeasurement gain/loss:	-	-	-
(54,343)	(5,386)	(59,729)	- Return on plan assets, excluding the amount included in the net interest expense	51,749	3,642	55,391
12,558	1,803	14,361	Contributions from employer	19,214	1,706	20,920
4,285	653	4,938	Contributions from employees into the scheme	4,742	638	5,380
(27,141)	(1,171)	(28,312)	Benefits Paid	(32,815)	(1,680)	(34,495)
-	(6,298)	(6,298)	Derecognition of surplus (SHP)	-	(4,212)	(4,212)
-	437	437	Other	-	(130)	(130)
588,248	54,130	642,378	Balance at 31 March	658,872	57,008	715,880

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-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000					
2023/24													
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)
Total adjustments between Group Accounts and Council accounts	13,857	-	13,857	20,189	-	-	-	34,046	-	34,046	(34,048)	-	(2)
2022/23 comparative													
Services purchased from Cognus	7,853		7,853					7,853		7,853	(7,853)		-
Services purchased from Encompass	6,157		6,157					6,157		6,157	(6,157)		-
Loan interest from SDEN	(130)		(130)					(130)		(130)	130		-
Sutton Housing Partnership management fee	-		-	17,298				17,298		17,298	(17,298)		-
Total adjustments between Group Accounts and Council accounts	13,880	-	13,880	17,298	-	-	-	31,178	-	31,178	(31,178)	-	-

8. Pension Fund Accounts 2023/24

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 Pension Fund Account for the year ended 31 March 2024

2022/23			2023/24
£'000		Note	£'000
	Dealings with members, employers and others directly involved in the Fund		
(33,340)	Contributions	7	(42,101)
(3,861)	Transfers in from other pension funds	8	(6,985)
(37,201)			(49,086)
32,135	Benefits	9	34,654
3,062	Payments to and on account of leavers:	10	3,385
35,197			38,039
(2,004)	Net (additions) / withdrawals from dealings with members		(11,047)
7,822	Management expenses	11	6,096
5,818	Net (additions)/withdrawals including fund management expenses		(4,950)
	Returns on Investments		
(15,406)	Investment income	12	(16,982)
23	Taxes on income	13	16
53,823	(Profit) loss on disposal of investments and changes in the market value of investments	14b	(91,525)
38,440	Net (Return)/Loss on Investments		(108,491)
44,258	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(113,441)
(854,836)	Opening Net Assets of the Scheme		(810,578)
(810,578)	Closing Net Assets of the Scheme		(924,019)

Sutton Pension Fund Net Assets Statement for the year ended 31 March 2024

2022/23		Note	2023/24
£'000			£'000
150	Long term assets		150
807,461	Investment Assets	14	908,923
807,611	Total Net Investments		909,073
21,097	Current Assets	20	17,097
(18,130)	Current Liabilities	21	(2,151)
810,578	Net Assets of the Fund available to fund benefits at the end of the reporting period		924,019

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 scheme, remain in the scheme or make their own personal arrangements outside the scheme.

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.

PF Note 1 - Description of the Fund (continued)

Active Scheme employers at 31 March 2024 included the Administering Authority and LEA schools. Other participating organisations were as follows:

Scheduled bodies	Scheduled bodies (cont.)	Admission bodies
Abbey Primary School	<ul style="list-style-type: none"> Wood Field Primary School 	ABM Catering (Overton Grange)
Addington Valley Academy	Harris Academy Sutton	Caterlink
All Saints Carshalton CofE Primary School	Harris Junior Academy Carshalton	CleanTEC Services (Girls' Learning Trust)
Beddington Park Academy	LEO Academy Trust pool:	Citizens Advice - Sutton
Carew Academy	<ul style="list-style-type: none"> Brookfield Primary Academy 	Cognus
Carshalton Boys Sports College	<ul style="list-style-type: none"> Cheam Common Infants' Academy 	Cucina Restaurants (Wilson's School)
Cheam Academies Network pool:	<ul style="list-style-type: none"> Cheam Common Junior Academy 	DB Services (Dorchester Primary)
<ul style="list-style-type: none"> Cheam High School 	<ul style="list-style-type: none"> Cheam Fields Primary Academy 	Encompass LATC
<ul style="list-style-type: none"> Oaks Park High School 	<ul style="list-style-type: none"> Cheam Park Farm Primary Academy 	Joskos Solutions (OHCAT)
Cirrus Primary Academy Trust pool:	<ul style="list-style-type: none"> LEO Academy Trust Central Staff 	Junior Adventures Group (Muschamp Primary)
<ul style="list-style-type: none"> Avenue Primary Academy 	<ul style="list-style-type: none"> Manor Park Primary Academy 	Orchard Childcare
<ul style="list-style-type: none"> Barrow Hedges Primary School 	Orchard Hill College	Pabulum (Glenthorne)

Scheduled bodies	Scheduled bodies (cont.)	Admission bodies
<ul style="list-style-type: none"> <i>Cirrus Primary Academy Trust - Central Staff</i> 	Orchard Hill College Academy Trust - Central Staff	PlayWise Learning CIC
<ul style="list-style-type: none"> <i>Rushy Meadow Primary Academy</i> 	Overton Grange School	Ridgecrest Cleaning (St Philomena's)
<ul style="list-style-type: none"> <i>Stanley Park Infants School</i> 	Sutton Grammar School	Saba Park Services
<ul style="list-style-type: none"> <i>Wallington Primary Academy</i> 	Sutton Housing Partnership	Sports and Leisure Management
Girls' Learning Trust pool:	The Limes College	
<ul style="list-style-type: none"> <i>Carshalton High School for Girls</i> 	The Link School	
<ul style="list-style-type: none"> <i>Girls' Learning Trust - Central Staff</i> 	Wallington County Grammar School	
<ul style="list-style-type: none"> <i>Nonsuch High School for Girls</i> 	Wandle Valley Academy	
<ul style="list-style-type: none"> <i>Wallington High School for Girls</i> 	Westbourne Primary School	
Glenthorne High School	Wilson's School	
Greenshaw Learning Trust pool:		
<ul style="list-style-type: none"> <i>Bandon Hill Primary School</i> 		
<ul style="list-style-type: none"> <i>Green Wrythe Primary School</i> 		
<ul style="list-style-type: none"> <i>Greenshaw High School</i> 		
<ul style="list-style-type: none"> <i>Tweeddale Primary School</i> 		
<ul style="list-style-type: none"> <i>Victor Seymour Infants' School</i> 		

PF Note 1 - Description of the Fund (continued)

The following table summarises the membership numbers of the scheme:

2022/23		2023/24
No.		No.
60	Number of Employers with active members	62
	Active Members	
2,614	London Borough of Sutton	2,669
3,266	Scheduled bodies	3,637
159	Admission bodies	139
6,039		6,445
	Deferred Members	
4,954	London Borough of Sutton	5,031
1,755	Scheduled bodies	2,114
110	Admission bodies	128
6,819		7,273
	Pensioners (including Dependents)	
4,070	London Borough of Sutton	4,176
487	Scheduled bodies	551
79	Admission bodies	83
4,636		4,810
17,494	Total	18,528

PF Note 1 - Description of the Fund (continued)

d) Benefits

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

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

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

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 2024. 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 2023 were set by the triennial valuation as at 31 March 2022, the results of which were published on 31 March 2023. In 2023/24, 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 2023/24 financial year and its position as at 31 March 2024. The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2023/24' (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 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 2024 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 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).

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

d) Benefits payable

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

e) Taxation

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

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

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. Investment fees are charged directly to the fund as part of management expenses

and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments. 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 note 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 recognized 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).

l) 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 liabilities can also arise when it is not possible at the Balance Sheet date to measure the value of the financial obligation reliably.

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 2023-24.

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	<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>There is further uncertainty arising from a legal challenge to the Government's transitional arrangements following the public sector pension reforms in 2015. The McCloud case was upheld by the Court of Appeal in December 2018 which found the transitional arrangements to be discriminatory on the grounds of age and gender. Following consultation by government, the key features of the proposed remedy include levelling up benefits for the younger members who suffered discrimination using a form of final salary underpin. Final regulations came into force in October 2023.</p>	<p>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.</p> <p>The potential impact of the McCloud case has been assessed by the Government Actuary Department (GAD) on a national LGPS-wide basis using a range of assumptions about potential remedies.</p> <p>The potential impact of the McCloud case has been assessed by the Government Actuary Department (GAD) on a national LGPS-wide basis using a range of remedies and assumptions. The Council's actuaries have applied the same assumptions as used to prepare the IAS26 report to the remedies in the GAD review which indicate a potential increase in pension liabilities of 0.3%. This figure is based on a worst case scenario and the impact will be reduced if the remedies proposed are not as extensive as in the original GAD report.</p>
Unquoted investments	<p>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.</p>	<p>The potential impact of this uncertainty cannot be measured accurately. The total of level 3 funds held by the Pension Fund are valued at £152.9m, and the variation around this value is estimated to be +/- 10%, which equates to +/- £15.3m.</p>

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 12 June 2024.

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

2022/23		2023/24
£'000		£'000
(8,184)	Employees' contributions	(9,032)
	Employers' contributions	
(23,238)	Normal Contributions	(27,089)
(1,853)	Deficit Recovery Contributions	(5,801)
(65)	Augmentation contributions	(179)
(25,156)		(33,069)
(33,340)		(42,101)

PF Note 7 - Contributions receivable (continued)

By Authority

2022/23		2023/24
£'000		£'000
(16,193)	London Borough of Sutton	(24,147)
(16,160)	Scheduled bodies	(16,829)
(987)	Admitted bodies	(1,125)
(33,340)		(42,101)

PF Note 8 - Transfers in from other pension funds

2022/23		2023/24
£'000		£'000
(3,861)	Individual transfers	(6,985)
-	Group transfers	-
(3,861)		(6,985)

During the years ended 31 March 2023 and 31 March 2024, no group transfers were received into the Fund.

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

2022/23		2023/24
£'000		£'000
27,680	Pensions	30,397
4,215	Commutation and Lump sum retirement benefits	3,582
240	Lump sum death benefits	675
32,135		34,654

By Authority

2022/23		2023/24
£'000		£'000
27,448	London Borough of Sutton	29,309
3,955	Scheduled bodies	4,605
732	Admitted bodies	740
32,135		34,654

PF Note 10 - Payments to and on account of leavers

2022/23		2023/24
£'000		£'000
88	Refunds to members leaving service	109
-	Group transfers	-
2,973	Individual transfers	3,276
3,061		3,385

PF Note 11 - Management expenses

2022/23		2023/24
£'000		£'000
1,374	Administration Expenses	1,080
6,124	Investment Management Expenses	4,831
324	Oversight and Governance	185
7,822		6,096

Management expenses for 2023/24 exclude costs that have not been directly incurred by the fund, either by being deducted from the net asset value of investments or by being deducted from income. This represents a change in how these costs have been presented in prior years.

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.

2022/23		2023/24
£'000		£'000
4,703	Management Fees	4,757
3	Performance Fees	(174)
100	Custody Fees	8
1,318	Transaction Costs	240
6,124		4,831

PF Note 11b - External audit costs

2022/23		2023/24
£'000		£'000
42	External audit costs	69
42		69

PF Note 12 - Investment income

2022/23		2023/24
£'000		£'000
	Pooled Investments:	
(3,578)	- Equities	(2,939)
(1,625)	- Property	(1,724)
(2,717)	- Multi Asset Credit	(5,065)
(1,776)	- Diversified Growth Funds	(821)
(124)	- Private Debt	-
(5,476)	- Infrastructure	(4,318)
(110)	Interest on Cash Deposits	(2,115)
(15,406)		(16,982)

PF Note 13 - Taxes on income

2022/23		2023/24
£'000		£'000
23	Withholding tax - pooled	16
23		16

PF Note 14 - Investments

2022/23	Investment Assets	2023/24
£'000		£'000
	Pooled Investment Vehicles:	
441,963	Equities	537,800
50,531	Fixed Income	47,081
49,712	Property	57,077
86,140	Multi Asset Credit	96,689
95,660	Diversified Growth Funds	24,038
55,808	Infrastructure	64,607
27,533	Private Debt	31,238
	Other Investment Balances:	
43	Cash deposits	47,030
71	Accrued income and recoverable taxes	59
-	Amounts receivable for sales of investments	3,304
807,461	Total Net Investment Assets	908,923

PF Note 14a - Analysis of Pooled Investment Vehicles

2023/24	Pooled Investment Vehicles:			Other managed funds:		Total
	ACS	Unit trusts	Unitised insurance policies	OEIC	SICAV	
	£'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

2022/23	Pooled Investment Vehicles:			Other managed funds:		Total
	ACS	Unit trusts	Unitised insurance policies	OEIC	SICAV	
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	216,394	151,894	73,675	-	-	441,963
Fixed Income	-	-	50,531	-	-	50,531
Property	-	33,055	-	-	16,657	49,712
Multi Asset Credit	28,406	-	-	57,734	-	86,140
Diversified Growth Funds	95,660	-	-	-	-	95,660
Infrastructure	-	19,920	-	-	35,888	55,808
Private Debt	-	27,533	-	-	-	27,533
	340,460	232,402	124,206	57,734	52,545	807,347

PF Note 14a - Analysis of Pooled Investment Vehicles (continued)

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.

PF Note 14b - Reconciliation of movements in investments

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
Sub-total Investments	807,347	188,880	(229,222)	91,525	858,530
Other Investment Balances:					
Cash deposits	43				47,030
Trade receivables / payables	-				3,304
Accrued income and recoverable taxes	71				59
Net Investment Assets	807,461			91,525	908,923

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

2022/23	Value 31 March 2022	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:					
- Equities	466,057	3,579	(1,346)	(26,327)	441,963
- Fixed Income	93,404	-	(20,015)	(22,858)	50,531
- Property	56,371	145	(221)	(6,583)	49,712
- Multi Asset Credit	86,694	2,713	(602)	(2,665)	86,140
- Diversified Growth Funds	99,837	1,776	(1,504)	(4,449)	95,660
- Infrastructure	37,664	19,474	(8,546)	7,216	55,808
- Private Debt	17,094	11,566	(2,872)	1,745	27,533
Sub-total Investments	857,121	39,253	(35,106)	(53,921)	807,347
Other Investment Balances:					
Cash deposits	385			98	43
Accrued income and recoverable taxes	(2)			-	71
Net Investment Assets	857,504			(53,823)	807,461

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 2024 is shown below.

31 March 2023			31 March 2024	
Market Value	% of total	Fund Manager	Market Value	% of total
£'000	%		£'000	%
Investments managed by London Collective Investment Vehicle				
48,159	6.0%	LCIV Global Total Return Fund (Pyrford)	-	0.0%
47,502	5.9%	LCIV Diversified Growth Fund (Baillie Gifford)	24,038	2.8%
104,074	12.9%	LCIV Global Equity Fund (Newton)	130,377	15.2%
112,319	13.9%	LCIV Sustainable Equity Fund (RBC)	130,096	15.2%
28,406	3.5%	LCIV Multi Asset Credit Fund (CQS, Pimco)	31,678	3.7%
27,533	3.4%	LCIV Private Debt Fund (Pemberton, Churchill)	31,238	3.6%
19,920	2.5%	LCIV Renewable Infrastructure (BlackRock, Stonepeak, Quinbrook, and Foresight)	27,234	3.2%
-	0.0%	LCIV Passive Equity Progressive Paris Aligned Fund (State Street Global Advisors Limited)	124,680	14.5%
-	0.0%	LCIV The London Fund (LPPI)	11,944	1.4%
-	0.0%	LCIV UK Housing Fund (CBRE)	100	0.0%
73,676	9.1%	Legal & General - Future World Global Equity Index Fund	152,647	17.8%
50,531	6.3%	Legal & General Over 5 Year Index Linked Gilts Fund	47,081	5.5%
512,120	63.4%		711,113	82.8%
Investments managed outside of London Collective Investment Vehicle				
151,894	18.8%	Harding Loevner Funds Plc Global Equity Fund	-	0.0%
57,734	7.2%	M&G Alpha Opportunities Fund	65,011	7.6%
11,417	1.4%	LaSalle Investors UK Real Estate Fund of Funds	9,737	1.1%
21,637	2.7%	BlackRock UK Property Fund	19,221	2.2%
16,657	2.1%	Invesco Real Estate UK Residential Fund SCSp	16,075	1.9%
35,888	4.4%	Partners Group Direct & Global - various	37,373	4.4%
295,227	36.6%		147,417	17.2%
807,347	100.0%	Total	858,530	100.0%

PF Note 15 - Fair value – basis of valuation

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

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

Level 1

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

Level 2

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

Level 3

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

PF Note 15 - Fair Value - basis of valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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

PF Note 15 - Fair Value - basis of valuation (continued)

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 2024 and 31 March 2023.

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
Total		152,923	168,216	137,630

2022/23	Potential variation in fair value	Value at 31 March 2023	Potential value on increase	Potential value on decrease
	+/-	£'000	£'000	£'000
Pooled Investment Vehicles:				
- Property	10%	49,712	54,683	44,741
- Infrastructure	10%	55,808	61,388	50,227
- Private Debt	10%	27,533	30,287	24,780
Total		133,053	146,358	119,748

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 2023				31 March 2024			
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:							
368,288	73,675		441,963	385,153	152,647		537,800
	50,531		50,531		47,081		47,081
		49,712	49,712			57,077	57,077
	86,140		86,140		96,689		96,689
	95,660		95,660		24,038		24,038
		55,808	55,808			64,607	64,607
		27,533	27,533			31,238	31,238
43			43	47,030			47,030
368,331	306,006	133,053	807,390	432,183	320,455	152,922	905,560
Financial Assets at fair value through profit and loss							

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

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
Total	133,053	-	-	27,536	(2,867)	(4,800)	152,922

2022/23	Value 31 March 2022	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2023
	£'000			£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Property	56,371	-	-	145	(221)	(6,583)	49,712
- Infrastructure	37,664	-	-	19,474	(8,546)	7,216	55,808
- Private Debt	17,094	-	-	11,566	(2,872)	1,745	27,533
Total	111,129	-	-	31,185	(11,639)	2,378	133,053

PF Note 16a - Classification of financial instruments

2022/23			2023/24			
Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
Financial Assets						
Pooled Investment Vehicles:						
441,963			Equities	537,800		
50,531			Fixed income	47,081		
49,712			Property	57,077		
86,140			Multi Asset Credit	96,689		
95,660			Diversified Growth Funds	24,038		
55,808			Infrastructure	64,607		
27,533			Private Debt	31,238		
	18,279		Cash deposits and accrued income		60,960	
			Amounts receivable for sales of investments		3,304	
	2,932		Sundry debtors		3,226	
807,347	21,211	-		858,530	67,490	-
Long Term Assets						
	150		London CIV share capital		150	
807,347	21,361	-		858,530	67,640	-
Financial Liabilities						
-	-	(18,130)	Creditors	-	-	(2,151)
-	-	(18,130)		-	-	(2,151)
807,347	21,361	(18,130)	Total	858,530	67,640	(2,151)

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

2022/23		2023/24
£'000		£'000
	Financial Assets	
(53,921)	Designated at fair value through profit and loss	91,525
98	Designated at amortised cost	-
(53,823)		91,525

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

Key risks

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

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

Overall Procedures for Managing Risk

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

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

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

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

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

a) Market risk

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

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

Other price risk

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

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

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

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:

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
Total	157,649	154,897	160,401

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
Total	2,950	3,055	3,061

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

2022/23	Asset Values at 31 March 2023	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash	18,279	18,279	18,279
Fixed interest bonds	66,997	65,010	68,984
Variable rate bonds	19,143	18,594	19,692
Total	104,419	101,883	106,955

2022/23	Interest receivable 31 March 2023	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Cash	(110)	(111)	(109)
Fixed interest bonds	2,016	2,016	2,016
Variable rate bonds	696	728	714
Total	2,602	2,633	2,621

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

Currency risk

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

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

Currency risk – sensitivity analysis

Following analysis of historical data, the council considers the likely volatility associated with foreign exchange rate movements to be 10%. 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 2024, 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 2024. 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 31/03/2023	Value on 10% price increase	Value on 10% price decrease	Currency Exposure - Asset Type	Value as at 31/03/2024	Value on 10% price increase	Value on 10% price decrease
£'000	£'000	£'000		£'000	£'000	£'000
43,416	47,757	39,074	Overseas infrastructure	37,373	41,110	33,635
43,416	47,757	39,074	Total assets available to pay benefits	37,373	41,110	33,635

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

Other Price Risk -Sensitivity Analysis

Value as at 31/03/2023	Change +/-	Value on increase	Value on decrease	Asset Type	Value as at 31/03/2024	Change +/-	Value on increase	Value on decrease
£'000	%	£'000	£'000		£'000	%	£'000	£'000
441,963	18.1	521,958	361,967	Equities	537,800	18.4	636,755	438,845
50,531	9.6	55,382	45,680	Fixed income	47,081	10.1	51,836	42,326
49,712	14.1	56,721	42,702	Property	57,077	14.8	65,525	48,630
86,140	10.9	95,529	76,750	Multi Asset Credit	96,689	10.9	107,228	86,150
95,660	10.2	105,418	85,903	Diversified Growth Funds	24,038	10.6	26,586	21,490
55,808	15.4	64,402	47,213	Infrastructure	64,607	14.4	73,911	55,304
27,533	11.5	30,700	24,367	Private Debt	31,238	10.6	34,549	27,927
807,347		930,110	684,582	Total	858,530		996,390	720,672

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

Actuarial position

Rates of contributions paid by the participating Employers during 2023/24 were based on the actuarial valuation carried out as at 31 March 2022 by the Fund's actuary. The objectives of the Fund's funding strategy is:

- to ensure the long-term solvency of the Fund, so that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

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.

At the 2022 actuarial valuation, the fund was assessed as 101% funded (90% at the March 2019 valuation). This corresponded to a deficit of £6m (2019 valuation: £71m) at that time.

Contribution Rates

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

The rates of contributions payable by each participating employer over the period 1 April 2023 to 31 March 2026 are set out in a certificate dated 31 March 2022, which is appended to the actuary's report on the actuarial valuation. For those bodies which have become separate employers within the Fund since the valuation date, their contribution rates have been calculated individually and certified by the Fund's actuary.

The total average contribution rate payable by employers consists of two elements; the primary rate and the secondary rate. The primary rate is the weighted average (by pensionable pay) of the individual employers' primary rates (after allowing for member contributions). The secondary rate is an adjustment to the primary rate, to arrive at the total rate each employer is required to pay, for example to allow for deficit recovery.

PF Note 18 - Funding arrangements (continued)

Contribution Rates	
Fund primary rate	18.8%
Average member rate	6.7%
Average total future service rate	25.5%

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
Funding Level	101%

The valuation was undertaken using principal assumptions as follows;

Financial Assumptions	31/03/2022
	Nominal
Discount Rate	4.3%
Salary Increases	2.7%
Pension Increases	2.7%

Assumed life expectancies at age 65 is as follows;

Demographic Assumptions	31/03/2022
Male pensioners	22.1
Male non-pensioners	23.0
Female pensioners	24.8
Female non-pensioners	26.0

PF Note 18 - Funding arrangements (continued)

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service.

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 2023		31 March 2024	
£'m		£'m	
(888)	Actuarial present value of promised retirement benefits	(908)	
811	Net fund assets available to fund benefits	924	
(77)	Net Asset/Liability	16	

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:

PF Note 19 - Actuarial present value of promised retirement benefits (continued)

2022/23		2023/24	
%		%	
3.0	Pension increase rate (CPI)	2.8	
3.0	Salary increase rate	2.8	
4.8	Discount rate	4.8	

PF Note 20 - Current assets

31 March 2023		31 March 2024	
£'000		£'000	
2,565	Contributions	2,716	
367	Other debtors	510	
18,165	Cash at Bank	13,871	
21,097	Total Current Assets	17,097	

PF Note 21 - Current liabilities

31 March 2023		31 March 2024	
£'000		£'000	
(14,560)	Transfers out	-	
(1,927)	Other Creditors	(909)	
(1,643)	Current payables	(1,242)	
(18,130)	Total Current Liabilities	(2,151)	

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 31st May. Total contributions paid by members in Clerical Medical during 2023/24 were £192k (£145k in 2022/23), as below. There are no active contributors with Utmost.

31 May 2023		31 May 2024
£'000		£'000
145	Clerical Medical	192
145		192

At 31 May 2024, the total estimated value of the AVC funds with Clerical Medical and Utmost was £1,078k (£848k at 31 May 2023).

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 2023/24 was £1,102,752 (£1,062,692 in 2022/23)

One of the Councillors voting on the Pension Committee was a member of the Pension Fund at 31 March 2024.

The key management personnel for the Pension Fund are the members of the Pension Fund Committee, the Strategic Director of Resources (S151 Officer), the Head of Pensions Investments and the Head of Pensions Administration. Their remuneration is set out below:

PF Note 23 - Related party transactions (continued)

31 March 2023		31 March 2024	
£'000		£'000	
102	Short-term benefits	126	
139	Post-employment benefits	202	
241		328	

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. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by the court in this case may have implications for other UK defined benefit plans. The Fund is monitoring developments in terms of whether there is expected to be any impact on LGPS Funds and will consider if there are any implications for the Fund. At this time, the Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

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 2024 were £127.8m (£65.6m at 31 March 2023). 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.

9. Annual Governance Statement 2023/24

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. Sutton Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

1.3 This statement explains how Sutton Council has complied with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) and the requirements of regulation 6(1b) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement. 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 then provide 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 authority is directed and the activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

2.2 The Governance Framework summarised in this Statement has been in place at the Council for the year ended 31 March 2024 and up to the date of approval of the Statement of Accounts. Some of the key elements of the Authority's governance framework are described below.

2.3 The Cipfa Advisory Note 'Understanding the Challenges to Local Authority Governance (March 2022) reinstates the importance of increasing awareness and strengthening governance arrangements following the significant high profile failures in some local authorities. The Cipfa Advisory Note 'Developing an effective assurance framework in a local authority' (December 2023) set out the importance of effective governance framework, highlighting the need for organisations to encourage and facilitate a high level of robust internal challenge through audit committees and internal challenge.

Figure 1 How audit committees add value across the organisation.



Annual Governance Statement (continued)

Figure 1 Source: *Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2018)*

Overview of the Councils 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.</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>Standing Committees 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>The Scrutiny Committee 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>The Audit and Governance Committee 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.</p>
Decision Making	<p>All decisions are made in compliance with law and the council's 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)

Risk Management	<p>Risk Management Strategy - reviewed annually</p> <p>Corporate Strategic Risk Register - reviewed by CMT and Audit and Governance Committee quarterly</p> <p>Departmental Risk Registers - reviewed quarterly by DMT's</p>
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>

Constitution

2.4 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.

2.5 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.

2.6 A cross party Constitutional Working Group (CWG) was established in July 2023 to consider changes to the Standards Complaints Procedure. The Strategy and Resources (December 2023), and Council (29 January 2024), agreed the updates to the constitution, to establish a Code of Conduct Hearing Panel as a sub committee of the Audit and Governance Committee, to conduct code of conduct hearings as set out in the Standards Regime

Complaints Procedure.

2.7 During 2023/24, the Leader of the Council provided advance notice that she would be stepping down from the role in 2024/25. During 2024/25 will be the induction process for the new Council Leader and revised political appointments to the Administration.

Annual Governance Statement (continued)

Corporate Plan

2.8 A Corporate Plan, Ambitious for Sutton 2022 - 2027, was approved by Council in November 2022. This sets out the Council's major priorities over the next four years. There are 6 corporate priorities:-

- 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

2.9 These are underpinned by five key principles in the Sutton Plan; Think Sutton First, Work across sectors, getting involved early, build stronger and self-sufficient communities and provide coordinated, seamless services. The Corporate Plan is supported by a

- Medium Term Financial Strategy 2023 - 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.
- HR and Organisational Development Strategy 2023 - 2028, describing how the Council will support and invest in its workforce in order to deliver its priorities

2.10 The Medium Term Financial Plan 2024/25 - 2027/28 was approved by Council in March 2024 and is aligned to the Medium Term Financial Strategy. It contains details of key financial risks and potential impact on the Council, as well as mitigating actions being taken and outlines financial plans going forward, and a financial strategy that considers risk over this period and into the longer term.

2.11 The Ambitious for Sutton Transformation Board was established in 2021/22 and provides an opportunity for CMT oversight of key transformation programmes. CMT receives updates and considers the key risks, issues and mitigation that needs to be put in place to ensure the successful delivery of the portfolio. Reports are also presented to Service Committees on progress.

- Adult Social Care Transformation
- Children's Services Transformation
- Community Assets
- Housing supply
- Climate emergency
- Town centre regeneration, future of St Nicholas Centre & Civic Complex

2.12 In early 2024, in response to the revenue budget pressures detailed earlier in this report, the transformation programme was refreshed and rescoped with a more specific focus on the areas of material risk to the Council's budget position: Adult Social Care, Children's Social Care, Housing & Temporary Accommodation and SEND services.

2.13 The financial sustainability transformation programmes will be supported by an internal staff-focused programme of work, emphasising that all staff are part of a shared endeavour to deliver the budget and wider corporate priorities. This is known as One Sutton.

Performance, and risk management

2.14 The Council has a risk management process to identify, assess and manage those significant risks to the Council's objectives including the risks of its key strategic partnerships. The risk management process includes a risk management strategy, and corporate and directorate risk registers. Directorate Risk Registers are reviewed quarterly by officers and the Corporate Risk Register is reviewed quarterly by CMT and the Audit and Governance, and Strategy and Resources Committees.

2.15 The Corporate risks for the Council that have been assessed as 'red' highlighted in March 2024 are detailed below. Each of these 10 red risks has an action plan outlining how the risks are managed.

- Insufficient financial resources to deliver services
- 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
- Spend on Residential Provision (children)
- Increased demand from homeless households
- Financial pressure on the Council due to increased demand for support in Adult Social Care (ASC)
- Housing Revenue Account: Impact of inflation, capping of rent increases, range of investment priorities and pressures
- Risks associated with damp and mould in social housing
- Unregistered Residential Provision (children)
- Financial risks associated with the rising demand for Education, Health and Care Plans (EHCP) in the Borough

Annual Governance Statement (continued)

Performance, and risk management (Cont.)

2.16 The Council has a performance planning process supplemented by detailed business planning to establish, monitor and communicate Sutton Council's objectives. This includes a performance management system that sets key targets and reports on performance monitoring 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.

2.17 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.

Council Priorities and MTFs

2.18 The Corporate Plan, Ambitious for Sutton 2022-2027 was agreed by Council in November 2022. During 2023/24, quarterly financial updates were presented to the S & R Committee, who are responsible for overseeing delivery.

2.19 The Corporate Plan is underpinned by the Medium Term Financial Strategy, which describes how the Council intends to deliver its priorities within the current financial context and with a focus on long term financial sustainability.

2.20 The Council set a budget for 2023/24 on 6 March 2023 to deliver the priorities set out in Ambitious for Sutton. Financial updates were reported to the Strategy and Resources Committee throughout the year, setting out performance against the budget and a forecast outturn position, plus updates on key financial risk areas.

2.21 There were significant pressures on the Council's budget in 2023/24 due to the cost of living crisis creating increased demand for Council services and support, wider economic pressures, and continuing high inflation). There were also significant pressures on statutory services as a result of market pressures, demand levels and complexity of need.

2.22 These were a continuation of the significant overspends identified during the 2022/23 closing process. This included People services, and in particular ASC, where a predicted overspend of £0.5m forecast at quarter 3 materialised into an unplanned actual overspend totalling £4.9m. As a result during 2023/24 updates were provided to CMT monthly detailing progress made by the Peoples Directorate in implementing mitigation actions and tackling areas of high cost / high demand.

2.23 A task and finish group (attended by various senior management, including the Strategic Directors of People and of Resources) was established to review and fully investigate the variances and why it had not been forecast earlier during the financial year. This has led to a number of work streams that fed into the Transforming ASC Programme. 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. **(This is included in the Action Plan below).**

2.24 The Council has low reserves, and therefore undertook additional measures to support the in year position and prepare for 2024/25 budget setting. This included applying a council-wide voluntary redundancy scheme, restraint on recruitment and ad hoc spend, reducing the use of agency staff, accelerating delivery of savings plans, and identifying new savings to be delivered in year. A new transformation fund to support delivery of budget savings was established through flexible use of capital receipts. Additional financial checks on procurement contracts were introduced in 2023/24.

2.25 There are regular opportunities for leadership challenge and discussion through bi-monthly reporting of financial performance to CMT and the budget setting process and regular reports to the Strategy and Resources Committee.

2.26 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.

Annual Governance Statement (continued)

Council Priorities and MTFS (Cont.)

2.27 Budget holders are held accountable for their own budgets through monthly DMT reviews and bi-monthly reviews at CMT. Performance information is reviewed on a quarterly basis at both DMTs and CMT level, with quarterly reporting to the Strategy & Resources Committee.

2.28 CIPFA published 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 2023 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 27 April 2023, 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. There are no indicators showing a large adverse movement meaning that although Sutton has faced significant financial risks over the past year there has been no material weakening of financial resilience. The results of the 2023 index do not suggest that any changes are required to these principles or the overall strategy, but do provide independent external assessment that validates and supports the assessment of risks set out in the MTFS.

2.29 A new Financial Management Code was introduced by CIPFA in 2021/22, setting out the standards for financial management in Local Authorities. The FM Code is the collective responsibility of elected members, the Section 151 Officer and the leadership team of the Council to ensure that compliance with the Code is monitored and that the requirements are being sufficiently met. 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. An annual review of compliance is undertaken and progress on actions are included in the Councils budget reports as part of the Medium Term Financial Strategy approved by Council.

2.30 On the 4 March 2024, Council approved the 2024/25 - 2026/27 Medium Term Financial Plan and the detailed budget plans for 2024/25

Information Governance

2.31 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.

2.32 In 2023/24 there were 68 data breaches, (52 breaches in 2022/23). There were 2 breaches reported to the ICO.

2.33 Under the Freedom of Information (FOI) Act, a public authority must respond to an FOI request within 20 working days. The council is measured against a corporate target of 90% of FOI requests dealt with in time. In 2023/24, there were 1,368 requests of which 94% were responded to on time. (In 2022/23, a total number of requests made were 1,274 in which 94% were responded to in time). Performance is reported quarterly to the Information Security and Governance Board.

Complaints

2.34 To ensure that concerns or complaints from the public can be raised, the Council has an established formal complaints guidance which sets out how complaints can be made, what should be expected and how to appeal. The Guidance was last reviewed in Jan 2021, to incorporate the updated Ombudsman guidance issued in October 2020. An Internal Audit review for 2022/23 provided a substantial assurance.

2.35 Council's performance in responding to complaints is reported to the Corporate Management Team on a monthly basis. Quarterly updates were included in the update on performance indicator report Strategy & Resources Committee, finance and performance update reports for June, September, December 2023 and February 2024.

2.36 The number of complaints received by the Council in 2023/24 was 482, compared to 464 in 2022/23. The main increase relates to Adult social care complaints which tend to focus on eligibility for care funding and disagreements on care charges. These are being carefully monitored.

Annual Governance Statement (continued)

Complaints (Cont.)

2.37 The number of complaints escalating to stage 2 in 2023/24 was 75 (this reduced from 102 in 2022/23). Sutton Council has a low number of upheld ombudsman complaints when compared to other local authorities. The number of Ombudsman referrals in 2023/24 were 40, with 13 upheld (This reduced from 47 in 2022/23, with 13 upheld).

Working in partnership

2.38 The Council works with a number of other public sector bodies, organisations and voluntary groups. Partnerships are essential and engrained in the way the council operates and delivers services. The output and expectations are aligned to the Ambitious for Sutton Corporate Plan. The Council appoints members to joint committees to collaborate with other councils.

2.39 Sutton Health and Care (SHC) is a provider alliance, formed of partnerships between London Borough of Sutton, Epsom and St Helier University Hospitals NHS Trust, Sutton Primary Care Networks and South West London and St George's Mental Health NHS Trust. Sutton Health and Care feeds into and supports the following objectives stated in the Ambitious for Sutton Corporate Plan:

- Continue to ensure good quality hospital provision in the borough.
- To continue work with NHS and community partners to ensure that there is good quality, accessible healthcare provision in the borough and protect services at St Helier Hospital.

- Ensure Sutton residents can access good quality healthcare.

2.40 An audit review on the governance arrangements in place for Sutton Health Care was undertaken in 2023/24 and provided a Reasonable Assurance.

Statutory Integrated Care System

2.41 From 1 July 2022 the South West London NHS Integrated Care System (ICS) Board, became a statutory organisation led by two new bodies: the NHS Integrated Care Board (ICB) and the Integrated Care Partnership (ICP).

2.42 The South West London ICS brings together NHS organisations, the boroughs of Croydon, Kingston, Merton, Richmond, Sutton & Wandsworth, Healthwatch organisations, charities, and community voluntary organisations. The aim of the ICS is to achieve four aims: to improve outcomes in population health and healthcare; to tackle inequalities in outcomes, experience, and access; to enhance productivity and value for money; and to help the NHS support broader social and economic development.

Shared Service arrangements

2.43 Shared Services are in place with the Royal Borough of Kingston in the following areas:- Highways & Transport, HR, IT, Customer Services, Regulatory Services, Finance and Pension 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 Assistant Directors in HR, IT, Finance and Highways for Kingston and Sutton.

2.44 The South London Waste Partnership (SLWP) comprises Sutton, Kingston, Merton and Croydon waste collection and disposal services. There is a joint committee with councillor representatives from each London Borough. Three meetings were held in 2023/24 to discuss contract performance, communication and engagement and budgets.

Annual Governance Statement (continued)

Shared Service arrangements (Cont.)

2.45 The arrangements for the waste collection service will change in April 2025 when the current contract with Veolia will come to an end. Each Council is currently carrying out their own procurement arrangements. 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. This Committee agreed in June 2023, for the redevelopment of the waste depot and the procurement of the waste collection contract. The award of the contract was completed in March 2024, to start from April 2025.

2.46 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.

Sutton Housing Partnership

2.47 The 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. The Environment, Housing & Neighbourhood Directorate gives "operational delegation for housing management to the Managing Director of Sutton Housing Partnership." 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). Operational Protocols set out defined responsibilities and standards including activities carried out by other organisations or by Council owned companies (e.g. Encompass LATC or Sutton Living). There are quarterly Performance & Partnership Group meetings where partnership issues are raised and reviewed.

2.48 SHP have their own internal auditors and are externally audited by Beever & Struthers. Under the Management Agreement between the Council and its Arms Length Management Organisation (ALMO), SHP is required to produce a Delivery Plan focusing on service delivery and performance. In 2021 SHP produced a three year delivery plan covering the period 2021/22-2023/24, which was updated in March 2023 for 2023/24. SHP's new Delivery Plan covers the financial years 2024/2025 to 2026/2027 was approved by the Housing, Economy and Business Committee in March 2024.

Council owned companies

2.49 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.

2.50 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.

Annual Governance Statement (continued)

The Council has the following companies:

Table 1 - List of Council owned companies

Company Name	Details
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.	Homelessness and housing needs; Adult Social Care support brokerage; Shared Lives (Adult Social Care); and Financial administration for Direct Payments
Cognus Ltd 10276456.	The majority of the Council's education services including: <ul style="list-style-type: none"> ● School inclusion ● SEND ● Attendance and Admissions ● School Improvement
London Cancer Hub (LCH) Co Ltd 10635978 London Cancer Hub LLP OC416273	Non trading company - this is in the process of being wound up as it is no longer required as the LCH is now established and being delivered through an alternative model.

2.51 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 2023.

Annual Governance Statement (continued)

Council owned companies (Cont.)

2.52 The Sutton Shareholdings Board (SSB) met twice during 2023/24, (November 2023 and March 2024) 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.

2.53 It was agreed at the November 2022 SSB to approve the closure of Opportunity Sutton Ltd by the end of the financial year March 2023, and consequential transfer ownership of Sutton Decentralised Energy Network, Sutton Living Design and Build Ltd, and Sutton Living Ltd, from Opportunity Sutton Ltd to the Council directly. The company's last accounts were published on 31 March 2023 and the company was dissolved on 24 March 2024.

Review of effectiveness

2.54 The Statutory Officers and Directors are responsible for conducting an annual review of the effectiveness of its governance framework, including the system of internal control. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level.

2.55 The review of effectiveness is informed by the work of senior management within the council who have responsibility for the development and maintenance of the governance environment, the Head of Audit internal report and other review agencies and inspectors.

2.56 The key elements of the review of effectiveness are:-

- a) The council's internal management processes, such as performance monitoring and reporting, staff performance appraisal framework and monitoring of policies such as corporate complaints and health and safety.
- b) An annual self assessment completed by Assistant Directors and Directors, confirming that Financial Regulations, contract standing orders, code of conduct and other governance processes have been operating as intended throughout the year.
- c) The annual report of the Head of Internal Audit, to members on the adequacy and effectiveness of the internal control framework, the council's risk management and governance process. The opinion based on the draft annual report 2023/24 provides reasonable assurance.
- d) The Audit and Governance Committee is independent and separate from the scrutiny function delivered through the Scrutiny Committee and from the decision making committees. The Audit and Governance Committee provides an oversight on a range of core governance and accountability arrangements.

e) The Corporate risk register is presented to CMT on a quarterly basis for discussion, following assessments by DMT's on their departmental risks

f) The risk management strategy and guidance is reviewed annually, by the Audit and Governance Committee (October 2023). The Audit and Governance Committee reviews the Council's Risk Statement and Corporate Risk Register at each of its meetings. Each risk has an action plan in place, which is regularly reviewed and updated.

The Council recognises the benefits of risk management to include:-

- Stronger ability to achieve ambitions, aims and objectives as key risks are managed
- Better decision making as the Council is more aware of risk
- Ability to take advantage of opportunities because the Council understands the risks attached to them
- Better governance and the ability to demonstrate it to stakeholders
- Reduction in failure, loss, damage and injury caused by risk
- Improvement in ability to adapt to change
- Improvement in corporate governance
- Compliance with statutory and regulatory requirements

g) An annual report of the effectiveness of the Audit and Governance Committee for 2022/23 was presented to the July 2023 committee. This concluded that the work programme in place had enabled the committee to carry out its function effectively.

Annual Governance Statement (continued)

Review of effectiveness (Cont.)

A skills assessment was completed by members of the committee and a training plan put in place, which was approved at the January 2024 committee.

h) High level of compliance with the requirements of the Cipfa Financial Management Code

i) CIPFA Financial Resilience Index, published in 2023

j) External audit. The Council's external auditors were Grant Thornton up to the 2022/23 audit. Audit of Accounts 2022/23 & Auditors Annual Report January 2024. KPMG have been appointed for 2023/24 onwards.

k) The Joint targeted area inspection of Local Safeguarding in Sutton took place from 10 to 14 July 2023. This external assurance was carried out by inspectors from Ofsted, the Care Quality Commission (CQC) and His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)

Issues currently affecting the Council.

Local government funding

2.56 The local government settlement for 2023-24 announced an average 9% increase in core spending power, to help deal with inflationary and other cost pressures together with extra funding for social care. This social care funding had been earmarked for the adult social care reforms but these were delayed until October 2025 and resources recycled to support current care pressures. There was no indication of how the delayed adult social care reforms can now be financed, so there is uncertainty as to whether the plans will go ahead. There are delays in the Fair Funding Formula.

2.57 The Council received a one year funding settlement for 2023/24 from the Government which created uncertainty in budget setting for 2024/25, but a further one year settlement was issued in December 2023 and was reported to the Council as part of the budget report. The lack of certainty over future funding is an area identified in the Councils Medium Term Financial Strategy and in the Corporate Risk register as a high risk (see action plan). The financial settlement for 2024/25 is due in the Autumn though exact timing is uncertain pending the results of the General Election.

Dedicated Schools Grant (DSG)

2.58 Allocations for the Dedicated Schools Grant (DSG) were published alongside the settlement but the planned policy reforms aimed at reducing the pressure on high needs budgets have not been published to date. This will be needed to ensure that high needs deficits are eliminated before the end of March 2026, when the statutory override arrangements are due to end.

2.59 The DSG Budget outturn position for Sutton for 2023/24 is an overspend of £2.878m, due to ongoing pressure on the High Needs Block which funds support to children with Special Educational Needs and Disabilities (SEND). This overspend is partially offset by the remaining £1.487m balance of the DSG reserve to result in a £1.391m DSG deficit.

2.60 Currently, the DfE has indicated that LAs should not expect further funding into the High Needs Block which is a significant risk for the Local Authority. This risk has been added to the Corporate Risk Register. Officers will be preparing a DSG management plan to look at the options to mitigate the impact of the deficit in future years as part of a refresh to the local area SEND and Alternative Provision strategy. **An action has been included in table 2 below for completion in 2024/25.**

Annual Governance Statement (continued)

Low reserves

2.61 The General Fund Reserve at the end of March 2024 remained above the Medium Term Financial Strategy principle of 5% minimum. The low level of unringfenced 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 2024/25 budget and identifies deliverable savings to close the remaining budget gap over the medium term.

2.62 There have been a number of mitigation measures put in place to help contain pressures on the budget. This included the implementation of voluntary redundancies approved in 2023/24 to take place over the next two years, restraint on recruitment and ad hoc spend, reducing the use of agency staff, and regular robust monitoring of savings delivery. The level of spend in key risk areas is closely monitored against the budget growth that was given for 2024/25 and future demand management is being implemented via the Councils transformation programme. An on-going action has been included in table 2 below for 2024/25.

Care Quality Commission assessments

2.63 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. It is planned that all local authorities will be inspected over the next two years and the first tranche of 20 councils will commence in early 2024. CQC have said that they will not publish a forward plan of assessments so Sutton do not know when it will be selected. The Council has undertaken plans to ensure it is prepared for an inspection.

External Audit

2.64 The Council is part of the Public Sector Audit Appointments (PSAA) national scheme which appoints the council's external auditors. KPMG has been appointed to act as the external auditors for five years from 2023-24. They replace the current auditors, Grant Thornton. Currently, there is significant uncertainty, accounting technicalities and capacity issues in the external audit market, with delays nationally to signing off local authority accounts, although Sutton Council are in a better position than other councils as their 2022/23 accounts have been signed off by the external auditors.

3. Conclusion

3.1 The council has been hugely impacted by instability in the economy and the consequent ongoing cost of living crisis in 2023-24. 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 2023/24. The Head of Internal Audit's opinion based on this work, is that the system of internal control is generally sound and effective.

Annual Governance Statement (continued)

Table 1 - Update on actions raised in 2023/24 action plan and progress to date

Key Issues	Action	Progress During 2023/24
<p>1. Review of Code of Conduct against the Local Government Association Model Code of Conduct (December 2020) - Complete</p>	<p>A desktop evaluation will be conducted in 2023/24 on the Members Code of Conduct against the LGA Model Code of Conduct, together with a review of the current complaint handling process.</p>	<p>Audit and Governance Committee 13 July 2023 members resolved to establish a cross party Constitutional Working Group (CWG) to consider changes to the Standards Complaints Procedure. The CWG met on 16 October 2023 and agreed to make the recommendations. Constitution has been updated update for the Standards Regime Complaints Procedure: more detail added in terms of the second level of criteria for considering a complaint, Code of Conduct Panel will be a sub committee of the Audit and Governance Committee and Independent Person's views may be sought.</p>
<p>2. Financial pressures (carried forward)</p> <p>The 2022/23 outturn position included significant overspends in social care services, including a £5m pressure on ASC placements budgets that was largely not foreseen and had not been included in the mid year monitoring forecasts. This has caused concern about the financial management arrangements in this service and in response a task and finish group has been established to develop and implement an action plan that improves financial management of ASC budgets.</p> <p>In 2023/24 the outturn position for social care services was an overspend of £2.499m higher than forecast. The final overspend was £15.933m (12% of their budget). Adults Social Care (ASC) being the greatest contributor towards the overspend. The ASC unit's outturn was a £12.741m overspend.</p>	<p>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>Transformation programmes set up for Adult and Children Social Care. Implement ASC Financial</p> <p>Management Action Plan to improve financial management and monitoring of spend.</p>	<p>Transformation programmes set up for Adult and Children Social Care.</p> <p>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.</p>

Annual Governance Statement (continued)

Key Issues	Action	Progress During 2023/24
<p>3. Response to the climate emergency and failure to reduce carbon emissions in the borough (carried forward)</p>	<p>On-going review and monitoring of progress against the council's action plan, lobbying for funding and oversight.</p>	<p>Senior representatives from all key areas of the Council are on the Environment Strategy Board to ensure a collaborative cross-Council approach to addressing challenges, with the Climate Action Community of Practice to easily share funding opportunities and develop joint proposals for area based climate action.</p> <p>Regular monitoring of specific activities to deliver the Environment Strategy and Climate Emergency Response Plan through wider governance as appropriate. Lobbying for funding and policy changes through London Councils to central government. 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.</p> <p>Development of a carbon management plan and costs for key Council owned assets.</p>
<p>4. Cyber security and Business Continuity (complete)</p>	<p>A major incident training and exercising programme in July 2023 will include the validation of recently developed joint cyber response arrangements with RB Kingston.</p> <p>The integrated (emergency and service contingency) plans (Extreme Weather Plan and Emergency Call-out Plan), and Major Emergency Response Plan and Corporate BCP will be merged in Q1 of 23/24.</p>	<p>A Major incident training and exercising programme was undertaken in July 2023. The integrated and major emergency response plan and corporate plans Business Continuity Plans were merged. The disaster recovery and Business continuity plans and Service area BCP are in place and regularly updated. The councils insurance provider Zurich are due to undertake a review of the Service Area Business Continuity arrangements in the Council in 2024/25.</p> <p>An IT transformation programme was undertaken in 2023/24, with migration of software solutions to hosted managed services in the cloud with appropriate contractual assurance for both cloud based and hosted services. There is a range of backup arrangements for Business Continuity / Disaster Recovery. firewall, anti-virus and cyber security arrangements. All hardware and software is supported for security updates. 24/7 Cyber Monitoring. Staff training completed and ongoing awareness campaigns.</p>

Annual Governance Statement (continued)

Key Issues	Action	Progress During 2023/24
5. Fraud Policies reviewed and updated- Action Complete	All fraud policies will be reviewed and updated in 2023/24 (Anti Fraud and Corruption Policy, Whistleblowing and Anti Money Laundering policy)	Fraud policies were approved by Audit and Governance Committee in April (Whistleblowing and Anti Money Laundering policy) and October 2023 (Anti Fraud and Corruption)

Table 2 - Actions for 2024/25

Key Issues	Action	Responsible officer:
1. Financial sustainability (action carried forward)	<p>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>Transformation programmes set up for Adult and Children Social Care, SEND and Housing and Temporary Accommodation.</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>	Section 151 officer

Annual Governance Statement (continued)

Table 2 - Actions for 2024/25 (Cont.)

Key Issues	Action	Responsible officer:
2. DSG- Deficit action plans	<p>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.</p> <p>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.</p>	Section 151 officer and Director of Children's services
3. Response to the climate emergency and failure to reduce carbon emissions in the borough (carried forward)	<p>Senior representatives from all key areas of the Council are on the Environment Strategy Board to ensure a collaborative cross-Council approach to addressing challenges. The Climate Action Community of Practice is established to easily share funding opportunities and develop joint proposals for area based climate action. Regular monitoring of specific activities to deliver the Environment Strategy and Climate Emergency Response Plan takes place via the Environment Strategy Board.</p> <p>Lobbying for funding and policy changes will be made to central government through work with London Councils. 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. Development of a carbon management plan, carbon budgeting and analysis of associated financial impacts of reducing carbon emissions will be progressed in 2024/25.</p>	Strategic Director of Environment, Housing and Neighbourhoods

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

Annual Governance Statement (continued)

4. Statement of the Leader of the Council and the Chief Executive

4.1 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.

4.2 It is our opinion that the Council's governance arrangements in 2023/24 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2024/25.

Signed on behalf of Sutton Council

Chief Executive:

Date: 30/07/2024

A handwritten signature in black ink, appearing to be 'M. Lee', written over a horizontal line.

Leader:

Date: 30/07/2024

A handwritten signature in black ink, appearing to be 'B.', written over a horizontal line.

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

ALMO	Arms Length Management Organisation	DLUHC	Department for Levelling Up, Housing and Communities
AVC	Additional Voluntary Contribution	MIRS	Movement in Reserves statement
CCG	Clinical Commissioning Group	MRA	Major Repairs Allowance
CF	Collection Fund	MRP	Minimum Revenue Provision
CIES	Consolidated Income and Expenditure Statement	NNDR	National Non Domestic Rates (Business Rates)
CIPFA	Chartered Institute of Public Finance and Accountancy	PWLB	Public Works Loan Board
CT	Council Tax	REFCUS	Revenue Expenditure Funded From Capital Under Statute
DLUHC	Department for Levelling Up, Housing and Communities	RICS	Royal Institution of Chartered Surveyors
DfE	Department for Education	RCCO	Revenue Contribution to Capital Outlay
DSG	Dedicated Schools Grant	SHP	Sutton Housing Partnership
FTE	Full Time Equivalent	TFL	Transport for London
GLA	Greater London Authority	TPA	Teachers' Pension Agency
HRA	Housing Revenue Account	UCR	Usable Capital Receipts
IAS	International Accounting Standard		
I&E	Income and Expenditure		
IFRS	International Financial Reporting Standard		
IT	Information Technology		
LASAAC	Local Authority (Scotland) Accounts Advisory Committee		
LATC	Local Authority Trading Company		
LOBO	"Lenders Option Borrowers Option" Loan		

11. Auditor's Reports 2023/24

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 2024, 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 Cash Flow 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 the Council as at 31 March 2024 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 2023/24.

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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by Public Sector Audit Appointments Limited on 1 April 2023. The period of total uninterrupted engagement is for the five financial years ending 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

Materiality:	£6.3m
Group financial statements as a whole	1% of Group expenditure

Coverage	97% of Group expenditure
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Key audit matters

Risks	Valuation of land and buildings and investment property
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	Valuation of post retirement benefit obligations
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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 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>Valuation of land and buildings and investment property</p> <p>(£907 million; 2022/23: £948m)</p> <p>Refer to Note 10 (accounting policy) and Note 13-14 (financial disclosures).</p>	<p>The carrying amount of revalued land and buildings and investment property differs materially from its current value/ fair value.</p> <p>The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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. 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 a new external valuer for the year ended 31 March 2024. The new 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 new 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. The financial statements (note 4) disclose the sensitivity estimated by the Council.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> — Assessing valuer’s credentials: Assessing the independence, objectivity and expertise of the valuers used to carry out the valuation of the Council’s properties at 31 March 2024; — Inspection of Valuer Instructions: Inspecting the instructions issued to the valuers and evaluating whether they are appropriate to produce a valuation consistent with the requirements of the Code. — Test of detail: Comparing the data provided to the valuers for the development of the valuation to underlying information; — Evaluation of controls: Evaluating the design and implementation of controls in place for management to review the valuation and the appropriateness of the assumptions used; — Assessment of valuation report: 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; — Recalculation: 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; — Involvement of Specialists: 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 — Assessing transparency: Considering the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation. <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>Our results</p> <ul style="list-style-type: none"> — The results of our testing were satisfactory and we found the resulting valuation of land and buildings and investment property to be acceptable

The risk	Our response
<p>Valuation of post retirement defined benefit obligations</p> <p>(£695 million; 2022/23: £687 million)</p> <p><i>Refer to Note 1i (accounting policy) and Note 31 (financial disclosures).</i></p>	<p>An inappropriate amount is estimated and recorded for the defined benefit obligation</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. 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. The financial statements (note 31) disclose the sensitivities estimated by the Council.</p>
<p>Our procedures included:</p> <ul style="list-style-type: none"> — Assessing actuary's credentials: Assessing the independence, objectivity and expertise of the actuary used to carry out the valuation of post-retirement benefit obligations at 31 March 2024; — Inquiry of actuary: Performing inquiries of the actuary to assess the methodology and key assumptions used including comparing actual figures to estimates used by the actuary, such as the rate of return on pension fund assets; — Evaluation of controls: Evaluating the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability; — Review of assumptions: Challenging, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy by comparison to externally derived data; — Accounting Treatment: Assessing whether the accounting treatment and entries applied by the Council are consistent with the Code; and — Assessing transparency: Considering the adequacy of the Council's disclosures in respect of the sensitivity of the benefit obligation to movement in these assumptions; <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>Our results</p> <ul style="list-style-type: none"> — The results of our testing were satisfactory and we found the resulting valuation of post retirement defined benefit obligations to be acceptable. 	

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 £6.3m, determined with reference to a benchmark of Group expenditure as disclosed in the CIES, of £629m, of which it represents 1%.

Materiality for the Council financial statements as a whole was set at £6.2 determined with reference to a benchmark of total expenditure, of which it represents 1%

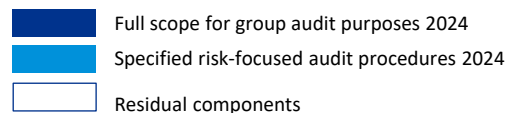
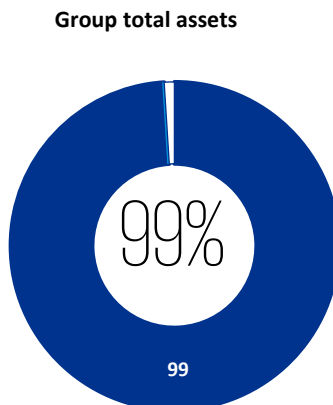
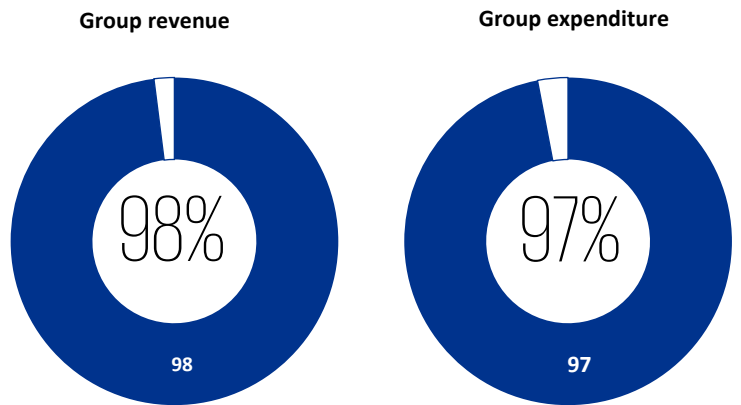
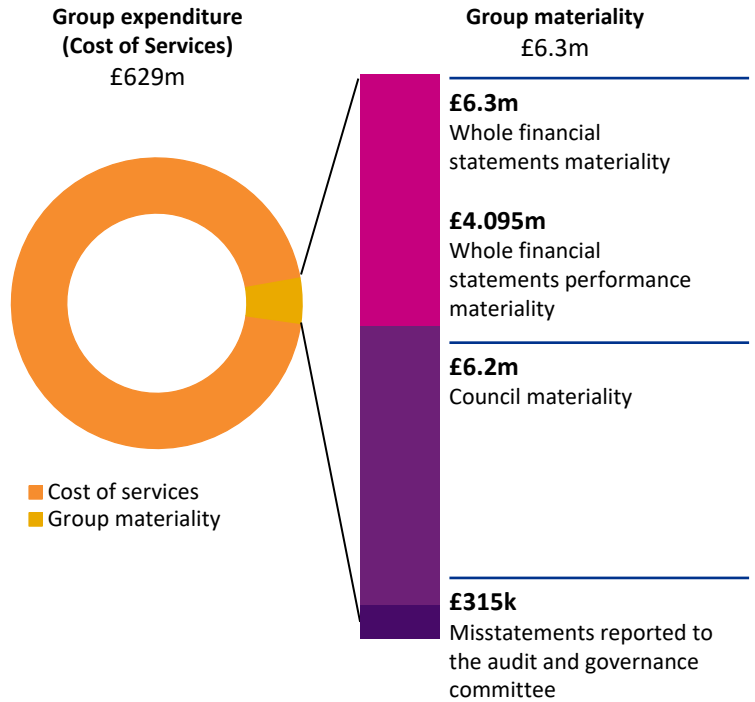
In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material 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 £4.095m for the Group and £4.03m for the Council. We applied this percentage in our determination of performance materiality because it is a first year 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 £315k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group’s six reporting 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 2% of total Group revenue, 3% of Group expenditure and 1% 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.



4. Going concern

The Strategic Director of Resources has prepared the financial statements on the going concern basis as they not been informed by the government of the intension 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' conclusions, 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; 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 Group's and the 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 and the Council 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 and the risk of bias in accounting estimates such as the accruals. 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 also identified a fraud risk from expenditure recognition as the council has a statutory duty to balance their annual budget. Where a Council does not meet its budget this creates pressure on the Council's usable reserves and this in term provides a pressure on the following year's budget.

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 and revenues;
- 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 non-compliance 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 non-compliance 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 non-compliance 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 non-compliance 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.

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

As explained more fully in the statement set out on page 18, the Strategic Director of Resources is responsible for ensuring that the Council has put 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 Council 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 Council'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 Council 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.

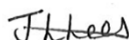
10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the members of the Council, 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 Council, 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 Council and the members of the Council, 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 have not yet completed our work in respect of the Authority's Whole of Government Accounts consolidation pack for the year ended 31 March 2024.

Until we have completed this work, we are unable to certify that we have completed the audit of the financial statements of the London Borough of Sutton for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO Code of Audit Practice.



Joanne Lees

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London E14 5GL

27 February 2025

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 2024 on pages 168 to 209 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 2.

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 2024 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 2023/24.

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 the 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 specific pre-determined descriptions.
- 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, 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.

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.



Joanne Lees
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

27 February 2025