Public Document Pack

Audit and Standards Committee

Thursday 21 September 2023 at 5.00 pm

Town Hall, Sheffield, S1 2HH

The Press and Public are Welcome to Attend

Membership

Councillors Mohammed Mahroof (Chair), Sioned-Mair Richards (Deputy Chair), Sue Alston, Fran Belbin, Simon Clement-Jones, Laura McClean and Henry Nottage.

Independent Co-opted Members

Alison Howard.

Sheffield City Council

PUBLIC ACCESS TO THE MEETING

The Audit and Standards Committee oversees and assesses the Council's risk management, control and corporate governance arrangements and advises the Council on the adequacy and effectiveness of these arrangements. The Committee has delegated powers to approve the Council's Statement of Accounts and consider the Annual Letter from the External Auditor.

The Committee is also responsible for promoting high standards of conduct by Councillors and co-opted members.

A copy of the agenda and reports is available on the Council's website at http://democracy.sheffield.gov.uk. You may not be allowed to see some reports because they contain confidential information.

Recording is allowed at meetings of the Committee under the direction of the Chair of the meeting. Please see the website or contact Democratic Services for details of the Council's protocol on audio/visual recording and photography at council meetings.

If you wish to attend a meeting and ask a question or present a petition, you must submit the question/petition in writing by 9.00 a.m. at least 2 clear working days in advance of the date of the meeting, by email to the following address: committee@sheffield.gov.uk.

If you require any further information please contact Jay Bell in Democratic Services on email jay.bell@sheffield.gov.uk.

FACILITIES

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall. Induction loop facilities are available in meeting rooms.

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

AUDIT AND STANDARDS COMMITTEE AGENDA
21 SEPTEMBER 2023

Order of Business

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ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

If you are present at a meeting of the Council, of its Policy Committees, or of any committee, sub-committee, joint committee, or joint sub-committee of the authority, and you have a **Disclosable Pecuniary Interest** (DPI) relating to any business that will be considered at the meeting, you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business, or
- participate in any vote or further vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

You **must**:

- leave the room (in accordance with the Members' Code of Conduct)
- make a verbal declaration of the existence and nature of any DPI at any meeting at which you are present at which an item of business which affects or relates to the subject matter of that interest is under consideration, at or before the consideration of the item of business or as soon as the interest becomes apparent.
- declare it to the meeting and notify the Council's Monitoring Officer within 28 days, if the DPI is not already registered.

If you have any of the following pecuniary interests, they are your **disclosable pecuniary interests** under the new national rules. You have a pecuniary interest if you, or your spouse or civil partner, have a pecuniary interest.

- Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner undertakes.

- Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period* in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

  *The relevant period is the 12 months ending on the day when you tell the Monitoring Officer about your disclosable pecuniary interests.

- Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority –

  - under which goods or services are to be provided or works are to be executed; and
  - which has not been fully discharged.

- Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.

- Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.

- Any tenancy where (to your knowledge) –
  - the landlord is your council or authority; and
  - the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

- Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -

  (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and

  (b) either -
    - the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
    - if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

If you attend a meeting at which any item of business is to be considered and you are aware that you have a **personal interest** in the matter which does not amount to a DPI, you must make verbal declaration of the existence and nature of that interest at or before the consideration of the item of business or as soon as the interest becomes apparent. You should leave the room if your continued presence is incompatible with the 7 Principles of Public Life (selflessness; integrity; objectivity; accountability; openness; honesty; and leadership).

You have a personal interest where –

- a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing (including interests in land and easements over land) of you or a member of your family or a person or an organisation with whom you have a close association to a greater extent than it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the Authority's administrative area, or

- it relates to or is likely to affect any of the interests that are defined as DPIs but are in respect of a member of your family (other than a partner) or a person with whom you have a close association.

Guidance on declarations of interest, incorporating regulations published by the Government in relation to Disclosable Pecuniary Interests, has been circulated to you previously.

You should identify any potential interest you may have relating to business to be considered at the meeting. This will help you and anyone that you ask for advice to fully consider all the circumstances before deciding what action you should take.

In certain circumstances the Council may grant a **dispensation** to permit a Member to take part in the business of the Authority even if the member has a Disclosable Pecuniary Interest relating to that business.

To obtain a dispensation, you must write to the Monitoring Officer at least 48 hours before the meeting in question, explaining why a dispensation is sought and desirable, and specifying the period of time for which it is sought. The Monitoring Officer may consult with the Independent Person or the Council's Standards Committee in relation to a request for dispensation.

Further advice can be obtained from David Hollis, Interim General Counsel by emailing david.hollis@sheffield.gov.uk.

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SHEFFIELD CITY COUNCIL

Audit and Standards Committee

Meeting held 27 July 2023

PRESENT: Councillors Sioned-Mair Richards (Chair), Fran Belbin, Simon Clement-Jones, Laura McClean and Alison Howard

1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence was received from Councillors Sue Alston, Mohammed Mahroof and Henry Nottage.

2. EXCLUSION OF THE PRESS AND PUBLIC

2.1 No items were identified where resolutions may be moved to exclude the press and public.

3. DECLARATIONS OF INTEREST

3.1 There were no declarations of interest.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the meetings held on 22 June, 2023 were agreed as an accurate record.

5. PUBLIC QUESTIONS AND PETITIONS

5.1 The Committee received the following Public Questions from a member of the public, prior to the meeting.

5.2 **Ruth Hubbard**

1. How many complaints from the years of the tree dispute are outstanding? Please can you say how many of these are over two years old, between one and two years old, and less than a year. What are you able to say about why these complaints are outstanding at this stage?

The Chair explained that a written response will be provided after the meeting.

a) I recognise that Strategy and Resources lead on post-Lowcock work. However, given the important independent role of the Audit and Standards Committee in overseeing governance and audit functions, how has this committee satisfied itself that the governance and audit implications from Lowcock have been identified? As I have explained, a stance from Strategy and Resources that "we agree all the recommendations" simply cannot perform this function and I think responsibility lies with this committee to satisfy itself that adequate attention has been paid to specific governance and audit considerations arising from Lowcock and to report back to Strategy and Resources (or full council) where further work might be needed to secure these arrangements. (Strategy and Resources are not an executive in relation to this committee simply to allocate out the jobs it sees fit.) So can this committee confirm it is satisfied that Strategy and Resources have adequately identified and are addressing the governance and audit implications of the Lowcock Report?

> The Chair felt that Strategy and Resources Policy Committee had taken this issue seriously and comprehensively. The Chair hoped that Strategy and Resources Policy Committee fully understood the implications of the item they referred to the Audit & Standards Committee, in which this Committee would be reviewing those implications at their October 2023 meeting. The Chair explained that this report would be a starting point and not something that gets lost throughout the year. The Chair mentioned that Sir Mark Lowcock had noted that the Council had changed their culture since the publication of his report.

b) In respect of the one specific job allocated by Strategy and Resources on reviewing the Members Code of Conduct can this committee say what will be different this time compared to other times it has looked at the Code of Conduct and not identified the gross and manifest problems in its functioning that was so evident to many during the years of the tree dispute. It would be particularly helpful if the committee could say something about why and how, specifically, the committee thinks the member code of conduct simply did not work through the years of the dispute, and therefore to identify what in particular needs to be rectified or worked on. Will the committee undertake to explain why it thinks the code of conduct did not work over those years when it comes to reviewing the code of conduct?

> The Chair explained that when the Local Government Association introduced the new code of conduct, the Audit & Standards Committee undertook several workshops to review and implement the revised code of conduct. The Chair believed the Council could always learn and improve but believed the revised code of conduct was more detailed and a better model for the Council compared to the code which was in use at the time of this dispute. The Chair referred to an item on the agenda relating the Member training, she stated that it would be useful for this Committee to have an annual review of the code of conduct.

a) In being alert to risks and as a wake up call will this committee consider:
 - reporting back to full council on the increased risk relating to the external audit function generally, and specifically in relation to reported delays to external audit.

- re-examination and consideration of revision of its terms of reference in line with CiPFA guidance to give a greater sense of its substantive contribution to governance arrangements and reporting to full council on this rather than mostly a list of reports and mechanisms it is overseeing.

- in its re look at its terms of reference clarify its relationship with the Governance Committee - the Governance Committee says it has oversight of governance but, for example, has no role in developing or overseeing the Annual Governance Statement as confirmed with the Governance Committee last week.

- rapidly moving to appoint two new independent members (to the committee vacancies) in order to better secure its oversight and increase its expertise.

- ensuring it has public questions on its agendas.

> The Chair stated she was also concerned around the delays reporting to external audit. She believed the Council did have a robust process in place to review the Council's risks and these were also considered as part of the Audit & Standards Committees remit. Should the Council risk exposure to delays in the external audit of accounts and be assessed as a corporate risk of sufficient magnitude, then the Committee would consider the advice of officers on how the risks would be escalated on the risk register. The Chair explained that following The Charted Institute of Public Finance and Accountancy (CiPFA) advice, the Annual Governance Statement be presented at the Audit & Standards Committee. The Chair was aware of other local authorities that had committees in which Audit and Governance was both part of their remit although was currently opposed for this Council doing that at that moment, due to the current role and capacity of the Governance Committee. The Chair explained the Council had advertised the two vacancies for Independent Co-opted Members on the Audit & Standards Committee and agreed with the importance of these roles.

b) My concern and objection to the draft accounts lies primarily with the inadequacy of the Annual Governance Statement (AGS) as part of the accounts and which was raised in a short item at the June meeting but no concerns were raised. Firstly laid side by side with last year's AGS, I think about 90% is exactly the same words.

Perhaps more importantly the AGS does not appear to be written (at all) with reference to, or in line with, the CiPFA (2016) 'Developing Good Governance in Local Government: Framework' which has statutory force under government regulation. Councils have now wholly revised the way they do their AGS, in line with the new requirements. I have provided links to four examples for the committee below (that simply came up on the first page of a Google search) and Sheffield's simply does not stand up against these. Given the heightened risk in audit, the governance transition, the serious governance failures identified in Lowcock, alongside a weak code of corporate governance that is simply a list of documents, and the lack of alignment with the CiPFA requirements, the AGS currently provides no basis for confidence in the committee's current oversight of, or grip on, overall governance arrangements. Will the committee address this urgently?

The Chair stated the Audit & Standards committee had already agreed to review the Annual Governance Statement and that would be carried out as part of their work this municipal year.

4. QUESTION On the Annual Complaints Reports there is almost no information that tells readers whether any complaints involved allegations of, or were connected to, racism (or other equality issues). Given this area is a priority is it possible to have reporting on any complaints about racism (or other equality issues)? Is this not a recommendation of the Race Equalities Commission (REC) Report? A 3% return on ethnic and equality monitoring is extremely poor. From my experiences of running similar systems, is it possible to prioritise equality monitoring at the beginning or outset of a complaint rather than rely on this information coming in after the event?

The Chair explained that the Service Deliver Manager would respond to this as part of the report at item 8. The response can also be seen below: -

'The Service Delivery Manager acknowledged the lack of information provided relating to racism and equalities. She explained that fields had been introduced into the complaints system which would highlight complaints relating to racism so that this information could be collated in the future.'

(NOTE: In accordance with Council Procedure Rule 26 this urgent Item of business was considered on the recommendation of the Chair, on the basis that the Council wished to allow public questions and petitions to be submitted at the Audit & Standards Committee and to all upcoming formal meetings of the Committee).

6. INTERNAL AUDIT ANNUAL FRAUD REPORT

6.1 The Committee received a report from the Senior Finance Manager which informed the Audit and Standards Committee of the outcomes of the work undertaken by Internal Audit on fraud and corruption during 2022/23, and the proposed work for 2023/24.

6.2 The Finance Manager (Stephen Bower) explained that the Council undertook a total of 29 reactive cases in 2022/23. He added that the cases were increasingly becoming more complex.

6.3 The Finance Manager explained there was an increase in criminal activity such fishing and scams although there were processes in place to mitigate this and they were also working with the Police on this.

6.4 The Finance Manager mentioned there was a team within the Housing service which dealt with Housing Fraud and that was also highlighted within the report. He mentioned that Bank Mandate Fraud was also a common type of fraud, and that there were now further controls in place to reduce this.

6.5 The Finance Manager explained there had been a small number of Whistleblowing cases in 2022/23. He mentioned that he had regular meetings with the Head of Human Resources (HR) and the General Counsel to look at ways of making employees feel more comfortable in sharing this type of information.

6.6 The Finance Manager explained there was a new Fraud E-Learning package introduced this year. It was a requirement for Managers to complete this learning, in which 52% of Managers had completed it so far.

6.7 The Finance Manager explained there was a checklist within the report, which identified the controls in place for different areas susceptible to fraud.

6.8 Members of the Committee asked questions and the following responses were provided: -
The Chair mentioned the Council, over the past 4 years, had 6 cases of Fraud, 4 which led to dismissal and 2 which led to action other than dismissal. The Chair mentioned how 1 case was too many although believed this to be a small number in comparison to the size of this organisation therefore thanked Officers for their work on this.

6.9 The Finance Manager explained that the Fraud E-Learning package was a general training module rolled out to all employees. He added that there was more specialist training rolled out to certain areas within the Council, which were more susceptible to fraud.

6.10 The Finance Manager explained there was a lot of cases relating to time sheet fraud and similar issues due to employees working from home although there were processes in place to mitigate this.

6.11 The Finance Manager explained that there had not been any recent fraud cases which lasted an excessive period of time. He believed the Council's controls were to a high standard.

6.12 The Chair referred to the Whistleblowing pilot mentioned in the report, she mentioned that the Councils Whistleblowing process would be reviewed at a future Audit & Standards Committee meeting.

6.13 The Chair referred to the delays in rolling out Blue Badges. The Head of Customer Services (Paul Taylor) explained there was multiple stages within the process of applying for a Blue Badge. He mentioned that certain applications were permitted easier than others and met the 28 days turn around. Although when someone does not automatically qualify for a Blue Badge, and their application is denied, they are then subject to appeal that decision. He stated that the issues around delays came from that appeals stage as 5 Senior Officers were overseeing this and unfortunately had other circumstances which led to back log of applications. He added that if anyone was subject to a fine whilst their Blue Badge application was still being reviewed and then was authorised, the fine would be removed.

6.14 **RESOLVED:** That the Audit and Standards Committee Members (1) noted the content of this report; (2) noted that the Council's policies in relation to fraud and corruption have been reviewed and fulfil the required governance arrangements for the Council; and (3) noted the completed checklist for those responsible for governance (Appendix A).

7. ROLE OF THE AUDIT COMMITTEE AND TRAINING

8. ANNUAL CORPORATE COMPLAINTS REPORT 2022/23

8.1 The Committee received a report from the Director of Direct Services which summarised the key performance of corporate complaints for all Portfolio areas and the Council's key strategic partners Amey and Veoila for the reporting year 2022/23 and key focus areas for 2023/24. It provided an honest and transparent representation of the Council's performance for all services in relation to feedback and complaints. Also provided an update of the November 2022/March 2024 Complaints Service Improvement Plan.

8.2 The Service Delivery Manager, Customer Services (Corleen By-Graves Paul) gave a presentation to the Committee and the key points to note were: -

8.3 The 6 recommendations set by the Audit & Standards Committee at their meeting in November 2022 were shown along with the progress of each of those recommendations.

8.4 The Customer Service now attend quarterly Senior Manager meetings to discuss complaint progress.

8.5 In 2022/23 the Complaints procedure & Customer Relationship Management System (CRM) training was delivered to approximately 400 Officers.

8.6 The total number of complaints received in 2022/23 including the Council's strategic partners was 9514. Council Services receiving the highest number of complaints were Council Housing Repairs (42%), Customer Services (17%) and Finance (16%). 56% of complaints recorded were resolved via Problem Solving. 50% of complaints were responded to within 28 calendar days (20 working days) the Council's target was 80%.

8.7 It was explained that the Ombudsman Report was not included within this report, that would be presented at a future Audit & Standards Committee.

8.8 The Council's top 3 remedies and service improvements were:
1.Apology 50% (52) **;** 2.Finanical remedies 14% (15) and 3.Change, review or provide a service 13%(13).

8.9 The presentation outlined the Complaints Service Improvement Plan.

8.10 The Service Delivery Manager acknowledged the lack of information provided relating to racism and equalities. She explained that fields had been introduced into the complaints system which would highlight complaints relating to racism so that this information could be collated in the future.

8.11 At this stage of proceedings, the Chair of the meeting (Councillor Sioned-Mair Richards) left the meeting and Councillor Fran Belbin Chaired for the remainder of the meeting.

8.12 Members of the Committee asked questions and the following responses were provided: -

8.13 The Service Delivery Manager explained that Senior Leaders within the Council were now proactive in being accountable for complaints that fell within their portfolio. The Council had regular Senior Leadership Board (SLB) meetings in which the Service Delivery Manager attended to inform Senior Officers of those complaints. She explained that although Council's Repairs and Maintenance service received the highest number of complaints, that particular team was really efficient when it came to recording complaints and then working with customers on resolving those issues.

8.14 The Service Delivery Manager explained that any expression of dissatisfaction constituted as a complaint. Citizens could express this in many ways such as a phone call, email or face to face. Officers were also responsible for recoding complaints if they felt a customer was dissatisfied with a particular service.

8.15 The Head of Customer Services confirmed that the vision for the new complaints system was to save individuals details so that you did not have to fill in a complaint from the start each time. This would also help with joined up working across services as these complaints can be seen by other services, when necessary, in order to give the best response possible to customers.

8.16 The Service Delivery Manager explained that a new project had begun in which British Sign Language Interpreters (BSL) would be able to help customers with that need navigate the Council's website and direct them to the service they needed.

8.17 The Service Delivery Manager explained there was regular Officer training in place which taught Officers how to recognise and complaint and then how to deal with it. She added that Officers will be encouraged to record complaints relating to racism.

8.18 The Head of Customer Services and Service Delivery Manager noted the comment in regard to making the actions in the report more robust and defined.

8.19 **RESOLVED:** That the Committee (1) gave review and consideration of the Annual Corporate Complaints Report 2022/23; and (2) gave approval and continued support of the Summary Corporate Complaints Improvement Plan for the period November 2022 - March 2024 to ensure objectives are met.

9. WORK PROGRAMME

9.1 The Committee considered a report of the Interim General Counsel that outlined the work programme for the remainder of the municipal year. Members were asked to identify any further items for inclusion.

9.2 **RESOLVED:** That (1) the work programme be noted;

(2) the following items be moved on the work programme: -

- Code of Conduct and Complaints Procedure (From January 2024 to October 2023)
- Community Schools Update (From July 2023 to October 2023)
- Information Management Annual Report (From January 2024 to October 2023)
- Update on Ombudsman Report 22/23 (From September 2023 to October 2023)

- Statement of Accounts 2022/23 (From November 2023 to January 2024); and

(3) the following item be included onto the work programme: -

- Statement of Account 2021/22 (September 2023)

10. DATES OF FUTURE MEETINGS

10.1 It was noted that the next meeting of the Committee would be held on 21 September, 2023.

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Sheffield City Council
Audit results report

Year ended 31 March 2022

September 2023

EY
Building a better working world

Private and Confidential

13 September 2023

Sheffield City Council.
Town Hall.
Pinstone Street.
Sheffield

Dear Audit and Standards Committee Members,

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Standards Committee. This report summarises our preliminary audit conclusion in relation to the audit of Sheffield City Council for 2021/22, building on the position presented in March 2023. Subject to concluding the outstanding matters listed in our report, we expect to issue an unqualified audit opinion on the financial statements in the form at section 3 of this report. However until work is complete, further amendments may arise. Changes from the previously presented report have been highlighted in green.

We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit & Standards Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

Yours faithfully

Hayley Clark

Partner

For and on behalf of Ernst & Young LLP

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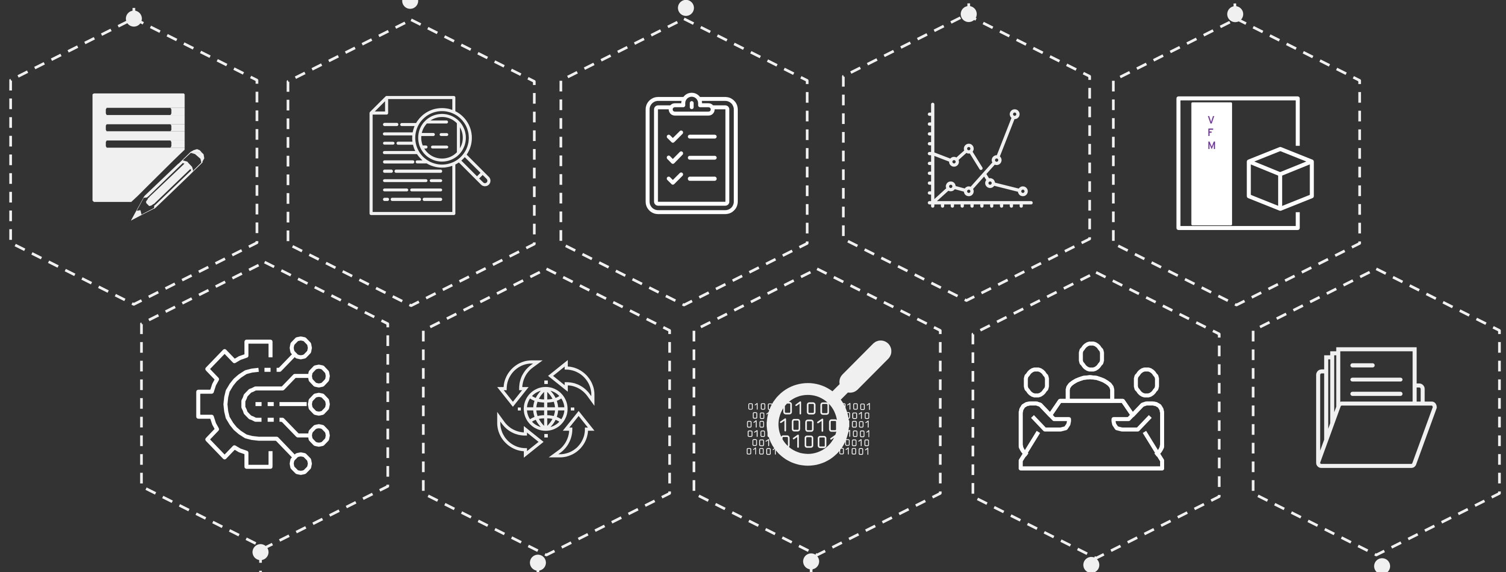

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the September 2022 Audit and Standards Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Status of the audit

We have substantially completed our audit of Sheffield City Council's financial statements for the year ended 31 March 2022 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 03. However until work is complete, further amendments may arise:

- We are awaiting the report of the auditor of South Yorkshire Pensions Authority in respect of updated membership testing to support the updated IAS19 disclosures the Council has been required to make following the release of the 2022 Triennial valuation of the pension fund, which was released on 1 April 2023;
- Partner review of areas of audit work;
- Completion of subsequent events review;
- Receipt and review of the approved financial statements and signed management representation letter; and
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts (WGA) submission. It should be noted that we cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's WGA consolidation pack.

Following the presentation of our report in March, the above mentioned triennial valuation was formalised, which created an adjusting post balance sheet event for authorities. Authorities therefore needed to consider whether adjustments were material and adjust their financial statements accordingly. Sheffield City Council determined that the movements presented by availability of the new information, were of sufficient magnitude that adjustments were necessary. The work to audit these disclosures has required further work from auditors, including actuarial specialists; and also, due to the material change in membership data between the 2019 and 2022 triennials, it has been necessary to obtain further assurance on membership data from the pension fund auditor. We expect to receive their report by the end of September 2023.

Audit differences

Section 4 of this report sets out the audit differences arising from our audit. Unadjusted amendments impacting the Comprehensive Income and Expenditure Statement total a £1.42m deficit, with unadjusted items impacting Other Comprehensive Income by £13.16m, being an understatement of income.

We also report the impact of those unadjusted differences from the prior year that turnaround into the current year. Taking both the current year and prior year differences the impact on the Comprehensive Income and Expenditure Statement is an increase to income of £1.34m, with unadjusted items impacting Other Comprehensive Income by £4.88m, being an understatement of income.

We have also agreed a small number of other minor disclosure amendments with management which have no impact on the financial results reported for the year.

Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Sheffield City Council's financial statements. This report sets out our observations and conclusions, including our views on areas where the council has exercised accounting judgements which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified in section 02 of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Standards Committee.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

During the audit, we identified sixteen control observations in the systems of internal control to bring to your attention in section 7.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our audit Plan, we identified significant risks concerning financial sustainability and regeneration schemes. We have included in Section 05 the detailed work we carried out in response to these risks.

Based on the work we have completed to date, we expect to issue a unqualified value for money conclusion.

We plan to issue the VFM commentary, incorporating the work carried out against the risks identified in our 2021/22 audit plan by the end of December 2023 as part of issuing the Auditor's Annual Report.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

The Group Audit Instructions we released by the NAO in February 2023. These instructions confirmed that Sheffield City Council falls under the HMT Audit Threshold of £2bn. We will complete our return following the completion of the financial statements work. We cannot release our certificate to close the audit until it has been confirmed that the NAO do not wish to sample Sheffield City Council for additional procedures.

We have no other matters to report.

Independence

No independence issues have been identified.

Please refer to Section 9 for our update on Independence.

02 Areas of Audit Focus

Fraud risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We respond to this fraud risk on every audit engagement.

We did not identify any specific fraud risks in our planning (aside form those associated with the risk of fraud in revenue and expenditure recognition presented separately). We continued to update our risk assessment throughout our audit. We have no additional specific fraud risks to report.

What judgements are we focused on?

We focused on judgements and estimates that could be influenced by management decisions and bias, which particularly impact on Property, Plant & Equipment, investment properties and pensions balances.

We focus on judgements made which impact the recording of transactions within the general ledger, particularly around journal entries.

What did we do?

- At the planning stage we identified the areas of the statements that were more susceptible to fraud, and we remained alert throughout the course of the audit for where this assessment may have changed. We did not identify any previously unidentified areas of risk. We inquired of management about where risks of fraud could exist and the controls that have been put in place to address those risks; considering the effectiveness of controls designed to address the risks. We also understood the oversight given by those charged with governance of management's processes in this area.
- We performed risk based sample testing of journals and other adjustments made in preparing the financial statements that met specific risk criteria in order to understand their purpose and appropriateness. No issues have been identified.
- We considered the existence of significant unusual transactions during the year. No issues have been identified.
- We tested significant accounting estimates for evidence of management bias. The most significant estimates relate to the valuation of Property, Plant and Equipment, investment property and the net pension liability. Due to the significance of these on the financial statements we have included them as a significant risk and higher inherent risks separately within this report. We evaluated the remainder of the Council's estimates including those related to NNDR, accruals, bad debt provision, depreciation and PFIs, as a low risk estimates.

What are our conclusions?

- We have not identified any material weaknesses in controls or evidence of management override.
- We have not identified any instances of inappropriate judgements being applied.

Our testing of journals found the items in our risk based sample to be appropriately supported and entered into the general ledger.

Our testing of judgements and estimates did not identify inappropriate judgements or bias in estimates. However, we have identified one uncorrected misstatement of £1.8 million where the NDR provision for bad debt is understated. This has been included in section 4 of this report.

We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.

Fraud risk

Risk of fraud in revenue recognition

Overstatement of income – dwelling rents, fees & charges, other income and grant income (including Covid-19)

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider the risk to be relevant to those significant revenue streams other than taxation receipts and non-specific grants, where management is able to apply more judgement. Specifically, our risk is focused on:

- The occurrence of other income (including fees and charges, dwelling rentals, social care income and other income), where management may have overstated income in the current financial year.
- The occurrence of the grant income drawn down in year, including Covid-19 grants. The Council receives numerous grants that are credited to services within which lies judgement on whether conditions have been met in order to recognise this income. Further to this, we will also focus on Covid-19 grant income, which has been drawn down from grants received in the previous financial year. These Covid-19 grants are relatively new and with this comes uncertainty as to when they can be recognised. This overstatement of grant income will be focused on grants and contributions excluding taxation & non-specific grants, but including Covid-19 support grant income.

What judgements are we focused on?

We focused on judgements made which impact the recording of transactions within the general ledger, particularly around journal entries that increase the amount of revenue recorded in the financial statements at or around the year end.

What did we do?

- Understood and challenged management on any accounting estimates or judgements on income recognition for evidence of bias;
- Performed overall analytical review procedures to identify any unusual movements or trends for further investigation;
- Used our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, specifically those that manually moved income from the subsequent year into the current financial year;
- Undertook a monthly trend analysis using our data analytics tools to identify any unusual movements in balances for further analysis and testing;
- Performed a month by month trend analysis on rentals from dwellings income and performed a reconciliation between the dwelling rental income recognised and the rental system; and
- Sample tested the revenue and capital grants received by the Council to ensure the accounting treatment and recognition applied to grant income is appropriate and in line with any associated conditions.

What are our conclusions?

We identified four errors totalling £5.3 million which have been included in the schedule in Section 4 of this report. These had no net impact on the overall reported position as they related to the incorrect grossing up of the balances within the Comprehensive Income and Expenditure Statement (CIES). There is no indication that these errors were as a result of fraud or deliberate misreporting.

Our audit work did not identify any material issues or unusual transactions to indicate any deliberate misreporting of the Council's financial position.

Areas of Audit Focus

Fraud risk

Risk of fraud in expenditure recognition:

- Inappropriate capitalisation of expenditure
- Understatement of other operating expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We consider that this risk is more prevalent in the following areas;

- Over the medium term we consider this is likely to occur through the capitalisation of expenditure that should be accounted for in the CIES given the extent of the Council's capital programme; and
- Understatement of expenditure to manage the financial position year on year.

We consider this to impact on the valuation of PPE balances as well as on the completeness of expenditure/creditor balances. We consider the risk of understatement of other operating expenditure to be relevant to those significant other expenditure items, where more judgement is likely to be applied. Specifically, our risk is focused on Premises Expenditure, Transport Expenditure, Supplies and services, Third party payments, Transfer payments, Support services.

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What judgements are we focused on?

We focused on judgements made which impact the recording of transactions within the general ledger, particularly around journal entries that decrease the amount of expenditure recorded in the financial statements at or around the year end, transactions being included in the wrong financial year, or balances that are being inappropriately capitalised.

What did we do?

- Understood and challenged management on any accounting estimates on expenditure recognition for evidence of bias;
- Used our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statement, specifically those that reduce expenditure by moving to the PPE balance sheet general ledger codes leading up to the balance sheet date;
- Performed sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any expenditure items that have been inappropriately capitalised;
- Performed overall analytical review procedures to identify any unusual movements or trends for further investigation, including comparing year-on-year balances within accruals;
- Undertook a monthly trend analysis using our data analytics tools to identify any unusual movements in balances for further analysis and testing; and
- Performed unrecorded liabilities and payables cut off testing to identify payments occurring after the year end, which will address the completeness of the expenditure and creditor balances.

What are our conclusions?

We identified four errors totalling £5.3 million which have been included in the schedule in Section 4 of this report. These had no net impact on the overall reported position as they related to the incorrect grossing up of the balances within the Comprehensive Income and Expenditure Statement (CIES).

We also identified errors during our unrecorded liabilities testing of £2.9 million, resulting in an understatement of expenditure. Further details on errors can be found in section 4.

There is no indication that these errors were as a result of fraud or deliberate misreporting.

Our audit work did not identify any material issues or unusual transactions to indicate any deliberate misreporting of the Council's financial position.

Significant risk

Property, Plant and Equipment – Valuation of Infrastructure Assets

What is the risk?

Infrastructure assets are valued at historic cost, most specifically the cost incurred when replacing old or constructing new infrastructure assets. Due to these assets being difficult to componentise and there often not being a clear linkage between spend and an identifiable asset, Councils often capitalise schemes of expenditure and depreciate over an estimated economic life. Assets are removed from the financial statements ("derecognised") when depreciated to nil, with there rarely being an exercise performed to derecognise the actual asset being replaced. It is possible that asset lives can therefore significantly vary from their estimated life. The main 'technical issue' relates to subsequent expenditure on highways infrastructure assets and specifically on whether local authorities should be assessing if there is any residual value remaining in replaced components that needs to be de-recognised when the subsequent expenditure is added and whether assets are identifiable.

While this is standard practice for many fixed assets, it may not generally be being implemented for (highways) infrastructure assets because there are a variety of significant practical difficulties in applying the standard approach to such assets. This is, particularly in relation to roads, where the engineering records used to maintain, replace and add to the assets have not been created to map against identifiable components. It was recognised previously that it was not possible to typically identify components as the network was one asset and information on previous historical repairs is not available in a meaningful or identifiable way particularly for roads.

Our initial risk assessment identified a risk that if we were unable to obtain sufficient, appropriate audit evidence to gain assurance over the valuation and existence of these assets that the scope of our audit may be limited, impacting the opinion we provide on the financial statements.

At the time of issuing our planning report the CIPFA Board were considering whether full application of IAS 16 requirements is appropriate for (highways) infrastructure assets or whether it should be adapted to take account of the practical issues identified. CIPFA continued to consult in this area and on 25 December 2022, the Department for Levelling Up, Housing and Communities (DLUHC), issued a statutory instrument ("the SI") to cover all audits starting on or before 1 April 2024. This gave the option for authorities to apply the SI or continue to apply the code. Management continue to perform significant work in this area to meet the requirements of the amendment to the CIPFA Code which has been supplemented by the Local Authority Accounting Panel (LAAP) Bulletin 12. This was released on 11 January 2023.

What did we do?

- Performed a walkthrough to understand and evaluate the key processes in place to account for infrastructure assets, including; capturing accurate information, componentisation, monitoring of, and the treatment in relation to, subsequent expenditure, impairment and disposal or de-recognition;
- Assessed the extent of information deficit that exists to create materially accurate disclosures;
- Tested the valuation and existence of the highways infrastructure assets;
- Considered subsequent guidance issued by CIPFA impacting on the accounting for and disclosure infrastructure assets in the financial statements;
- Tested management's assessment of the CIPFA guidance, confirming the correct accounting and disclosure of balances in the financial statements; and
- Tested management's assessment of Useful Economic Lives (UELs) for reasonableness.

What are our conclusions?

Our conclusions are set out overleaf.

Significant risk

Property, Plant and Equipment – Valuation of Infrastructure Assets

What are our conclusions?

The draft financial statements included an infrastructure balance of £774 million (net book value (NBV)), comprising of £1,162 million of cost and £388 million of depreciation. Therefore, the figures are material to the financial statements.

Management completed a significant amount of work prior to the CIPFA bulletin being released. Management have scrutinised their own records for all other assets classified as highways infrastructure to understand the records that support the balances and have acknowledged a portion where the underlying asset cannot be readily identified or the Council cannot state with sufficient certainty that the asset has not subsequently been replaced.

Management have identified three distinct groupings for which infrastructure assets have been classified:

1. Assets which have been purchased or procured/assembled under the PFI contract or via other routes directly by the Council. The assets (NBV: £519 million) are listed, at a granular level on a sub-Asset Register solely for Highways Infrastructure assets, splitting out streetlighting, footways and carriageways. We have audited this balance and obtained sufficient assurance over key items and on a representative sample of the assets making up this balance. Although there is significant information available for management to collate a detailed Highways Infrastructure Fixed Asset Register the Council needs to identify balances for the appropriate sub-categories of Highways Infrastructure Asset. Due to the commercial sensitivities involved with the PFI Contract, the Council is not yet able to apportion the cost of amounts capitalised to each of those categories.
2. Assets with a NBV of £138 million where the Council has reasonable assurance that the Assets have since been replaced, most notably by the PFI contract works. The Council, on the basis of their conclusions, have written off these assets in line with the provisions of Statutory Instrument.
3. Historical information deficits and custom and practice mean that information required to evidence the derecognition of replaced components of infrastructure assets will not practicably be able to be produced. Assets held on the Fixed Asset Register at a NBV of £115 million fall into this categorisation. Management will continue to investigate old records to establish if they can be placed in either group 1 or 2 at a later date. These balances, in line with the Statutory Instrument, will be carried forward at Net Book Value.

Management have recently provided a new disclosure note and briefing paper following. We have been working closely with management throughout to provide challenge to this process and consulted informally internally to ensure we are in the best position for when the disclosure note is ready to audit.

We have made a recommendation regarding controls in this area relating to how management monitor spend going forward to keep updated records in respect of when assets are being replaced to provide purposeful data for both asset lives and book values. These are formally included in Section 07. This includes working with the PFI contractor to establish the appropriate depreciation rate to charge for each sub-classification of assets. Currently, the Council depreciate all assets obtained under the contract over 40 years, which is line with the PFI contractual provisions, however this will require further consideration in light of guidance issued by CIPFA. For 2021/22 we have concluded there is no material issue.

We also identified some assets held where it has been difficult to substantiate their existence in line with the original provisions of the Code and thus require the implementation of the Statutory Instrument. We have made a recommendation for management to assess how such assets may be classified when the temporary provisions end. Our testing identified £4.7 million written off that management could not support – this is included as an unadjusted misstatement in section 04.

Significant risk

Property, Plant and Equipment – Valuation of Fair Value Assets

What is the risk?

Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts. The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. valuations are carried out by the Council's own specialist valuer or an external valuer is engaged for specific types and classes of assets. Valuers must follow the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. This process incorporates significant judgements. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk that these assets may be under/overstated impacting on their valuation in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. Also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated and whether asset have been assessed for impairment and are materially correct;
- Considered changes to useful economic lives as a result of the most recent valuation;
- Engaged internal EY valuation specialists to review the approach of the Council valuer, consider assumptions underpinning the valuation and to provide expected valuations for a sample of assets valued during the year;
- Tested accounting entries have been correctly processed in the financial statements;
- Reviewed the classification of assets and ensure the correct valuation methodology has been applied; and
- Considered external evidence of asset values via reference to the NAO commissioned Local Government Gerald Eve report and broader market data for the area where relevant. Specifically we will consider if this indicates any material variances to the asset valuations performed by the valuers and to those assets not revalued.

What are our conclusions?

Due to the level of risk attached to this area, we engaged our internal EY Real Estates (EYRE) valuation specialists to perform parts of our testing.

In 2021/22 our sample of PPE Valuations testing included 15 items that were valued on either an income or market approach to obtain Fair Value. 5 of these were reviewed by EYRE. Our testing has identified a number of issues.

Our work has identified a judgemental overstatement relating to the valuation of car parks totalling £5.66m which is included in our unadjusted errors in Section 4. The issue relates to the yield (6.25%) used by the Council's valuations team being too strong for a valuation predicated on trading profit. We would expect a yield in the region of 11% to 12% for Council run/managed car parks.

We have concluded that one property, that has been valued based on a conditional offer price, is overstated by between 10% and 20% as appropriate deductions have not been made to reflect the uncertainty associated with the offer.

We have stated that the valuation approach for council owned nursery buildings is unconventional and should be revisited to be in line with more traditional methodology.

We have also noted other input errors totalling £585k. Recommendations have been made in Section 7 of this report in relation to this.

Other areas of audit focus

Property, plant and equipment - Valuation of EUV, EUV-SH and DRC assets

What is the risk?

Given their more formulaic nature and less reliance on market value, we do not consider there to be a significant risk associated with the valuation of PPE assets where the valuation methodology is Depreciated Replacement Cost (DRC), Existing Use Valuations (EUV) and Existing Use Valuation for Social Housing (EUV-SH). However, as there is still an element of judgment and estimation involved we do consider there to be a higher inherent risk.

The Council's asset base is significant, and the outputs from the valuer are subject to estimation, therefore there is a risk that fixed assets may be under/overstated impacting on their valuation in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying estimates.

What did we do?

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested asset valuations, utilising the support from EY valuation specialists where it is considered appropriate to do so, considering assumptions underpinning the valuation and to provide expected valuations of assets selected;
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. Also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated and whether asset categories held at cost have been assessed for impairment and are materially correct;
- Tested accounting entries have been correctly processed in the financial statements; and
- Reviewed the classification of assets and ensure the correct valuation methodology has been applied.

What are our conclusions?

Due to the level of risk attached to this area, we engaged our internal EY Real Estates (EYRE) valuation specialists to perform parts of our testing.

In 2021/22 our sample of PPE Valuations testing included 9 items that were valued on either an EUV or DRC basis. 6 of these were reviewed by EYRE.

Our work has identified a number of errors in the inputs that are used to create some of the valuations that we have assessed. These have led to adjustments being made by management to correct the valuations and include the incorrect build rates being used; incorrect site areas; and unsupportable obsolescence rates. We have included the total adjustments made by management in Section 04 and recommendations in Section 7.

We work closely with management to update the Council Dwellings valuation, to incorporate the most recent indexation, as close to our signing date as possible. This exercise has led to a £20m adjustment being made to the draft figures but ensures that the amended balance is as accurate as possible.

Other areas of audit focus

Investment Property valuation

What is the risk?

Investment property assets are valued at fair value. Whilst there is a greater estimation risk associated with these assets, and more judgement exercised by property valuers, the Council's portfolio comprises of two assets, which in total are less than our planning materiality, but are still significant at a value of £18.8 million. As there is still an element of judgment and estimation involved we consider there to be a higher inherent risk associated with their valuation.

What did we do?

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Tested asset valuations, utilising the support from EY valuation specialists, considering assumptions underpinning the valuation and to provide expected valuations of assets selected; and
- Reviewed the classification of assets and ensure the correct valuation methodology has been applied.

What are our conclusions?

We engaged our internal specialists to review the valuation of one of the two main portfolios of investment properties.

They have been able to gain assurance on the methods used in valuing the asset and we have nothing to report in relation to the valuation.

Other areas of audit focus

Net Pension Liability Valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) administered by South Yorkshire Pension Authority. The Council's pension fund accounting deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. In the draft statements at 31 March 2021 this totalled £1,040 million (£941m at 31 March 2020). The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

The accounting entries relating to the LGPS are underpinned by significant assumptions and estimates. There is therefore an increased risk of misstatement and error. The estimation of the defined benefit obligations is sensitive to a range of assumptions such as rates of pay and pension inflation, mortality and discount rates. The pension fund valuations separately involve external specialists, to provide these actuarial assumptions. The estimation of the defined benefit assets involves estimation on the expected asset returns for the year based on the movement in the underlying Pension Authority total assets. A small movement in these assumptions could have a material impact on the value in the balance sheet.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and assumptions underlying these estimates.

What did we do?

We have:

- Liaised with the auditors of South Yorkshire Pension Authority, to obtain assurances over the information supplied to the actuary in relation to the Council and their work over the valuation of the pension fund's assets;
- Assessed the work of the Pension Fund actuary (Hyman Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team;
- Considered the reasonableness of the actuary's estimate of the asset returns applied in rolling forward the asset position from the prior year; and
- Reviewed and tested accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our conclusions?

Our work on the liabilities recognised, and the assumptions underpinning them, have raised no significant issues.

The pension fund auditor has alerted us to an unadjusted error in relation to the valuation of the pension scheme assets within the financial statements of the South Yorkshire Pension Authority. If processed this would lead to a reduction in the Council's defined benefit liability of £8 million, representing the SCC share of the fund. We have included this in Section 04.

The pension fund auditor alerted us to a £4 million difference between the benefits paid value per the IAS19 report for Sheffield City Council and that per underlying records. This difference impacts both the of the Council's share of Assets and Liabilities equally and therefore there is no net effect on the balances disclosed in the Council's financial statements. There is, however, a disclosure difference in the gross figures disclosed for both the disclosed asset and liability figures. This remains unadjusted by management and has been included in Section 4.

We have set out in the executive summary some of the further challenges we have faced in this area following the release of the 2022 Triennial valuation, however, no issues have been identified in the subsequent work that has been performed. At the time of writing this report, we are still awaiting the final, updated, report on the testing of membership data to be provided by the pension fund auditor. Adjustments arising as a result of the Triennial Valuation total £46.6 million and are listed in Section 04.

Other areas of audit focus

PFI and Service Concession arrangements

What is the risk?

The Council has a number of PFI and service concession arrangements which include several judgements made by management resulting in the accounting treatment shown in the financial statements. The arrangements are supported by complex models to calculate the figures to be included in the financial statements each year.

For 2021/22 there is a change to one of the schemes, involving a re-finance gain. In light of this, the Council is in receipt of a sum of money, some of which will be owed back to Central Government who have partially funded this scheme.

What did we do?

- We have reviewed (with the support of EY specialists) the accounting judgements and models to ensure that we are comfortable with the judgements and related accounting treatment in the financial statements, including consultation regarding the changes in year;
- For each of the material schemes we undertook testing of in-year inputs to the accounting models and agreed relevant entries in the financial statements to year-end outputs from each of the models;
- Reviewed associated disclosures within the financial statements to confirm they meet Code requirements and are reflective of supporting documentation.

What are our conclusions?

We identified an error in the draft financial statements in relation to how the deferred revenue element had been disclosed; management have adjusted for this and as the amendment is below our tolerable threshold we have not individually identified this in Section 4.

Following the adjustment made by management, we have concluded that balances in relation to PFI are stated free from material misstatement.

03 Audit Report

Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHEFFIELD CITY COUNCIL

Opinion

We have audited the financial statements of Sheffield City Council ('the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 45,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 13,
- Collection Fund and the related notes 1 and 2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:
- give a true and fair view of the financial position of Sheffield City Council as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Commercial Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period to 31 March 2025.

Our responsibilities and the responsibilities of the Director of Finance and Commercial Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts set out on pages 3 to 28 and 169 to 174, other than the financial statements and our auditor's report thereon. The Director of Finance and Commercial Services is responsible for the other information contained within the

Draft audit report

Our opinion on the financial statements

the Statement of Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended);
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Responsibility of the Director of Finance and Commercial Services

As explained more fully in the Statement of the Director of Finance and Commercial Services' Responsibilities set out on page 26 , the Director of Finance and Commercial Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Director of Finance and Commercial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Commercial Services is responsible for assessing 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 the Council either intends to cease operations, or has no realistic alternative but to do so.

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

Draft audit report

Our opinion on the financial statements

Auditors responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the council and determined that the most significant are:
  - Local Government Act 1972,
  - Local Government and Housing Act 1989 (England and Wales),
  - Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
  - Education Act 2002 and school Standards and Framework Act 1998 (England),
  - Local Government Act 2003,
  - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
  - National Health Service Act 2006,
  - The Local Audit and Accountability Act 2014, and
  - Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
  - The Accounts and Audit Regulations 2015.

In addition, the council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Sheffield City Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit, those charged with governance and the Monitoring Officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of

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Our opinion on the financial statements

reported financial performance (through improper recognition of revenue and expenditure), inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks to be our fraud risks.

To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we obtained the Council's manual year end income accruals, challenging assumptions and corroborating the income to appropriate evidence.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. We also performed a review for any significant, unusual business transactions and assessed areas of estimation for evidence of management bias.

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

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether Sheffield City Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Sheffield City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2022. We have completed our work on the value for money arrangements and

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Our opinion on the financial statements

will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Sheffield City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hayley Clark (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Birmingham
October 2023

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to uncertain facts or circumstances, open to interpretation.

Summary of adjusted differences

We identified that collection fund debtors from taxpayers includes a £3.9m balance of prepaid council tax. This represents deferred income for the Council and should therefore be shown within creditors gross, rather than netted of as is currently the case. Management have amended both the debtors and creditors balance in recognition of this. The PY amount is also disclosed gross and the amount of £3.8m is not material and as such does not qualify for restatement as a prior period adjustment under IAS8, therefore no corrective action has been taken by management in relation to the misstatement in the opening balance.

We identified 8 related parties, with whom the council has entered into transactions, that had not been disclosed.

Balances arising from a re-financing gain on a PFI contract were not split between short and long term elements resulting in a £7m disclosure amendment.

We identified creditors relating to central government bodies that were included in the disclosure for "other creditors" the adjustment for this error was £8.3m.

Amendments arising from our work on PPE Valuations resulted in a £7.13m increase and £1.71m decrease in the Net Book Values of the associated assets. In the course of the audit, management notified us of £4.45m of adjustments to the valuation of assets they identified as requiring adjustment.

Management, as part of a pre-agreed process with us, amended Council Dwelling valuations by £20m to recognise movements in the Housing Price Index between the balance sheet date and February 2023.

Adjustments in relation to the release of the 2022 LGPS Triennial Revaluation have decreased the Net Pensions Liability and increased the Re-measurements of the pension net defined benefit liability by £46.6m

Our work scrutinising the disclosure of termination benefits, identified undisclosed exit packages from one business area that had not been included due to a misunderstanding of the requirements of the note. We have raised a recommendation in relation to this omission.

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that the uncorrected misstatements below and also in the table on the next page be corrected or a rationale as to why they are not corrected be considered and approved by the Audit and Standards Committee and provided within the Letter of Representation:

Disclosure Misstatements:

We identified that the total rateable value stated in the Collection Fund disclosure note does not agree to the Valuation Office Agency (VOA) listing by £4.1m.

As reported by the pension fund auditor, there is a difference between the financial statements (projected) benefits payable of and the value per underlying records of £4,104,679. This has no net impact on the Pensions Liability, but does mean that the gross Pensions figures for assets and liabilities are understated.

Audit Differences

Uncorrected misstatements 31 March 2023 (£'000)	Effect on the current period: OCI Dr/(Cr)	Effect on the current period: CIES Dr/(Cr)	Net assets (Decrease)/Increase: Assets current Dr/(Cr)	Net assets (Decrease)/Increase: Assets non-current Dr/(Cr)	Net assets (Decrease)/Increase: Liabilities current Dr/(Cr)	Net assets (Decrease)/Increase: Liabilities non-current Dr/(Cr)
Errors						
Known differences:						
► Cut-off errors identified where the Council account for 12 monthly payments in one year (as also reported in the previous year)		2,975			(2,975)	
► NDR provision for bad debt has been understated due to the omission of properties from the Councils system (split SCC:Fire/DLUHC)		1,849	(906)		(943)	
► Infrastructure Assets written off as "known" that could not be supported	(4,751)			4,751		
Judgemental differences:						
► Unadjusted difference report by the pension fund auditor in relation to valuation of alternative pooled investment vehicles (SCC Share)	(8,146)					8,146
► Unadjusted difference report by the pension fund auditor in relation to the value of assets reported to the actuary and those tested by the pension fund auditor (SCC Share)	(2,357)					2,357
► Estimated increase in Pension Fund Assets based on the actual return on plan assets compared to that reported in the actuary	(1,937)					1,937
► Differences arising from the work of our Real Estate specialists	4,034			(4,034)		
Projected differences:						
► Removal of significantly old items within the report for Good Received Not Invoiced (GRNI) deemed unlikely to be billed.		(3,403)			3,403	
Balance sheet totals			(906)	717	(516)	12,440
Income effect of uncorrected misstatements before turnaround effect	(13,157)	1,422				
Turnaround effect. See Note 1 below.	8,277	(2,762)				
Cumulative effect of uncorrected misstatements, after turnaround effect	(4,880)	(1,340)				
Uncorrected reclassification misstatements						
► Income and Expenditure double counted		5,255				
		(5,255)				
► Lodgements at the year end not matched against debtors to increase cash			6,821			
			(6,821)			

Note 1: turnaround effect is the impact of uncorrected misstatements identified in the prior period, on results of the current period. This includes the impact on the Prior Year of the error identified above in relation to the provision for doubtful NDR debtors (£1.1m) which has been discovered in the current year audit.

05 Value for Money Risks

Value for money

The Authority's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

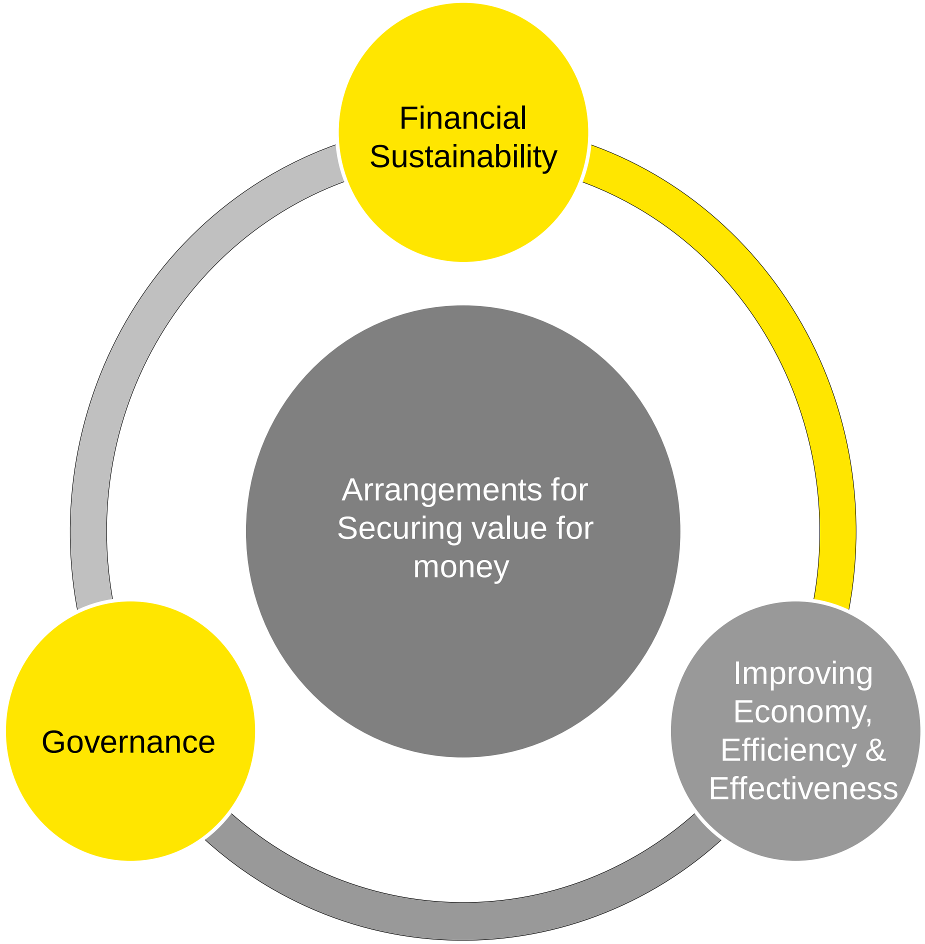
Risk assessment

We identified three significant risks related to the Council's arrangements. The tables below present our findings in response to the risks in our Audit Planning Report.

Status of our VFM work

We have now completed our VFM risk assessment and related work over the identified significant risks and we have not identified any significant weaknesses to report to you. Subject to review and concluding our work, we anticipate we will have no matters to report by exception.

Under the Code of Audit Practice 2020 we are required to issue our commentary on the Council's VFM arrangements in the Auditor's Annual Report (AAR). The AAR is issued on the conclusion of the audit and we anticipate doing so by the end of April 2023.



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk effect?	What are our findings?
<u>Financial Sustainability</u> The financial environment in which the Council operates continues to be challenging with continued reductions in funding and increasing demand for services. Whilst the Council does generally have a good track record of delivering financial performance the Council has significant budgetary pressures in the medium term. The Council continues to face significant financial challenges in relation to the adult social care and children's services driven by historic overspends and difficulties in achieving recurrent savings. In addition to this, the Council is experiencing a significant demand for financial support to maintain leisure services within the city. The forecast use of reserves and overall budget gap in the medium term is not sustainable and as indicated by the Council in their reporting of the MTFS, ensuring the ongoing viability will have to involve the prioritisation of resources, identification of additional savings, demand management controls and the effective and prudent utilisation of the Council's reserves.	Financial sustainability	Our work considered: ‣ current financial standing and the availability of reserves to fund future expenditure. ‣ the 2021/22 outturn performance and impact on the current MTFS. ‣ the appropriateness of key assumptions used by the Council in setting the budget and Medium Term Financial Strategy. There was adequate evidence that the Council had adhered to governance processes for setting a balanced budget and MTFA in the 2021/22 budget. Reasonable assumptions were made in preparing the budget although subsequent monitoring mechanisms undertaken brought to light the overspend and enabled the Council to take a proactive approach to deviations from the approved budget. The impact and changes caused by coronavirus are still prevalent for 2021/22; specifically related to changes in social care. There was a budgeted savings for this portfolio but demand of in-home care services resulted in a overspend by end of the financial year. This was slightly mitigated by a one off grant received in the year. As a result, financial sustainability in 2021/22 was not significantly impacted. However, at the time of reporting, there were uncertainties concerning government funding which may impact on the VfM Conclusion for 2022/23 as the Council envisages to spend a considerable amount on social care. The Council continued to explore alternative funding needs including considering joint partnerships that will allow cost cutting measures. If the current trend of spend continuous for social care without alternative income sources to augment budgets in future, this may put a strain on financial sustainability as a greater percentage of reserves have already been earmarked, leaving limited reserves for the Council to draw on. Whilst there is no impact on the 2021/22 VfM conclusion, the area needs to be continuously reviewed as it may have an impact in future.

Value for Money Risks

What is the significant VfM risk?	What arrangements did the risk effect?	What are our findings?
Regeneration Programmes The Council continues to invest significantly in the regeneration of the city. This has included the underwriting of a 40 year lease at West Bar and the ongoing Heart of the City redevelopment. With national declines in the value of office and retail space, it is important that the Council has appropriately assessed the risks to their regeneration plans both prior to approving them, and then throughout, to ensure that they remain fit for purpose and emerging risks are being identified and mitigated.	Governance	Our work focused on: ▸ Reviewing the decision making process for the approval of investment in West Bar. ▸ Reviewing whether the risks associated with regeneration schemes are appropriately being reflected on the risk register and mitigating actions are being taken. The Council has dedicated resources to monitor the projects and assess their performance. A City Centre Development Board is in place to as a governance tool to ensure Council objectives are being adhered to. The Co-operative Executive is also appraised on a quarterly basis on progress made including challenges encountered. The Co-operative Executive provides support through ratifying re-strategies necessary to ensure that the projects remain on track. The VfM conclusion is not impacted for FY21/22, however, in light of the cost of living crisis as well as inflation, coupled with an imminent recession period, uptake of new rental space may be low in the near future and therefore, the two projects' financial models need to be assessed for viability more rigorously to ensure that the Council's financial yield is realised
Reconfiguration of leisure facilities As of August 2024 the City's leisure facilities (Major Sporting Facilities) that have been managed by the Sheffield City Trust since 1988, return to the stewardship of the Council. The Council will inherit aging assets that are in need of repair and by modern standards are less attractive than equivalent facilities in other major cities. They will also increase the operating expenditure of the Council, with increases in the cost of heating and electricity expected in the short-term.	Governance	Our work focused on: ▸ Reviewing the decision making process for the future of the Major Sporting Facilities. ▸ Reviewing whether the associated risks with are being appropriately reflected on the risk register and mitigating actions are being taken. The Council adhered to the existing governance processes in place in deciding on how to manage the leisure centre assets in preparation for the reconfiguration in August 2024. External experts were engaged to advise the Council and alternative options were considered before a decision was made to engage with a third party to operate the leisure facilities. Other matters were also considered in reaching this decision namely the impact on legal, climate and diversity. However, as the selection process is yet to commence, this risk needs to be assessed on a continuous basis until the matter has come to fruition in August 2024 or a contract is signed with a management company (whichever happens sooner). Therefore, there is no impact on the VfM conclusion for FY 21/22.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement
We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts for the year ended 31 March 2022 with the audited financial statements We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. Financial information in the narrative report of the Statement of Accounts for the year ended 31 March 2022 and published with the financial statements is consistent with the audited financial statements. We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

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Whole of Government Accounts
Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission as Group Audit Instructions. The Group Audit Instructions were released by the NAO in February 2023. These instructions confirmed that Sheffield City Council falls under the HMT Audit Threshold of £2bn. We will complete our return following the completion of the financial statements work. We cannot release our certificate to close the audit until it has been confirmed that the NAO do not wish to sample Sheffield City Council for additional procedures.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

There are no matters to report to you in respect of the above areas other than as included in the body of the report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2020/21 audit (including IT controls). At the completion of the audit we will issue our Annual Auditors Report containing all of the identified points.

	High	Moderate	Low	Total
Number of open observations at the start of the audit	-	11	4	15
Observations noted in 2021/22	2	8	6	16
Issues closed or merged in year	-	10	2	12
Number of open observations at the conclusion of the audit	2	9	8	19

** our prior year (2019/20) findings were reported subsequent the end of the 2020/21 financial year, therefore management had no realistic timescale to take action on the recommendations in time for us to report in 2020/21.

We will perform a review of progress against all of these and the current year findings in our Audit Planning Report for the 2021/22 audit.

Key:

A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.

Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.

Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Assessment of Control Environment

Area	PPE Valuations – Inputs	Rating	Red
Observation	The work of our valuation specialists identified a number of errors in the inputs of valuations made in the year. These included: ➢ yields on car parks being significantly too high for the asset type being valued; ➢ Spreadsheet formulae being incorrect; ➢ "surplus" nursery valuations being based on variables that are irrelevant to the valuation of the building; ➢ Valuations for schools not being updated to reflect capital works since the previous valuation; ➢ Incorrect BCIS build rates being used; and ➢ Incorrect site areas in calculations. Attention should be given to review the inputs being used in the valuation process.		
Management comment	The asset portfolio is significant in size, both in terms of value and volume, and is largely made up of professional valuations which are subject to various judgements, estimation uncertainty, and information often not available at the time of the accounts preparation. We will work closely with our experts in Property Services to appraise what factors are appropriate in making reasonable judgements and review valuation approval processes to check for formula errors. The audit fieldwork has been challenging in this area where the EY Real Estates team didn't begin its enquiries of our Property colleagues until late December. Each year this then impacts on the valuation timetable of work for the coming year.		

Area	Related Parties	Rating	Red
Observation	As set out in Section 4, our work comparing the various interests held by members to the disclosure made by management in the financial statements identified eight related parties that had not been included. Two of these related to where the member had not made the adequate disclosure and six where the disclosure had been made however management did not capture this in their processes to create the required disclosures. Management should investigate how declared interests were omitted from their disclosures and act accordingly whilst reminding members to provide full declarations of interest and updating when circumstances change.		
Management comment	We will liaise with Legal and Democratic Services and Members to see where declaration processes can be improved and how checks can be put in place to provide assurance. The Accounting team will review processes, particularly the timing of data capture, to ensure all declarations are included in the disclosures.		

Assessment of Control Environment

Area	Bank Reconciliation	Rating	
Observation	We identified significantly higher bank lodgements at the year-end than the Council would expect, including some a year old. A number of these items should have been matched and the income reflected in the financial statements. Although we understand the reasons that these were not matched, this presents a risk that the financial position is misstated. Management have presented an updated position in October 2022 which shows the majority of items have since been cleared.		
Management comment	It is the responsibility of budget holders to ensure that transactions are entered in the general ledger to match entries paid/received to the bank account. The Treasury team engages with and actively assists services to meet this requirement. A new team member in Treasury has significantly improved the processes and response times this year, where their skills and knowledge of various services has seen an overall improved output in this area. To improve further, more user friendly and timely information is now being published and distributed to budget holders, along with detailed guidance and regular communication / alerts to promote and support the process. A new policy is also being developed to enable Treasury to act if items are unmatched beyond an agreed period.		

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Area	PPE Valuations – Useful economic lives	Rating	
Observation	The work of our valuation specialists has identified that management have utilised a blended UEL approach for Specialised Assets valued under the depreciated replacement cost method. This has led to obsolescence being overstated for a sampled asset and potentially for other older assets. Management should consider whether a more tailored UEL should be applied to different asset types.		
Management comment	Property Services experts have agreed to review their approach to Useful Economic Lives in DRC assets specialist assets.		

Assessment of Control Environment

Area	General Ledger Controls	Rating	
Observation	Upon inspection the GL transaction data for interim and year end was incomplete causing variances in the completeness analysis when comparing the TB movement to the GL transactions. This was driven by missing journals when the data was downloaded from the system before the GL had been closed. This has led to inefficiencies in the audit process to identify the cause of the issues which led to further delays in us being able to select some of our samples. Controls should be introduced to ensure checks are made on the inclusion of relevant codes.		
Management comment	We note the audit finding and acknowledge the early information request provided to EY's data analytics team was incomplete on the original transaction data download where the system was not yet closed. The error was identified, and a new system report provided to include late postings.		

Area	Termination Benefits	Rating	
Observation	Due to lack of understanding of the requirements of the reporting framework, exit packages funded from the HRA had not been disclosed in the Financial Statements. This note is sensitive and thus any errors or omissions require amendment, management should ensure that those responsible for compiling disclosures within the financial statements are aware of the requirements.		
Management comment	Following staff changes and handover this year, new members of the team, preparing the information for the note, are being trained in the Code guidance.		

Assessment of Control Environment

Area	Provision of supporting documentation - payroll	Rating	
Observation	Management have struggled to obtain the supporting information for the staff included in the Officers' Remuneration disclosure. This applies to members of staff working for schools who have their payroll run by Capita as well as Schools who run their own payroll. We have also encountered issues in obtaining information from payroll providers to support our testing of Starters and Leavers. Management should work with schools to obtain the supporting documentation for the Officers Remuneration note as part of the closedown timetable, rather than wait for items to be selected in our sample. This will provide the team the opportunity to do their spot checks on the accuracy of the data and ensure that the support is readily available when requested. Management should identify how information can be provided from Capita in a more timely basis and investigate if there are or have been breaches of Service Level Agreements.		
Management comment	We will liaise with Capita and Schools to see where improvements can be made in the process of providing year end information and supporting documentation to assist the audit. We will engage with both Capita and Schools to clarify our annual accounting requirements and look to establish an improved process of providing audit evidence in a timely manner. We will ensure we work to data regulations, due to the sensitivity of such information.		

Area	Goods Received Not Invoiced	Rating	
Observation	In our testing of creditors we have identified old GRNI within the year-end balances, some of which date back as far as 2017. The likelihood of these items being invoiced diminishes over time, and although the GRNI report is generated by the system, services are expected to review the items relating to their area. These should be reviewed on an annual basis with any older than 12 months being justified for continued inclusion. This could potentially free up committed expenditure from budgets.		
Management comment	We welcome this audit recommendation to help us improve our internal processes. We have undertaken a detailed analysis of all receipts without an invoice, with a view to closing older orders once consultation with budget holders is complete. We're also establishing a new policy to build in regular monitoring, and intervention for orders open beyond an agreed period.		

Assessment of Control Environment

Area	Internal transfers of income (recharges)	Rating	Yellow
Observation	As set out in Section 4 of this report, we have identified items of income in relation to schools, has been double-counted both in the records of the Council and on consolidation of the Schools' balances. This clearly leads to an artificial grossing-up of both the income and expenditure figures in the CIES. Management have not amended these balances as there is no net impact on the Surplus/Deficit on the Provision of Services. Management should ensure that processes are in place to manually review for double-counted income, in particular in relation to schools and perform, where applicable, manual adjustments to remove the additional entries from the financial statements		
Management comment	The Accounting and Schools teams have built in a joint manual review process into the year-end timetable to ensure income isn't reported in both schools and consolidated Council balances.		

Area	Disbursements to third parties.	Rating	Yellow
Observation	In our testing of other contributions, we identified a receipt of income (£1m) that was in relation to the repayment of short-term liquidity support provided to an NHS organisation. NHS organisations are prohibited from obtaining financing from external sources. We have investigated the circumstances of this payment; management within the Council and the third party have set out the details of the transaction and we have concluded that the transaction is lawful from the Council's perspective. However, the way the matter was transacted could have been clearer and better documented. Where unusual transactions are made, management should document the governance processes followed and consider whether there is any potential reputational risk to the Authority by making payments alongside the usual considerations made in relation to liquidity and income generation.		
Management comment	The Council provided short term assistance to our NHS Partners in the city who were operating in an emergency Command and Control role during Covid. We acknowledge that our internal processes can be improved, and steps have been taken to ensure the necessary governance is better documented.		

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Assessment of Control Environment

Area	Highways Infrastructure Assets
Rating	
Observation	As noted in Section 02, management should consider how they can identify a meaningful basis upon which the balance of Highways Infrastructure capitalised through the PFI contract can be apportioned to each of the categories of:- Streetlighting; Carriageways; and Footways
Management comment	The Accounting team is working with Amey and our Contracts team to understand the new potential accounting requirements and how historic and future data, and balances, may need to be categorised and accounted for.

Area	Highways Infrastructure Assets
Rating	
Observation	As noted in Section 02, currently, due to the age profile of the majority of the Council's Highways Infrastructure assets, there has not yet been significant replacement of the Assets acquired under the PFI Contract. As the contract matures, it will be necessary for the Council to introduce a mechanism for monitoring where assets are replaced and establish an accounting policy for how to ensure the Financial Statements and Fixed Asset Register remain materially correct.
Management comment	Amey provides the Council with asset information to a good standard. The Accounting team is working with Amey and our Contracts team to see how this information, together with other contract monitoring mechanisms, can be utilised to account for asset replacement.

Assessment of Control Environment

Area	Highways Infrastructure Assets	Rating	Green
Observation	Currently the Council depreciate all assets acquired under the Highways PFI contract over a period of 40 years, regardless whether the Asset is a footway, carriageway or streetlight. This is believed to be in line with the PFI contract providing for the assets to be maintained to this level of economic life. Further to our recommendation earlier in this report, once a basis has been established to apportion the costs capitalised under this contract, consideration should be given to CIPFA guidance that suggests that carriageways and footways would be subject to lower useful economic lives.		
Management comment	The Accounting team is working with Amey and our Contracts team to understand how the data held in the asset register can be utilised to report on asset lives for accounting purposes.		

Area	Leases – Council as Lessor	Rating	Green
Observation	Although the projected error was below our reporting threshold, we identified a lease where the Council hadn't billed for ground rent for over 5 years. Management should review other similar lease arrangements and cross-reference to billing records for any omissions.		
Management comment	We accept the audit finding and will liaise with Property Services to review billing and assurance processes. Preparing for the implementation of IFRS 16 is highlighting the importance of maintaining comprehensive leasing information.		

Assessment of Control Environment

Area	Highways Infrastructure Assets	Rating	Green
Observation	For our testing of Infrastructure Assets held that have not been acquired under the core PFI contract, the council has an approved business case to support the underlying assets. For a portion of a sample of these assets, the Business Cases were not detailed sufficiently for us to be able to identify the specific asset and gain assurance over its existence. Due to the implementation of the Statutory Instrument we are comfortable that the balances remain stated fairly and in line with the appropriate financial framework. We recommend that the council note these exceptions and consider how they will seek to ensure that following the end of the temporary relief offered by the SI, assets contained within the Infrastructure FAR are supportable		
Management comment	The Accounting team is working with Amey, our Contracts team and our Capital & Construction team to understand the new potential accounting requirements and how historic and future assets contained within the Infrastructure fixed asset register are evidenced and supported.		

Area	Schools Bank reconciliations	Rating	Green
Observation	Supporting evidence provided in respect of bank reconciliations for schools was in editable format and did not always demonstrate review had been appropriately performed. Management should ensure a process is introduced that formalises evidence of approval, in a timely nature, of, at a minimum, the year-end bank reconciliations performed at schools.		
Management comment	We will liaise with Schools and the Schools finance team to see where improvements can be made in the process of providing year end, as a minimum, bank reconciliations. We will engage with Schools to clarify our annual accounting requirements and look to establish an improved process of providing audit support that evidences the formal review and approval of school bank reconciliations.		

Assessment of Control Environment – follow-up on prior year recommendations

Area	Debtors	Rating	
Observation	We sampled an item in debtors existence of value 572k. On further inspection SCC had been debiting this account code with pay advances, but credited the receipts to a different code. The two codes net off within the statement of accounts but in reality only £77k was actually outstanding. This approach leads to additional administrative burden to compare the two codes each year and also produces artificially high balances from which we identify our samples. SCC have agreed to undertake a consolidation exercise to transfer the credits to the correct code, reducing the balance on each code.		
Management comment	The audit identified that debit and credit balances for pay advances were being posted to separate codes, which then required regular reconciliation. To simplify our processes, we will work with Payroll to reconcile the related transactions and transfer the credits to the correct code.		
2021/22 Update	Although management have informed us that work is still ongoing to identify and correct a number of integra 'payroll' related codes which contain imbalances, no such similar occurrences in our audit this year. Closed.		

Area	IFRS 16 preparedness	Rating	
Observation	The Authority does not yet have a robust system in place to ensure they capture trigger events which would require them to assess lease liabilities. Based on discussions, we note that the Authority will not be in a position to implement a software solution or "system" by 1 April 2022 to account for leases which would automatically flag such changes as they occur, however, there will be reliance on the Property Services department to notify Finance of any such triggers that may be present. The Property Services department will be assisting the finance team in reviewing their leases each year. At current, this is the process the Council will follow in this regard.		
Management comment	IFRS 16 covering lease accounting is a new requirement for 1 April 22 onwards (2022/23 accounts). We will work with Property Services to use our best endeavours to comply materially with its requirements. As electronic systems become available nationally, we will review whether they provide a more reliable and cost-effective approach than our current one, and implement if they do. Even with a system, there will continue to be a need to manually record lease amendments and so we are in the process of establishing procedures across teams to capture this.		
2021/22 Update	Management have stated: Implementation of IFRS 16 has now been delayed until 1 April '24, meaning we will need to apply the standard for the first time in the 2024/25 accounts. Therefore, we have a further 2 years to prepare for implementation, which may include sourcing a software solution to assist with accounting for leases. This finding remains open		

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Assessment of Control Environment – follow-up on prior year recommendations

Area	Investment Properties	Rating	(yellow)
Observation	Discussions held between management and the EY internal specialists in relation to small format advertising space, it became clear that the Council retains the right to use up to £0.5m of space per annum, The valuation of the associated asset capitalised in recognition of the advertising space does not take into account the space available for Council use. We have concluded that the asset is not materially misstated, but have included a range by which the asset may be understated in Section 04 of this report. Management should ensure that the 2021/22 valuation for this advertising space includes all of the space that is retained by the Council as per the contractual arrangement.		
Management comment	As at the 31st March 2021, we remain confident that the valuation of the investment property is accurate. We will review the operational element in 2021/22 and look to provide a valuation as at 31st March 2022 as appropriate. We will seek early liaison with audit in advance of year end to obtain agreement on the valuation method to be used.		
2021/22 Update	Although we are awaiting the final report from our specialists, we can confirm that there have been no findings reported in relation to investment properties this year closed		

Area	Members Interests	Rating	(yellow)
Observation	Our work identified transactions with two previously undisclosed related parties. These related parties were not disclosed by members on their annual declarations. Management should introduce checks to be performed to ensure that members declarations are complete.		
Management comment	We will liaise with Legal and Democratic Services and Members to see where declaration processes can be improved and how checks can be put in place to provide assurance.		
2021/22 Update	Once again we have raised a finding in relation to Members interests. Merged with current year findings / Closed		

Assessment of Control Environment – follow-up on prior year recommendations

Area	Financial Statements Closedown Process – Quality Assurance
Rating	Green
Observation	In disclosure note 7 we noted adjustments with no impact on the primary financial statements that were significant in their value. Although we have not listed these in the schedule of corrected misstatements, as they are of a disclosure nature only, management should ensure that the process of compiling the financial statements includes controls to reduce the likelihood of material misstatements of a disclosure nature also.
Management comment	A small number of disclosure errors in notes to the accounts were picked up by our review processes, some of which were found soon after publishing the draft accounts. These were raised with our external auditors and corrected. The timetable for closing the accounts and publication can be challenging, so we welcome this recommendation to highlight the importance of protecting the review and proof-reading elements of the accounts closure timetable.
2021/22 Update	In an authority of this size with multiple directorates feeding in information for consolidation, the absolute elimination of errors is not feasible, particularly with a small core finance team. We note that the financial statements presented for audit in 2021/22 contain fewer errors and have benefitted from additional senior review time built in to the timetable. However, the core finance team remains stretched and our report does contain a higher number of reporting issues and errors than we would expect; management should continue to seek improvements in the closedown process. Remains open

Area	Leases
Rating	Green
Observation	In our substantive testing of leasing arrangements the council was unable to provide us with the original copy of one lease with a commencement date in 1934, assumed lost. Clearly this cannot be rectified, but it should be emphasised that leasing document should be retained for all new leases.
Management comment	We accept the audit finding that the evidence required by audit was not available for one historic lease sampled. The implementation of IFRS 16 is highlighting the importance of maintaining comprehensive leasing information and we are working with Property Services to improve the completeness of our documentation.
2021/22 Update	Due to the nature of the findings being unable to be improved, we now close this but note that there is another recommendation relating to leases being carried forward.

Assessment of Control Environment – follow-up on prior year recommendations

Due to the timing of the finalisation of the 19/20 audit, management did not have sufficient time to implement our findings before closing down 2020/21, therefore we also include an update against those recommendations here.

Area	PPE Valuations
Rating	
2019/20 Observation	We noted a number of issues with the valuation of PPE Assets, recommending that consideration should be given to a more thorough review of the balances being included in the financial statements to ensure that they logically make sense and are code compliant, especially where figures are received directly from the property team. This should also be extended to manual adjustments made to the fixed asset register to meet the presentational requirements of the PPE note.
2019/20 Management comment	The asset portfolio is significant in size, both in terms of value and volume, and is largely made up of professional valuations which are subject to various judgements, estimation uncertainty and information often not available at the time of the accounts preparation. We will work closely with our experts in Property Services to improve our joint understanding of the accounting requirements and appraise what factors are permissible in making reasonable judgements. We will consider new techniques to value large numbers of low value assets, where it is not always practical or cost effective to value individually. We will also improve our review processes, especially around the rolling programme of valuations, categorisation and completeness of assets within the asset register, noting this must be achieved within the constraints of the statutory accounts closure timetable.
2021/22 Update	We have presented findings in the year although these are not to the extent noted in prior years and not representative of the issues reported in 2019/20. Management constantly strive to improve the processes in this area adapting to the demands of the dynamic reporting framework. Superceded.

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Area	PFI
Rating	
2019/20 Observation	During our testing of PFI we have held a number of conversations with management over the course of the year, including a number with our PFI specialist. Accounting for PFIs and the underlying models can be complex. We recommend that management ensures that they have members of the team who fully understand the models and related Code guidance to ensure that too much reliance is not placed on the audit process to identify errors in the models in the first instance.
2019/20 Management comment	PFI accounting models are very complex. Following staff changes and handover this year, new members of the team are being trained in the Code guidance. Over the last couple of years, staff have worked with and welcomed advice from the EY audit team and PFI specialist, which identified and resulted in the correction of some transactions.
2021/22 Update	In the year we have identified disclosure adjustments necessary to amend a transaction relating to PFI, however the underlying understanding of the transaction was appropriate and we have no identified any issues in the area in either 20/21 or 21/22. Closed

Assessment of Control Environment – follow-up on prior year recommendations

Area	Debtors and creditors listings	Rating	
2019/20 Observation	Consistent with the prior year we have experienced difficulties in obtaining a list of year end balances at the transaction level for debtors and creditors, with numerous iterations being received before being able to select our samples. Whilst we understand that the listing are compiled from various sources, additional review procedures should be put in place to ensure that information being provided for audit is complete., accurate and represents the transactions outstanding at the end of the financial year.		
2019/20 Management comment	We recognise the information we provide to audit has not been consistent or sufficiently detailed and welcome this audit recommendation to help us improve our procedures and review processes.		
2021/22 Update	There have been significant improvements in this area over the subsequent two audits. Whilst there are still challenges due to the councils systems and processes, audit and management have an agreed approach for the provision of listings and our sampling thereon. Closed.		

Area	Supporting information for key judgements	Rating	
2019/20 Observation	During our testing of provisions we identified instances where judgements applied by management were not wholly supportable. For example, an additional adjustment of 49% was applied to the NDR provision in the current year without sufficient evidence to support this being appropriate. Whilst we have been able to undertake alternative procedures to gain reasonable assurance over the accuracy of the provision, management should ensure that all estimates and judgements are robustly evidenced and supported.		
2019/20 Management comment	We accept that the information required by audit to evidence judgements can be improved and welcome this audit recommendation to help us better demonstrate our appraisal and challenge processes.		
2021/22 Update	Judgements continue to be a key area of audit focus and the requirements will not diminish in this area. We continue to robustly challenge management in this area and although improvements have been made, we would encourage management, particularly in relation to NNDR Appeals, to continue to apply their own challenge and document different outcomes. Closed		

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Assessment of Control Environment – follow-up on prior year recommendations

Area	Schools balances	Rating	
2019/20 Observation	Consistent with the prior year we have experienced some difficulties in obtaining evidence in relation to school balances included within the financial statements. This has meant that in a number of instances we have been required to perform alternative procedures to gain assurances over the material accuracy of balances included in the financial statements.		
2019/20 Management comment	In recent years the statutory deadline for closing the accounts has been brought forward to May, with Councils encouraged to use estimates to help achieve this much-reduced reporting timetable. The Easter holidays in Sheffield are fixed to the first two weeks in April every year, meaning schools are not open for most of the accounts' closedown period, so it was previously agreed with external audit that schools would estimate and accrue for any remaining transactions in month 12, and update month one of the following year with differences in actuals. For the 2020/21 year-end, the statutory deadline has been extended to June 2021 due to the ongoing working pressures associated with COVID. Therefore a review step has been built in the accounts' closure timetable to review and adjust for differences between estimates and actuals if needed. However, if in future years the deadline reverts to May, this additional step will not be achievable in the time allowed and estimates will need to be relied upon again. We will support schools to assist the auditors in evidencing balances and bank statements.		
2021/22 Update	There have been significant improvements in this area over the subsequent two audits. We identified issues in relation to Officers Remuneration which are merged in the following update. Closed.		

Area	Senior officer remuneration and related party transactions	Rating	
2019/20 Observation	During our audit work we identified and number of errors and omissions in the compilation of the senior officer remuneration and related party transactions notes. Additional procedures should be put in place to ensure the completeness and accuracy of the information to be included in the financial statements. Councillors and Officers should also ensure that all potential related parties are disclosed on their declaration of interests.		
2019/20 Management comment	We note the audit finding and will work with the necessary teams involved to improve the completeness and accuracy of the data collection and review processes.		
2021/22 Update	Related parties, in particular, in relation to members interests, has been reported on in each of the subsequent years. We identified issues this year in relation to Senior Officer Remuneration. Merged with other recommendations.		

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Assessment of Control Environment – follow-up on prior year recommendations

Area	Starters and leavers testing	Rating	(yellow)
2019/20 Observation	During our testing of starters and leavers we identified: a contract for a new starter which shows the employee signed it on the 26th November 2019, however the employee started their role on the 14th October 2019. a new starter who commenced work and had been paid prior to a contract being issued and signed.		
2019/20 Management comment	We will work with HR and Payroll to improve processes and ensure robust review / assurance steps are in place.		
2021/22 Update	Issues in the current year have been limited to the provision of information from the payroll providers for Schools, including Capita. Closed.		

Area	Exit Packages	Rating	(green)
2019/20 Observation	During our testing of exit packages we have not been able to obtained appropriate audit evidence to support the agreement date for exit packages. The majority of this evidence is held in paper format in the SCC office building. Given restrictions in place due to the pandemic we were unable to evidence to support the inclusion of balances within the financial statements note.		
2019/20 Management comment	COVID restrictions applying to Council offices meant that where some information was held in paper format, this was not accessible. Every effort was made to provide alternative information to assist with audit requirements.		
2021/22 Update	Issues reported in the current year relate to different factors and as such we regard this recommendation as closed.		

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Assessment of Control Environment – follow-up on prior year recommendations

Area	Expenditure/ payables cut off	Rating	

2019/20 Observation	During our testing of expenditure and payables cut off and unrecorded liabilities testing we identified a number of errors where transactions are not being recorded in the correct financial year. In all instances, 12 months of expenditure had been included in the financial statements, however, the accruals concept had not been applied, with the transactions being recorded on a cash basis. Management should ensure that all transactions are recoded in the year where the goods or services have been received.
2019/20 Management comment	Where estimates are difficult to calculate in a timely or cost-effective way, the practice has been to include 12 months of rolling actuals in each annual accounts (e.g. for utilities costs). This has been a widely used and accepted practice across the sector for many years. If this approach is no longer acceptable to external audit, then the team will look at ways to use estimates and accruals to calculate the annual spend, noting that this may be less accurate with judgements open to audit challenge, when they compare these estimated to the later actuals. It will also result in more than 12 months expenditure being included in one accounting period whilst we make the change, which is arguably misleading. We would prefer to continue with our previously accepted practice.
2021/22 Update	We continue to report the in-year impact of this practice and would highlight whether there is a significant impact through our reporting of unadjusted errors.

08 Data Analytics

Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2021/22, our use of these analysers in the authority's audit included testing income recognition, journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

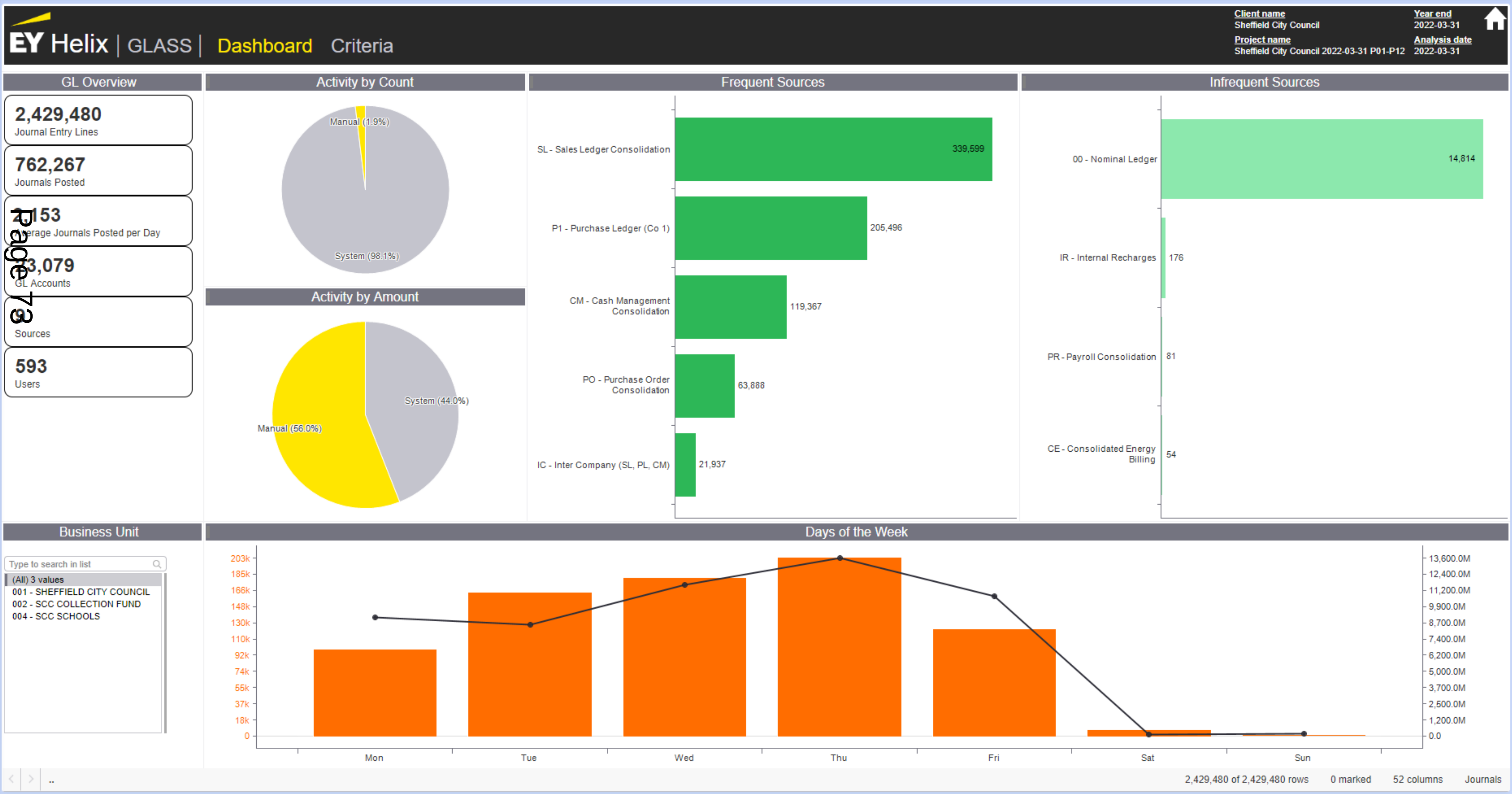
Journal Entry Analysis
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis
We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year across payroll codes. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

Data Analytics

Journal Entry Data Insights

The graphic outlined below summarises the journal population for the year. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions. The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.



Data Analytics   Journal Entry Testing

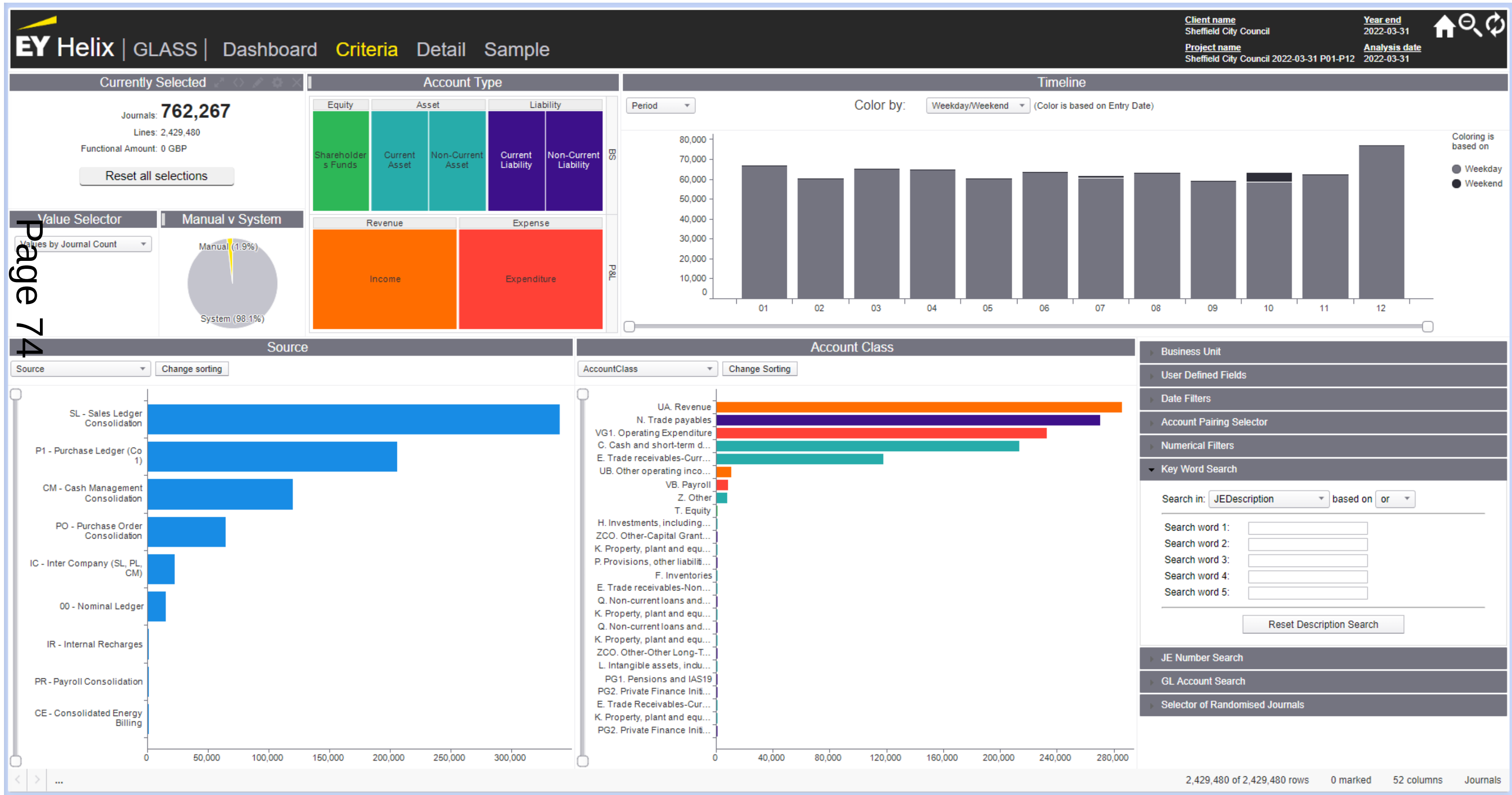
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – 31 March 2022



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.

09 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report presented in September 2022.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Standards Committee in September 2023.

We confirm we have undertaken non-audit work outside the NAO Code requirements in relation to our work on the certification of the Authority's Housing Benefits return. We have adopted the necessary safeguards in our completion of this work

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.
There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The following page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services have been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted, other than the continuation of services relating to Housing Benefit subsidy certification and teachers pension certification.

Confirmation and analysis of Audit fees

As part of our reporting on our independence, we set out a summary of the fees you have paid us in the year ended 31 March 2022.

Table 1	Fee 2021/22 £	Fee 2020/21 £
Scale fee	143,988	143,988
Additional fees: (Note 2)	155,076*	125,300
Total audit	**299,064**	**269,288**
Non-audit services : - Housing Benefits	35,500*	35,500*
Total non-audit services	**35,500**	**35,500**
Total fees	**334,564**	**304,788**

All fees exclude VAT **** Indicative***

As highlighted in the Redmond Report, local government external audit fees have not kept pace with regulatory change. We believe that changes in the work required to address professional and regulatory requirements and scope changes associated with the risk of the organisation mean that the scale fee for the Council should more realistically set at a level that reflects the complexity and risk profile of the Council, and the resulting hours required to delivery the audit. The scale fee is set by PSAA Limited.

We wrote to management and the Audit & Standards Committee Chair setting out our considerations on the sustainability of UK local public audit. A base fee of £143,988 was prescribed by PSAA for the 20/21 audit but as set out in our discussions with management and the Audit and Standards Committee for, the scale fees are impacted by a range of factors which result in additional work. We have proposed an additional fee for 20/21 of £125,300 and for 21/22 of £155,076, although the latter is still subject to the completion of our remaining audit procedures.

Following the completion of the audit, we will discuss these proposals in more detail with management before we submit our variation to PSAA Ltd.

We have broken the fees in table 1 in the second table below to provide additional insight into our submission which will be presented to management.

Accounts Area	Proposed Variation	
	2021/22 £	2020/21 £
Pensions	5,828	5,828
Pensions – Triennial	5,968	-
Reduced materiality	42,200	42,200
PPE (inc Infrastructure)	52,530	22,285
VFM	29,040	24,720
Other	19,510	30,268
Total	155,076	125,300

10 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Appendix A

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Property, Plant and Equipment including Assets Held for Sale	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A – consistent approach as the prior year in all areas.
Heritage Assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	
Investment Properties	Substantively tested all relevant assertions	Substantively tested all relevant assertions	
Intangible Assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	
Cash and Cash Equivalents	Substantively tested all relevant assertions	Substantively tested all relevant assertions	
Net Pension Liability	Substantively tested all relevant assertions	Substantively tested all relevant assertions	
Debtors (short and long term)	Substantively tested all relevant assertions	Substantively tested all relevant assertions	
Creditors (short and long term)	Substantively tested all relevant assertions	Substantively tested all relevant assertions	
Borrowing (short and long term)	Substantively tested all relevant assertions	Substantively tested all relevant assertions	
Provisions (short and long term)	Substantively tested all relevant assertions	Substantively tested all relevant assertions	
PFI / PPP Finance Lease Liability (short and long term)	Substantively tested all relevant assertions	Substantively tested all relevant assertions	
Capital Grants Receipts in Advance (short and long term)	Substantively tested all relevant assertions	Substantively tested all relevant assertions	
Usable and Unusable Reserves	Substantively tested all relevant assertions	Substantively tested all relevant assertions	
Investments (short and long term) Inventories	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	

Appendix B

Summary of communications

Date	Nature	Summary
22 April 2021	Audit Committee	Senior members of the audit team, attended Audit and Standards Committee
10 June 2021	Audit Committee	Senior members of the audit team, attended Audit and Standards Committee
14 June 2021	Meeting	Senior members of the audit team held quarterly catch-up with Senior members of management
27 July 2021	Meeting	Senior members of the audit team, attended Audit and Standards Committee Pre Meet
29 July 2021	Audit Committee	Senior members of the audit team, attended Audit and Standards Committee
7 September 2021	Meeting	Senior members of the audit team held progress update with Senior members of management
21 September 2021	Meeting	Senior members of the audit team, attended Audit and Standards Committee Pre Meet
23 September 2021	Audit Committee	Senior members of the audit team, attended Audit and Standards Committee
27 September 2021	Meeting	Senior members of the audit team held progress update with Senior members of management
4 October 2021	Meeting	Senior members of the audit team held quarterly catch-up with Senior members of management
21 October 2021	Audit Committee	Senior members of the audit team, attended Audit and Standards Committee
14 December 2021	Meeting	Senior members of the audit team, attended Audit and Standards Committee Pre Meet
10 January 2022	Meeting	Senior members of the audit team held quarterly catch-up with Senior members of management
22 March 2022	Meeting	Senior members of the audit team, attended Audit and Standards Committee Pre Meet
24 March 2022	Audit Committee	Senior members of the audit team, attended Audit and Standards Committee
30 March 2022	Meeting	Core finance and audit teams met to de-brief the 2020/21 audit
27 April 2022	Meeting	Senior members of the audit team held quarterly catch-up with Senior members of management
7 July 2021	Meeting	Senior members of the audit team, attended a closed session with Audit and Standards Committee members
27 July 2022	Meeting	Senior members of the audit team held quarterly catch-up with Senior members of management
		Continued overleaf

Appendix B

Summary of communications

Date	Nature	Summary
20 September 2022	Meeting	Senior members of the audit team, attended Audit and Standards Committee Pre Meet
22 September 2022	Audit Committee	Senior members of the audit team, attended Audit and Standards Committee, where the Audit Plan was presented
20 October 2022	Meeting	Senior members of the audit team, attended a closed session with Audit and Standards Committee members
15 November 2022	Meeting	Senior members of the audit team, attended Audit and Standards Committee Pre Meet
17 November 2022	Audit Committee	Senior members of the audit team, attended Audit and Standards Committee
15 December 2022	Meeting	Senior members of the audit team held quarterly catch-up with Senior members of management
20 January 2023	Meeting	Senior members of the audit team met with senior members of management to discuss audit progress
31 January 2023	Meeting	Senior members of the audit team met with the Chair of the Audit and Standards Committee to discuss audit progress
14 February 2023	Meeting	Senior members of the audit team, attended Audit and Standards Committee Pre Meet
16 February 2023	Audit Committee	Senior members of the audit team, attended Audit and Standards Committee
09 March 2023	Audit Committee	Senior members of the audit team, attended Audit and Standards Committee
04 August 2023	Meeting	Audit Senior Manager met with new s151 officer and other senior members of the finance team
12 September 2023	Meeting	Senior members of the audit team met with s151 and other senior members of the finance team
19 September 2023	Meeting	Senior members of the audit team, attended Audit and Standards Committee Pre Meet
21 September 2023	Audit Committee	Senior members of the audit team, attended Audit and Standards Committee

In addition to the above specific meetings and letters the audit team met with the financial closedown team on a weekly basis throughout the audit to discuss audit progress and findings.

Appendix C

Required communications with the Audit and Standards Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit and Standards Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report September 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report September 2022
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit results report March 2023 Updated ARR September 2023
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit results report March 2023 Updated ARR September 2023
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report March 2023 Updated ARR September 2023

Appendix C

Required communications	What is reported?	Our Reporting to you When and where
Subsequent events	▸ Enquiry of the Audit and Standards Committee where appropriate regarding whether any subsequent events have occurred that might effect the financial statements.	Audit results report March 2023 Updated ARR September 2023
Fraud	▸ Enquiries of the Audit and Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud effecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit and Standards Committee responsibility.	Audit results report March 2023 Updated ARR September 2023
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Authority	Audit results report March 2023 Updated ARR September 2023

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Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report September 2022 and Audit results report March 2023 Updated ARR September 2023
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit results report March 2023 Updated ARR September 2023
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Audit and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Standards Committee may be aware of	Audit results report March 2023 Updated ARR September 2023
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report March 2023 Updated ARR September 2023

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Written representations we are requesting from management and/or those charged with governance	► Written representations we are requesting from management and/or those charged with governance	Audit results report March 2023 Updated ARR September 2023
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	► Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report March 2023 Updated ARR September 2023
Auditors report	► Any circumstances identified that effect the form and content of our auditor's report	Audit results report March 2023 Updated ARR September 2023
Fee Reporting	► Breakdown of fee information when the audit planning report is agreed ► Breakdown of fee information at the completion of the audit ► Any non-audit work	Audit Planning Report September 2022 Audit results report March 2023 Updated ARR September 2023

Appendix D

Draft management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

October 2023

Ernst & Young
One Colmore Square,
Birmingham,
B4 6HQ

Dear Sirs

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This letter of representations is provided in connection with your audit of the financial statements Sheffield City Council ("the Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Sheffield City Council as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the (consolidated) financial statements taken as a whole. [with explanations why they haven't been amended]
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange

Management representation letter

Management Rep Letter

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
   - involving financial improprieties;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
3. We have made available to you all minutes of the meetings of the Council and committees, including the Audit & Standards Committee and the Co-operative Executive (formerly the 'Cabinet'), (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 9 March 2023.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt

Management representation letter

Management Rep Letter

7. From the date of our last management representation letter (24 February 2022) through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.
8. We have disclosed to you and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the financial statements, including disclosures.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 22 to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 4 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other Information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the content of the Statement of Accounts other than the financial statements and your audit opinion thereon, being the Narrative Report by the Executive Director of Resources, the Statement of Responsibilities and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Council, and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, aligned with the statements we have made in the other information or other public communications made by us.

I. Use of the Work of a Specialist – Property Valuations

1. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Property Plant and Equipment, Investment Properties and assets associated with the Major Sporting Facility and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to

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the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Valuation of Property, Plant and Equipment Assets and Investment Properties

1. We confirm that the significant judgments made in making the accounting estimate on the Valuation of Property Plant and Equipment, Investment Properties and assets associated with the Major Sporting Facility have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimate on the Valuation of Property Plant and Equipment, Investment Properties and assets associated with the Major Sporting Facility.
3. We confirm that the significant assumptions used in making the accounting estimate on the Valuation of Property Plant and Equipment, Investment Properties and assets associated with the Major Sporting Facilities appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimate on the Valuation of Property Plant and Equipment, Investment Properties and assets associated with the Major Sporting Facilities.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.
7. We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5-year rolling programme not revalued at 31 March 2022, and that they are not materially misstated
8. We confirm that for assets carried at historic cost that no impairment is required.

K. Use of the Work of a Specialist – Pension Assets and Liabilities

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of pension assets and liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Valuation of Pension Assets and Liabilities

1. We confirm that the significant judgments made in making the accounting estimate for the valuation of pension assets and liabilities have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimate for the valuation of pension assets and liabilities.
3. We confirm that the significant assumptions used in making the accounting estimate for the valuation of pension assets and liabilities appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Management representation letter

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5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimate for the valuation of pension assets and liabilities.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

M. Major Sporting Facilities

1. We confirm that we have do not exert control over Sheffield City Trust and that it is correct that the results of that entity are not consolidated into the Sheffield City Council financial statements.
2. We confirm that we do not have the ability to control the assets in use by Sheffield City Trust, being Ponds Forge, Sheffield Arena and Hillsborough Leisure Centre (also known as the Major Sporting Facilities), and in particular the pricing structure, which is determined by Sheffield City Trust. As such, we confirm the assets do not meet the definition of a service concession.

N. Retirement Benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

O. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

P. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements

Yours faithfully,

____

(s151 Officer)

____

(Chairman of the Audit Committee)

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Audit and Standards Committee Report

Report of: Senior Finance Manager, Internal Audit

Date: 21st September 2023

Subject: **Internal Audit Annual Report 2022/23**

Author of Report: Linda Hunter, Senior Finance Manager, Internal Audit

Summary: The purpose of this annual Internal Audit report to Members is to highlight the work that has been undertaken by Internal Audit during the year and supports the Council's Annual Governance Statement (AGS).

Recommendations:
Members are asked to:

Note the content of the report and the opinion of the Senior Finance Manager.

Background Papers:

Category of Report: **Open**

* Delete as appropriate

If closed, the report/appendix is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).'

Statutory and Council Policy Checklist

Financial implications
~~YES~~/NO Cleared by: L Hunter
Legal implications
~~YES~~/NO
Equality of Opportunity implications
~~YES~~/NO
Tackling Health Inequalities implications
~~YES~~/NO
Human rights implications
~~YES~~/NO
Environmental and Sustainability implications
~~YES~~/NO
Economic impact
~~YES~~/NO
Community safety implications
~~YES~~/NO
Human resources implications
~~YES~~/NO
Property implications
~~YES~~/NO
Area(s) affected
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council? ~~YES~~/NO
Press release
~~YES~~/NO

REPORT TO SHEFFIELD CITY COUNCIL AUDIT AND STANDARDS COMMITTEE
21st September 2023

Purpose of the Report

1. The purpose of this annual report to Members is to highlight the work that has been undertaken by Internal Audit during the year. The report provides a review of the performance of Internal Audit for the year 2022/23, gives an opinion on the adequacy of the Council's system of internal control, and supports the Council's Annual Governance Statement (AGS).

Introduction

2. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that an annual report is produced on the work undertaken by the Internal Audit section. This report has been prepared by the Council's Senior Finance Manager (Internal Audit).

3. It is not the intention of this report to give a detailed summary of every audit that has been undertaken during the previous year, rather to give a broad review of the control arrangements.

4. The Executive Directors are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Services and Internal Audit assesses the adequacy of these arrangements. Internal Audit provides analyses, appraisals, recommendations, and advice concerning the activities reviewed.

Executive Summary of the Audit Opinion

5. From the work undertaken by Internal Audit during the year, I am satisfied that the risk management, governance and internal control framework are adequate to allow the Council to conduct its business appropriately. I can give an overall reasonable (positive) assurance opinion for the year.

6. One audit assignment was given an audit opinion of no assurance for the period 2022/23 (audit plan period). The audit will be subject to a follow-up review to assess progress implementing agreed recommendations, and the outcomes of the follow-up work are also reported to the Audit and Standards Committee via the recommendation tracker.

7. We prioritised our resources on supporting the Council and concentrating on emerging systems, procedures and risks. As a result, the Internal Audit plan needed to be re-active and flexible and although this provided challenges at times, I am satisfied with the audit coverage and outputs.

8. From the routine planned internal audit work undertaken and reported upon during 2022/23, management's response to control issues arising from individual reviews has been positive overall, with actions to further

enhance controls being agreed and formally accepted. Implementation of agreed recommendations had improved during 2022/23 as reported to the Audit and Standards Committee.

9. Internal Audit carried out planned pro-active initiatives in areas of perceived high fraud risk to seek assurance that the selected processes contained robust counter fraud controls, and made recommendations where vulnerability was identified.

10. Internal Audit facilitated the distribution and review of data matches received, across numerous service areas, as part of the statutory biennial NFI (National Fraud Initiative) operated by the Cabinet Office.

11. Internal Audit has investigated or assisted service managers to investigate other allegations of irregularity and associated disciplinary procedures throughout council services (refer to para 48 to 50 for further details).

12. A detailed annual report on fraud and investigations was presented to the Audit and Standards Committee in July 2023.

13. The end of year opinion places reliance on assurance provided from other parties and processes, for example the Annual Governance Statement, Risk Management processes and assurance from the work of the External Auditors. This enables a broader coverage of risks and ensures that the totality of the audit, inspection and control functions deployed across the organisation are properly considered in arriving at the overall opinion.

14. Assurance has been taken from the certification of internal control completed by Directors of Service under the AGS arrangements. Legal Services co-ordinated the compilation of the AGS on behalf of the Council, whilst ensuring that responsibility for items included within the statement lies with the senior management of the Council.

15. The Council's Annual Governance Statement (presented to the Audit and Standards Committee meeting in Sept 2023) has no areas of significant control weakness. However, there are 4 themed areas (Human Resources, Finance, Business Planning and Information Governance) that the Leadership Team wished to monitor the arrangements across the Council through individual improvement plans (at the Performance and Delivery Board).

16. As the Senior Finance Manager (Internal Audit) I am not aware of any significant control weaknesses that should have been included within the Council's Annual Governance Statement.

17. The approach is to obtain sufficient assurance to support the annual opinion, considering both internal audit work and other sources of assurance. For 2022/23 these sources of assurance also include the attendance and review of minutes from the Information Governance

board, Finance Systems Transformation board and Finance Design Assurance group. Through this involvement Internal Audit has an understanding of what the Council is doing to respond and lead change activity; and the approach being taken all of which adds to this assurance assessment.

18. Other sources of relevant assurance obtained, include the Local Government Association (LGA) Corporate Peer review and the Race Equality Commission Independent review.

19. The engagement of senior managers and services across the Authority has once again been excellent and reflects a positive culture to embrace internal audit and look to identify opportunities to improve the effectiveness and efficiency of governance, risk management and internal controls.

20. Internal audit staff undertook extensive grant certification and assurance across a range of grant funding streams including the Family Hub and Start for Life and Disabled Facilities Grant.

21. Effective communication is a key strength; both in engaging residents and businesses and in the engagement of staff. This approach has been sustained throughout the year with strong, active communication and provision of online resources to support staff and managers. Communications have been supported through active face to face and virtual engagement and 2022/23 has seen the resumption of larger in-person events including acknowledgement and celebration of the achievements of teams and individuals from across the Council over the last 12 months.

Legislation Surrounding Internal Audit

22. Internal Audit is an independent appraisal function within the Council. The Internal Audit section is part of Finance and Commercial Services, which contributes to satisfying the Director of Finance and Commercial Services statutory responsibilities. There are two key pieces of legislation that impact upon Internal Audit in local authorities, these are:

    Section 151 of the Local Government Act 1972 requires that “every local authority … make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs”. The Council has designated the Director of Finance and Commercial Services as the Responsible Financial Officer in relation to this section and one of the ways he exercises responsibility for financial administration is through the work of Internal Audit.

    Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015 which state in respect of Internal Audit that:

"A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices".

Professional Requirements

23. In addition to legislation, Internal Audit is governed by policies, procedures, rules and regulations established by Sheffield City Council (the Council). These include the Council's constitution, financial regulations, standing orders, and conditions of service and codes of conduct for members and officers.

24. The Internal Audit section also has to meet the standards laid down by professional bodies such as CIPFA and the Chartered Institute of Internal Auditors (CIIA). Refer to Appendix A (Internal Audit Charter) and Appendix B (Internal Audit Quality Assurance and Improvement Programme which outlines our mission, purpose and objectives).

25. The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013 and were updated in 2017. The PSIAS include key principles that public sector internal audit functions must follow, and cover a range of areas including governance, performance standards and reporting requirements. The PSIAS standards are now also supported by a CIPFA statement on the Role of the Head of Internal Audit.

26. PSIAS require that an external assessment of every local authority internal audit section is completed every five years. The opinion provided as part of this external assessment in November 2021 was that the Internal Audit section at SCC 'generally conforms', which means the assessor concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or element of the Code of Ethics in all material respects. This is the highest assessment opinion that can be given.

27. As part of the standards, Internal Audit is required to undertake regular self-assessments. As part of the external assessment November 2021 undertaken by Birmingham City Council, a self-assessment was completed. The self-assessment contained 115 questions and showed compliance with 89 of the standards and partial compliance to 14 of the standard's (noting 12 standards marked as not applicable). The external assessment report from Birmingham City Council did state 'Whilst the self-assessment did identify a number of partial compliance these were considered to have arisen due to the need to align audit practices with the organisation or not sufficiently significant to prevent achievement of the overriding standard'.

28. The results of the external assessment were reported to the December 2021 Audit and Standards Committee, highlighting only 8 minor recommendations. These recommendations formed part of the Quality and Improvement Programme for Internal Audit and all 8 recommendations have now been actioned. As a result of the External Assessment, a Quality Assessment Improvement Plan (QAIP) was produced and maintained. This document is

reviewed regularly and an ongoing action is to identify training opportunities which align specifically with new and emerging challenges posed by changes within Council services and new ways of working, and which also support development needs of individual Internal Audit staff.

29. As part of the Public Sector Internal Audit Standards, it is recommended that the Chief Audit Executive (CAE) reports directly to a member of the Senior Management Team. In order for SCC Internal Audit Service to comply with the requirement, from January 2022, the Senior Finance Manager (who is classified as the CAE) now reports to a member of the Senior Management Team (Director of Finance and Commercial Services – S151 officer) and therefore this requirement has been complied with.

30. The Senior Finance Manager (SFM) does also have unrestricted access to other senior officers, including the Chief Executive and to the members of the Audit and Standards Committee, where required.

31. The SFM in Internal Audit has been given management oversight of Risk Management. The revised standards acknowledge that CAEs are often assigned other management areas, and so adequate safeguards need to be introduced to maintain objectivity and transparency. Arrangements to maintain independence and objectivity have been defined and documented for the Council and include measures such as amending the reporting arrangements for audits of the Risk Management function to ensure these audits are not reviewed/overseen by the SFM (designated CAE).

32. It should be noted that the Risk Management team is a compliance function designed to monitor the application of policies and procedures, and so the remit does not conflict with the role of Internal Audit.

Relationship with External Audit

33. The Senior Finance Manager (Internal Audit) attends the quarterly liaison meetings with external audit representatives to discuss and share work programmes, progress of work and key findings and recommendations.

Internal Audit Resources

34. Internal Audit had an agreed budget for 2022/23 as outlined in the table below, which also summarises the end of year budget position.

2022/23			
	Outturn	Budget	Variance
Total	450,806	486,100	(35,294)

35. The underspend for the financial year was as a result of staff vacancies.

Structure

36. The current establishment structure of the section (which includes Internal Audit and Risk Management) is shown in Appendix C to this report. The service currently has 10.1 FTE officers, plus 1 CIPFA trainees (placed with Internal Audit on a rotation basis), plus 1 vacancy (currently recruiting to this post). A number of these officers have taken advantage of the Employee Led Scheme (ELS), buying additional leave or reducing their contracted hours.

37. The Internal Audit section strives to maintain high professional standards by employing and training appropriately qualified staff who are members of or actively studying for professional qualifications. All the internal audit team are either professionally qualified or are actively studying for relevant qualifications. The section includes members of the Chartered Institute of Public Finance and Accountancy (CIPFA), Chartered Institute of Management Accountants (CIMA), Chartered Management Accountant (ACMA), Chartered Institute of Internal Auditors (CIIA), and Association of Accounting Technicians (AAT).

Planning Processes and Performance Monitoring

38. A report is submitted to the Audit and Standards Committee in April each year to outline how the annual plan is devised. The strategy for Internal Audit work is to focus on areas of high-risk activity in order to provide assurance that risk and internal control systems are being properly managed by Directors in service areas. During the year it has been necessary to flex and reprioritise work in order to support the Council's emerging risks/issues and help ensure that proportionate controls are built within changing systems and procedures. There is no doubt that the impact of the Covid pandemic will continue to influence how the Council operates and the services it delivers to the communities and citizens of Sheffield for the foreseeable future.

39. Lessons learned from Covid 19 have been used to build back better and new arrangements for ways of working and organisational development. The Council has stabilised core systems and processes and is in a strong position to respond to further change and challenge.

40. Management are asked to contribute to the planning process, however the plan and its contents are entirely the responsibility of Internal Audit.

41. The audit plan is discussed with senior managers and ultimately agreed with the Chief Operating Officer and the Director of Finance and Commercial Services (S151 officer).

42. The 2022/23 original plan contained 108 reviews. At the mid-year point 7 reviews were deferred or deleted. As this difference equated to less than 15% of the original plan, this did not constitute as a significant change and therefore was not reported to the Audit and Standards Committee.

43. The Internal Audit service uses a risk-based approach to audit; this is now used almost exclusively for our reviews. This requires closer working with management to identify the risks inherent in the council's activities and then to test the controls that are in place to mitigate these risks.

44. The audit plan delivery for 2022/23 is as follows:

Audit Area	**Original plan**	**Revised plan**	**Completed**	**Deferred or Work in Progress (WIP)**
Corporate	2	2	2	
City Futures and Operational Services	18	18	18	
People	40	37	33	3 WIP 1 deferred
Resources and ICT	32	29	25	1 WIP 3 deferred
Main Financial Systems	5	5	3	1 WIP 1 deferred
Benefits / Pro-active Work	11	10	10	
Total (Planned Reviews)	**108**	**101**	**91**	
Investigations undertaken directly			16	
Man't Investigations assisted			22	
Overall Total			**129**	

45. A total of 91 assurance reviews were completed out of a revised 22/23 plan of 101. The target for the year was to complete 91 reviews, which is the agreed 90% target of the planned 101 reviews. Five reviews were deferred or deleted due to issues that only became apparent towards the end of the year after the mid-year plan had been completed. Engagement of staff during this reporting period has been mixed with conflicting priorities for Directorate staff. Internal audit staff vacancies has also hindered the delivery of some service audits.

46. The Internal Audit Section have been working with a 'hybrid' approach with staff working from home and also undertaking office-based working when required. This 'hybrid' approach has enhanced collaboration.

47. The 2022/23 allocation of resources for Business Partnering has been successfully utilised, and 26 reviews were undertaken at the request of senior managers from within the Council's Directorates.

48. Internal Audit conducted 14 re-active investigations and assisted managers with a further 15 re-active investigations which arose in in 2022/23. Internal Audit also concluded investigation work on 2 re-active investigations and assisted managers with a further 7 investigations which had originated in

2021/22. These cases were from all Council Directorates and included theft of cash or assets, falsification of timesheets, financial abuse of service user, excessive use of internet during work time and behaviour breaching standards within the Code of Conduct. The types of frauds identified within the Council mirror those found nationally. South Yorkshire Police were notified and involved where appropriate. Following investigation, appropriate sanctions were applied where the issues were found to be proven. This resulted in several dismissals / resignations. In some cases, it was also found that there was no or insufficient evidence of fraud for action to be taken. Guidance was also provided to management regarding any control weaknesses identified as present in processes or procedures at the time of the incident. A report of fraud-related activity conducted by Internal Audit was submitted to the Audit and Standards Committee in July 2023.

49. Internal Audit facilitated the distribution and review of data matches received, across numerous service areas, as part of the statutory biennial NFI (National Fraud Initiative) operated by the Cabinet Office. The latest data matches were received in January 2023. There were a number of areas which were insourced to the Council and have required additional support to undertake and record this work. Internal Audit monitored progress on investigating the data matching work, as well as spot checked the validity of the work and outcomes to ensure reasonable completion of the exercise. Internal Audit reported on the outcomes of the fraud work as part of its annual report in this area.

50. Internal Audit ensured that SCC complied with the data privacy requirements and liaised with various SCC services and schools to ensure accurate data was submitted in advance of the NFI deadline. Previously, the Cabinet Office advised that they will charge financial penalties to any Local Authority who either submitted poor quality data or submitted data after the given deadline. SCC met the data quality threshold and submitted the data in advance of the deadline, so were not penalised.

51. The Council's Internal Audit Section is a member of the South and West Yorkshire Internal Audit Groups. This facilitates comparisons and the sharing of best practice and includes groups for Heads of Internal Audit, Annual Governance Statement, Investigations, Contracts and Procurement, Children's Services, computer specialists and Adults' Services, all of which have continued to meet virtually over the past months. In addition, the Senior Finance Manager (Internal Audit) is also a member of the Core Cities Heads of Internal Audit Group.

Audit Reporting

52. Internal Audit reports are typically made up of a number of findings and recommendations. Dependent upon the nature of these findings, the recommendations are given one of four categories – critical, high, medium or efficiency/effectiveness.

53. All Internal Audit reports are then given an overall opinion as to the likelihood of the service/system under review being able to meet its objectives.

54. The opinions are expressed as:

Overall Audit Assessment
Substantial Assurance - There is an effective system of internal control in place designed to achieve the Service objectives with only minor issues being identified which require improvement.
Moderate Assurance - There is a sound system of internal control in place with some weaknesses being present which may put some of the Service objectives at risk. Issues require management attention.
Limited Assurance - The system of internal control in place has some major weaknesses which may put the achievement of the Service objectives at risk. Issues therefore require prompt management attention.
No Assurance - There are significant weaknesses in the system of control which could result in failure to achieve the Service objectives. Immediate management action is therefore required.

Organisational Impact	
Low	The issues identified have no corporate impact.
Medium	The issues identified have the potential to impact at a corporate level.
High	The issues identified are of high corporate importance. They are either of high financial materiality, present significant business or reputational risk to the Council, have a likelihood of attracting adverse media attention, are potentially of interest to elected representatives, or present a combination of two or more of these factors.

55. The opinions relate to the system at the time of the review and do not take into account the effects of the agreed recommendations. Internal Audit follow-up on the recommendations made, in a process that increases in relation to the significance of the opinion.

56. To give an indication of the risk profile results were:

No assurance	1 report
Limited assurance	5 reports
Moderate assurance	13 reports
Substantial assurance	8 reports

57. A dashboard summary of the outcomes from the Main Financial Systems audits has also been produced. Two of the seven systems reviewed were given a moderate assurance opinion, three received a substantial assurance opinion and one (Alterations to bank details on Integra) received a limited assurance opinion. The Debtors review is currently at the final stages (draft final report

stage) and therefore the audit opinions will be reported at a later meeting to the Audit and Standards Committee. Overall, the dashboard shows that the controls over the majority of the key systems are generally sound (Appendix D).

58. A summary of the key actions arising from all the limited assurance, medium impact reports, are included in Appendix E, as requested by Members.

59. In addition to the above, Internal Audit undertook 38 pieces of productive work across the Council that did not generate an opinion, and therefore does not appear in the breakdown above. These included 7 pieces of follow-up work, 28 grant sign-offs, 2 consultancy pieces of work/attendance at working groups, and the Statement of Financial Values Standards in schools (SFVS) which were collated during 2022/23.

60. A further 26 pieces of work resulted from the Business Partnering resource. A schedule has been included in Appendix F outlining the work undertaken.

61. It should be noted that although the vast majority of recommendations made by Internal Audit are agreed by management, there are occasions where recommendations are not agreed. In such instances Internal Audit outline the potential risks. A judgement is drawn by senior Internal Audit staff, and where the risk is significant this will always be escalated to senior management to ensure that they are aware of the decisions made. Ultimately non-agreement of recommendations can be reported to the Audit and Standards Committee to enable managers to justify their actions.

62. As the Senior Finance Manager, I am satisfied that the coverage undertaken of the Council's activity by Internal Audit in the past year has been sufficient for me to be able to give an overall opinion on the Council's internal control system/environment.

Annual Governance Statement

63. Under Regulation 4 of the Accounts and Audit (England) Regulations 2011, the Council is required to conduct a yearly review of our system of internal control. This review forms part of the Annual Governance Statement (AGS) that accompanies the accounts each year. Co-ordination of the AGS is undertaken by the Legal and Governance Service; however Internal Audit is actively involved in the review and shortlisting process. This provides an opportunity for the Senior Finance Manager to flag any control non-compliances that may not have been included on the service and directorate returns.

64. In 2022/23, the AGS stipulated that there were no areas of significant control weakness. However, there are 4 themed areas (Human Resources, Finance, Business Planning and Information Governance) that the Leadership Team wished to monitor the arrangements across the Council through individual improvement plans (at the Performance and Delivery Board).

65. Action to strengthen controls in these areas have been devised and agreed and the Monitoring Officer will continue to monitor and report on progress to the Leadership Boards and the Audit and Standards Committee.

66. As the Senior Finance Manager, Internal Audit, I am not aware of any significant control weaknesses that should have been included within the Council's Annual Governance Statement.

Reviewing the Service

67. The team has a number of performance indicators (PI's) which are used to monitor the service delivered.

68. The achievement of the performance targets is shown in the table below:

	2022/23 Target	2022/23 Achievement	2021/22 Achievement
PERFORMANCE TARGETS			
• % of audit resource spent on productive activities	88%	92%	88%
• No of planned assurance reviews delivered	91	91	86*
• No of days of business partnering activity delivered by year end	504	524	471
• Conduct a minimum of 4 pro-active fraud reviews	4	4 complete	4 complete
• Quality measures – average >85% scoring 4 or better on customer questionnaire (1 is poor – 5 is good)	85%	100%	96%

*NB the no of assurances reviews undertaken changes annually to reflect resources available in the plan.

69. The productivity PI shows the target has been met on staff productivity. Whilst the team have delivered some different workloads to that planned, the number of chargeable days has been maintained.

70. The delivery of the planned assurance reviews is on target even though the audit team experienced (on occasions) difficulties with the availability of service staff (who had conflicting prioritise).

71. In order to gauge client satisfaction, all audit reports are issued with a standard questionnaire which requests client feedback on a number of aspects of the audit process including usefulness and conduct of the audit. The questions are analysed to make service improvements.

72. Customer satisfaction questionnaires scores are seen to be acceptable and excellent results. Comments received included ‘the audit was carried out in a timely manner and with the minimum of fuss//disruption to normal service provision.’ And ‘good review of financial governance and controls relating to monitoring and ensuring standards and policies are up to date and reviewed. The review is a helpful prompt to ensure the work is acted upon throughout 23/24 to strengthen our internal control environment. Recommendations are welcomed by the team and plans are in place to implement the suggested improvements’.

73. Internal Audit managers review the performance indicators on a quarterly basis and determine what action can be taken. The performance indicators are also discussed with all audit staff at quarterly service planning meetings, to help identify ways of improving service delivery and performance targets. They are also discussed during the Performance Development Reviews (PDR’s) with individuals.

Chief Audit Executive’s (Senior Finance Manager’s) Opinion

74. The Council has a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

75. With an organisation as large and complex as the Council, some controls will inevitably fail or some risk will materialise which could not reasonably be foreseen.

76. As noted elsewhere in the report, despite the challenges and changes to work undertaken by the Internal Audit team, I can confirm sufficient work has been carried out to be able to form an opinion.

77. From the work undertaken by Internal Audit during the year, I am satisfied that the risk management, governance and internal control framework are adequate to allow the Council to conduct its business appropriately. I can give an overall reasonable (positive) assurance opinion for the year.

FINANCIAL IMPLICATIONS

78. There are no direct financial implications arising from the report.

EQUAL OPPORTUNITIES IMPLICATIONS

79. There are no equal opportunities implications arising from the report.

RECOMMENDATIONS

80. That the Audit and Standards Committee notes the content of the report and the opinion of the Senior Finance Manager.

Linda Hunter
Senior Finance Manager

APPENDIX A

INTERNAL AUDIT CHARTER

Our mission

Our mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight to our clients.

We will achieve the mission statement through our overall delivery arrangements. This charter sets out how this is done.

Definition and Objectives

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Purpose, Authority and Responsibility

Internal Audit forms part of Strategic Support Services. The Senior Finance Manager (Internal Audit) reports to the Director of Finance and Commercial Services (S151 Officer), who in turn reports to the Chief Operating Officer.

The Senior Finance Manager (SFM) is the designated 'Chief Audit Executive', as defined in the Public Sector Internal Auditing Standards. 'The Board' is defined as the Audit and Standards Committee and 'Senior Management' is defined as the Leadership Team.

The Director of Finance and Commercial Services and Senior Finance Manager report to the Audit and Standards Committee on at least a quarterly basis. There are a number of standard items reported including the annual audit plan, an annual opinion on the standard of internal control within the authority and regular updates on the implementation of high opinion audit report recommendations.

Independence and Objectivity

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner that facilitates impartial and effective professional judgements and recommendations. The internal audit and risk managers and internal auditors have no operational responsibilities. The Senior Finance Manager has management oversight of the Risk Management and adequate safeguards have been established to maintain independence and objectivity.

The Risk Management team are compliance functions designed to monitor and police the application of policies and procedures and so their remit does not conflict with the role of Internal Audit.

Should the need arise the SFM can report directly to the Chief Operating Officer, or the Chief Executive. Reports can also be made to the Chair of the Audit and Standards Committee, or any Audit and Standards Committee member if required.

The SFM will confirm to the Audit and Standards Committee on an annual basis, within the Annual Report, the organisational independence of the Internal Audit Service.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance.

The scope for Internal Audit is the control environment comprising risk management, control and governance. This effectively includes all of the council's operations, resources, services and responsibilities in relation to other bodies. This description shows the very wide potential scope of Internal Audit. To turn this generic description into actual subjects for audit, a risk assessment methodology is applied that allows all high-risk subjects to be identified. The council's fundamental financial systems are subject to a degree of inspection on an annual basis, whilst Internal Audit also identifies other financial and non-financial systems and functions as important areas for review.

Internal auditors will maintain an impartial, unbiased attitude and avoid any conflicts of interest in the performance of audit assignments.

Accountability for the implementation of recommendations made by Internal Audit lies with management, who either accept and implement the advice or formally reject it. A report is made to the Audit and Standards Committee of any 'critical priority ' or 'high priority' recommendations that have been rejected by management.

Code of Ethics

All our internal auditors must conform to the Code of Ethics. The code promotes an ethical culture in a profession founded on the trust placed in its objective assurance about risk management, control and governance.

The Code of Ethics includes 2 essential components – The Principles and Rules of Conduct (which are an aid to interpreting the principles into practical applications).

Statutory Role

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which state in respect of Internal Audit that:

" A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices, and any officer or member of that body shall, if the body require:

- Make available such documents of the body which relate to its accounting and other records as appear to be necessary for the purpose of the audit; and
- Supply the body with such information and explanation as the body considers necessary for that purpose."

The statutory role is recognised and endorsed within the council's Financial Regulations, which provides the authority for access to officers, members, documents and records and to require information and explanation as necessary.

Internal Audit Standards

With effect from 1st April 2013, the CIPFA Code of Practice for Internal Audit was subsumed into the new Public Sector Internal Auditing Standards (PSIAS).

An external assessment of compliance with PSIAS is required as part of the standard, and the peer review (November 2021) concluded that SCC Internal Audit 'generally conforms'. This means the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or element of the Code of Ethics in all material respects. This is the highest assessment opinion that can be given.

Any areas of non-compliance are reported to the Audit and Standards Committee.

Internal Audit Resources

Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the standards. Internal auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Senior Finance Manager and Director of Finance and Commercial Services are responsible for appointing the staff of the Internal Audit section and will ensure that appointments are made to achieve the appropriate mix of qualifications, experience and audit skills.

The Director of Finance and Commercial Services is responsible for ensuring that the resources of the Internal Audit section are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby, he concluded that resources were insufficient, he must formally report to the Chief Operating Officer.

Engagement Planning

For each audit assignment, internal auditors will develop and document a plan including the objectives of the review, the scope, timing and resource allocations. In planning the assignment, auditors will consider, in conjunction with auditees, the objectives of the activity being reviewed, significant risks to the activity and the adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model.

Reporting Accountabilities

A written report will be prepared by the appropriate auditor for every internal audit review. The report includes an opinion on the adequacy of controls in the area that has been audited.

The draft report will be discussed with the auditees and a response obtained for each recommendation stating their agreement/ non agreement to each recommendation and timeframe for implementation. The draft final report will include these management responses and acceptance to the audit recommendations and will be issued to the auditee and relevant Director of Service for final agreement. The auditee and Director of Service have 7 days to reply to the draft final report before it is issued as final.

Internal Audit reports, assigned a no or limited assurance opinion are subject to a follow-up, arranged to ascertain whether the action stated by management and their response to the report has been implemented.

Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have responsibility for the prevention or detection of fraud or corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Arrangements are in place for Internal Audit to be informed of all suspected or detected fraud, corruption or improprieties. Internal Audit may be requested by management to assist with fraud related work.

Consultancy Activity

Within the risk-based annual audit plan, an allocation of resource is earmarked for Business Partnering activity. This resource enables Internal Audit to offer pro-active advice and guidance at the request of Directorate management. The resource is available to assist services with change projects, system and process reviews or value for money exercises. Outputs from the Business Partnering resource are reported to the Audit and Standard Committee in the annual report.

Updated July 2023

<u>Code of Ethics</u>

1) Integrity

<u>Principle</u>

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

<u>Rules of Conduct</u>

Internal Auditors:
1.1 Shall perform their work with honesty, diligence and responsibility;
1.2 Shall observe the law and make disclosure expected by the law and the profession;
1.3 Shall not knowingly be a part to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2) Objectivity

<u>Principle</u>

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.
Internal auditors make a balance assessment of all the relevant circumstances and are not unduly influence by their own interest or by others in forming judgements.

<u>Rules of Conduct</u>

Internal Auditors;
2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may conflict with the interests of the organisation;
2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement;
2.3 Shall disclose all material facts know to then that, if not disclosed, may distort the reporting of activities under review.

3) Confidentiality

<u>Principle</u>

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

<u>Rules of Conduct</u>

Internal auditors;
3.1 shall be prudent in the use and protection of information acquired in the course of their duties;
3.2 shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation;

4) Competency

Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct

Internal auditors;
4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience;
4.2 Shall perform internal auditing services in accordance with the International Auditing Standards for the Professional Practice of Internal Auditing.
4.3 Shall continually improve their proficiency and effectiveness and quality of their service.

APPENDIX B

Sheffield City Council
Internal Audit Quality Assurance and Improvement Programme

Introduction
Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS), definition of internal auditing and code of ethics;
- Operates in an efficient and effective manner;
- Is adding value and continually improving internal audits' operation.

The Senior Finance Manager, Internal Audit, is ultimately responsible for the QAIP, which covers all types of internal audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least every 5 years.

Internal Assessments
Internal assessments are made up of both ongoing reviews and periodic reviews.

Ongoing Reviews

Ongoing assessments are conducted through:
- Supervision of each audit assignment;
- Regular, documented review of working papers during assignments by appropriate internal audit staff;
- Review of procedures used for each assignment to ensure compliance with the applicable planning, fieldwork and reporting standards as outlined in the quality procedures manual;
- Feedback from customer surveys on individual assignments;
- Analysis of key KPI's established to improve internal audit effectiveness and efficiency.
- Review and approval of all no assurance opinion draft and final reports by the Senior Finance Manager;
- Review and approval of all limited, moderate and substantial opinion draft reports by the Internal Audit and Risk Managers.

Periodic Reviews
Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, the Definition of Internal Auditing, the Code of Ethics and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Period assessments will be conducted through:

- Quality audits undertaken on a scheduled basis for performance in accordance with Internal Audit's Quality Procedures Manual;

- Review of internal audit performance KPI’s by the Audit Management Team on a quarterly basis;
- Quarterly performance reporting to the Director of Finance and Commercial Services and annual reporting to the Audit and Standards Committee;
- Annual benchmarking exercise with core city authorities on cost and productivity;
- Regular self-reviews of conformance with the Public Sector Internal Auditing Standards.

Any resultant action plans will be monitored by the Senior Finance Manager (Internal Audit) on a quarterly basis.

External Assessment
External assessments will appraise and express a judgement about Internal Audits’ conformance with the standards, definition of internal auditing and include action for improvement, as appropriate.

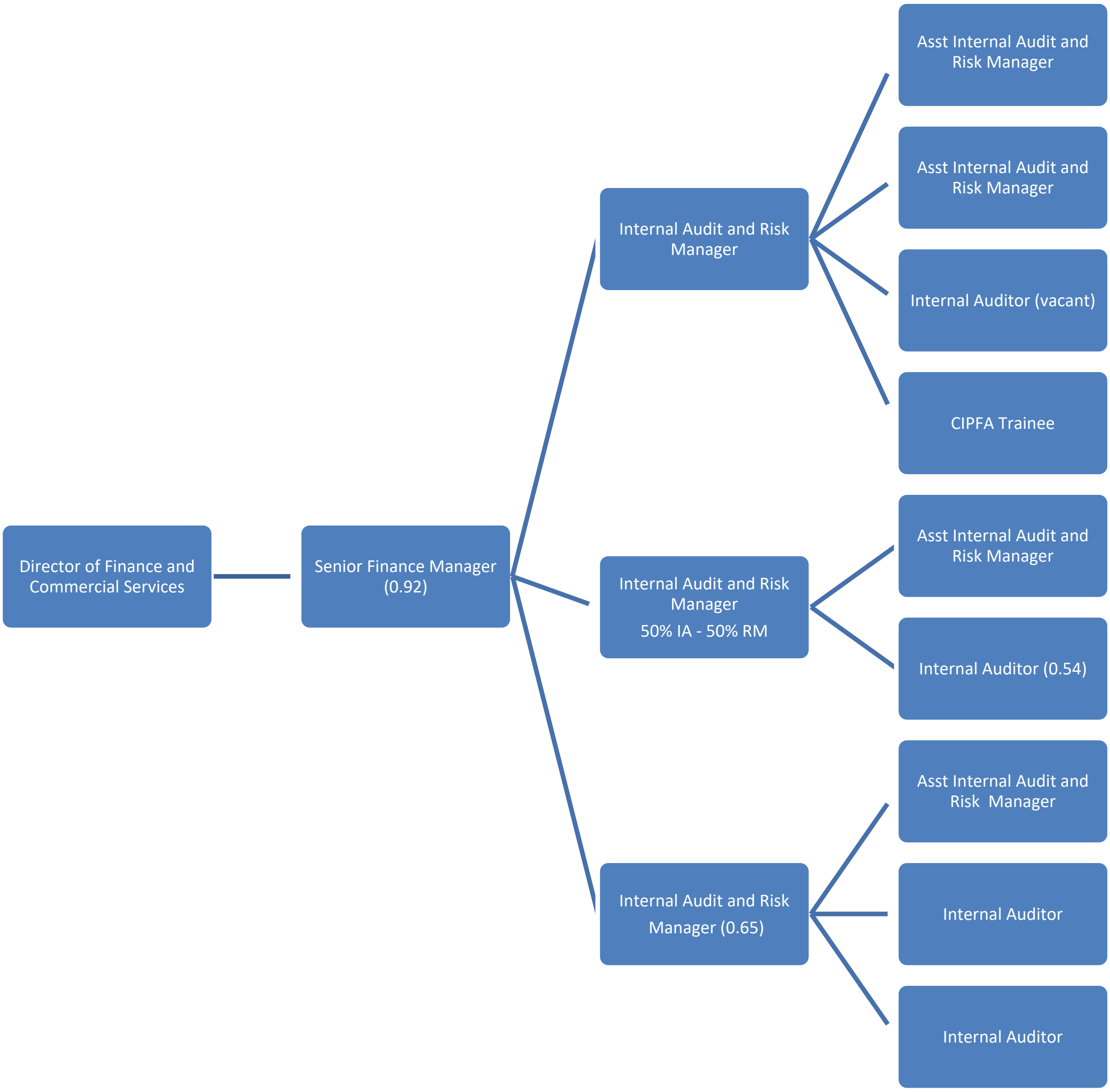
An external assessment will be conducted every 5 years by a qualified, independent assessor from outside the council. The assessment will be in the form of a self-assessment with independent external validation. The format of the external assessment will be discussed with the Audit and Standards Committee.

Reporting
Internal assessments – reports on performance will be made to the Audit and Standards Committee on an annual basis.

External assessments – results of external assessments will be reported to the Audit and Standards Committee and Section 151 Officer at the earliest opportunity following receipt of the external assessor’s report. The external assessment report will be accompanied by an action plan in response to any significant findings and recommendations contained in the report.

Follow-up – the Senior Finance Manager, Internal Audit will implement appropriate follow-up actions to ensure that recommendations made in the report and actions plans developed are implemented in a reasonable timeframe.

Updated July 2023


Director of Finance and Commercial Services
Senior Finance Manager (0.92)
Internal Audit and Risk Manager
Asst Internal Audit and Risk Manager
Asst Internal Audit and Risk Manager
Internal Auditor (vacant)
CIPFA Trainee
Internal Audit and Risk Manager
50% IA - 50% RM
Asst Internal Audit and Risk Manager
Internal Auditor (0.54)
Internal Audit and Risk Manager (0.65)
Asst Internal Audit and Risk Manager
Internal Auditor
Internal Auditor

APPENDIX D

Main Financial Systems Dashboard

Activity Title	Scope	Assurance Opinion	Organisational Impact
Debtor Controls in Adult Health and Social Care Activity	Raising accounts, aged debt reduction and dispute resolution, performance targets and reconciliations.		Pending agreement – at draft final report stage
I Trent (payroll) system process review	Payroll transaction process, validation, authorisation, reconciliation and data security.	✔ ✔ ✔	Medium
Business Rates	Bill calculations, dispatch and inspections.	✔ ✔ ✔ ✔	Low
Creditors	Policy, processes, authorisation, recording, payment terms and reconciliations.	✔ ✔ ✔	High
Supplier addition and amendment in Integra	Process to amend supplier details, risk assessment, fraud risk controls and supplier function transfer.	✔ ✔	High
Council Tax Exemptions – Pro-active Fraud review	Governance, application process, data security, fraud risks and prevention.	✔ ✔ ✔ ✔	Medium
Small Business Rate Relief – Pro-active Fraud review	Process of awarding small business rate relief, data security, training and fraud risks and prevention.	✔ ✔ ✔ ✔	Medium

Opinion

No Assurance - There are significant weaknesses in the system of control which could result in failure to achieve the Service objectives. Immediate management action is therefore required.	✔
Limited Assurance - The system of internal control in place has some major weaknesses which may put the achievement of the Service objectives at risk. Issues therefore require prompt management attention.	✔ ✔
Moderate Assurance - There is a sound system of internal control in place with some weaknesses being present which may put some of the Service objectives at risk. Issues require management attention.	✔ ✔ ✔
Substantial Assurance - There is an effective system of internal control in place designed to achieve the Service objectives with only minor issues being identified which require improvement.	✔ ✔ ✔ ✔

Organisational Impact Statement

High - The issues identified are of high corporate importance. They are either of high financial materiality, present significant business or reputational risk to the Council, have a likelihood of attracting adverse media attention, are potentially of interest to elected representatives, or present a combination of two or more of these factors.	
Medium - The issues identified have the potential to impact at a corporate level.	
Low - The issues identified have no corporate impact.	

APPENDIX E

Summary of the key actions arising from Limited Assurance (Medium Impact) reports issued in 2022/23

Strategic Support Services

Application Review - Total Management System

Executive Summary
Since implementation of the new housing repairs and maintenance system, Total Mobile, in November 2021, a variety of issues have required resolution in relation to system functionality, performance and usage, a number of which remain outstanding and are being managed and monitored in weekly meetings with the supplier.

The Total Mobile application was procured under a G-Cloud framework agreement, following a Digital Marketplace G-Cloud assessment and subsequent due diligence activity.

The audit did not examine the procurement process in detail, nor the associated requirements specification or system implementation processes, as these were already completed by the service at the time of the review. It has been noted, however, that the time pressures involved may have led to omissions within the requirements specification process, which resulted in some missed opportunities for the early identification of issues. Equally, there was perhaps an overly optimistic assumption that known issues with the product could be worked through post go-live, without fully taking into account the impact of limited resource availability to manage this process, leading to delays in resolution.

Some further control weaknesses were identified during the audit. The majority of these issues were already known to management and there are aspirations for control improvement; however, progress has again been limited or delayed by a lack of dedicated resource availability.

High Priority Recommendations:
- Requirements specification and issues management
- Planning and delivery of Total Mobile user training
- Recording and monitoring of training activity
- Definition of role-based security profiles
- Review and updating of assigned user permissions
- Arrangements for the retention and destruction of system data
- Lack of formal UAT for system upgrades
- Business continuity planning
- Availability and usage of audit logs

Agency Staff

Executive Summary
Total Council expenditure on agency workers in the financial year 2021/22 was £21.4m, accounting for 6% of total employee costs. Between 2018/19 and 2021/22, agency costs increased year-on-year, with a total escalation in value of £10m, or 89%, seen across this

period, of which £6.4m related to the single annual increase from 2020/21. The relative contribution of these costs towards total employee-related expenditure also increased during the period of analysis, from 4% to 6%. It has been noted that the Covid-19 pandemic gave rise to the need for additional agency staff, to respond to related issues within acceptable timescales; however, this does not account for the full increase seen during this period.

<u>Management Comment:</u>
For context, since audit testing was completed figures have become available for 2022/23 expenditure with the key supplier. This includes the agency expenditure most visible to HR and for which there is most control. Due to complexities in obtaining the data, it is not possible to comment on the agency expenditure incurred with other suppliers.

In 2022/23, annual expenditure with the key supplier fell from £16.3m to £11.9m, returning roughly to the levels seen pre-pandemic. This reduction has, in part, been achieved through the tightening of control in this area by HR at a corporate level, including introduction of the Resource Control Form sign-off process.

This does not, however, affect the issues raised in the audit report, for which management have accepted the findings and recommendations and have agreed remedial actions.

A significant proportion of the Council's agency staff expenditure stems from known issues within Children's Social Care, where long-term agency cover (which is outside of the Council's defined acceptable usage criteria) is being provided due to ongoing recruitment problems associated with a national shortage of social care staff. Whilst these issues are widely recognised, a permanent solution has yet to be put in place.

Published corporate guidance clearly states that all new orders for agency staff be placed with the Council's preferred supplier. However, during 2021/22, some £4.8m (22.4%) of agency staff expenditure was booked outside of this arrangement. Currently, there is a lack of visibility or control, in advance of financial commitment, to prevent such 'off-contract' procurement from taking place.

High Priority Recommendations:

- Greater control is required, at the approval stage, to restrict agency worker recruitment outside of the Council's defined acceptable usage criteria.
- All agency bookings, including new contracts and extensions, should be supported by DLT approval, as evidenced on a Resource Control Form.
- Non-usage of the Council's preferred supplier for agency staff bookings should be specified and approved in advance.
- Greater scrutiny and transparency of anticipated agency staff costs is required within the financial planning process.
- Greater scrutiny of budget availability is required at the approval stage, to restrain the ability of managers to recruit agency workers where funding is insufficient.
- Increasing levels of agency staff expenditure require reporting, monitoring and management at a corporate level, to ensure that these costs may be brought under control.

Children Services

<u>Seven Hills School (Limited Assurance, Medium Impact)</u>

Executive Summary
Internal Audit carried out an on-site School Financial Health Check review on the 23rd November 2022.

During the visit internal audit noted internal control weaknesses, there act to weaken the accountability for the financial performance of the school and remove checks and balances needed to demonstrate effective management. In particular, the governance of financial management and operational procedures were found to be weak, and a number of improved controls were recommended.

It was noted during the audit that the headteacher and staff were keen to have the correct procedures and policies implemented. Advice on this had actively been sought with the services of a bursar from the Local Authority put in place. As such it was clear that progress had already been made by the school.

High Priority Recommendations:
- Governance Arrangements
- Spending Plan
- Monitoring Reports
- Surplus Balance
- Banking arrangements
- Bank Reconciliation
- Procurement Card
- Risk Register

APPENDIX F

Business Partnering Activities

Finance Design Assurance (FDA) Group
FDA Task and Finish Group – Use of credit cards
FDA Task and Finish Group – Creditors non payments
Schools Annual Report 22/23
Standards and Policy Group
Good Grant Giving – advice and guidance
Healthcare visit and advice – 2 separate outputs
Quality Assurance Review of Internal Audit
Finance and Commercial Services Risk Advice
Free School Meals voucher scheme
Fraud annual report 22/23
Disabled Facilities Grant workstream – Tackling Fraud
Microsoft 365 champion
Annual Governance Statement (AGS) advice
Information Governance Board
Financial Systems Transformation Programme Board
Core Cities PI sub group
South West Yorkshire Sub group – AGS
New Committee Structure working group and advice
Replacement of the Housing Management System
BEIS Fraud lessons learnt review
National Fraud Initiative (NFI) – Data Privacy Notices
NFI – Facilitate the data submission process
NFI - Data Responses
Review of the Anti-Fraud Policies

Grants/Account sign-off

Rough Sleepers Initiative
Talbot Annex G sign off
Rough Sleepers Accommodation Programme
Holiday Activity and Food Programme sign off
Dobcroft Annex G sign off
Local Authority Bus Subsidy Grant sign-off
Building Successful Families (BSF) – 2 separate claim periods
Disabled Facilities Grant sign-off
Moor Markets Recharges 19/20, 20/21 and 21/22
Crystal Peaks Recharges 20/21 and 21/22
Green Homes
Family Hubs and Start for Life
Test, Trace, Support and Protect
Practical Support Grant sign off
Community Testing Fund
Adult Weight Management Grant
Universal Drug Treatment Grant
Protect and Vaccinate grant sign off
Local Transport Partnership grant sign off

Basic Needs Allocation Grant sign off
Higher Basic Needs Grant sign off
Condition Fund Grant sign off
Special Guardianship
DCS Virtual School Heads role grant sign off

Investigations
Investigation Advice to Management

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Audit and Standards Committee Report

Report of:	Philip Gregory Director of Finance and Commercial Services, Local Authority Section 151 Officer
Date:	21 September 2023
Subject:	2021/22 Statement of Accounts - 2021/22 Sheffield City Council Audit Results Report
Author of Report:	Clair Sharratt and Ruth Matheson Senior Finance Manager and Finance Manager Finance and Commercial Services
Summary:	The purpose of the report is to communicate any relevant matters arising from the external audit of the 2021/22 Statement of Accounts to Members.
Recommendations:	The Audit and Standards Committee notes the 2021/22 Sheffield City Council Audit Results Report. The Audit and Standards Committee; 1. Approves the Statement of Accounts for 2021/22 as set out in Appendix B, subject to the finalisation of the audit requiring no further changes. 2. Notes in accordance with The Accounts and Audit Regulations 2015, the Chair of the Audit and Standards Committee will sign the Statement of Accounts for 2021/22 on conclusion of the audit by Ernst & Young LLP (EY). 3. Notes the Letter of Management Representations to be submitted to the External Auditor is on the basis set out in EY's Audit Results report and this will be signed by the Director of Finance and Commercial Services and the Chair of Audit and Standards Committee.
Background Papers:	None
Category of Report:	OPEN

Statutory and Council Policy Checklist

Financial Implications
NO
Legal Implications
David Hollis
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human Rights Implications
NO
Environmental and Sustainability implications
NO
Economic Impact
NO
Community Safety Implications
NO
Human Resources Implications
NO
Property Implications
NO
Area(s) Affected
None
Is the item a matter which is reserved for approval by the City Council?
NO
Press Release
NO

AUDIT AND STANDARDS COMMITTEE – 21 SEPTEMBER 2023

2021/22 STATEMENT OF ACCOUNTS

EXTERNAL AUDITOR'S 2021/22 AUDIT RESULTS REPORT

Purpose of this Report

1. The purpose of the following report is to update the Committee since the previous report of 9th March 2023 and communicate any relevant matters arising from the external audit of the 2021/22 Statement of Accounts. In acknowledging these findings request that approval is given to allow the auditors to conclude the audit by signing the Letter of Management Representations and the Statement of Accounts following the conclusion of the audit.

Introduction and Background

2. The Council's 2021/22 Unaudited Statement of Accounts were authorised by the Director of Finance and Commercial Services (Section 151 Officer) on the 15 July 2022.

3. The accounts have been subject to external audit by Ernst & Young LLP (EY). Audit deadlines were extended and have been delayed. During the external audit process the Audit and Standards Committee have been kept up to date, and the external auditor's progress has been received and shared with the Committee throughout the audit.

4. The Council's 2021/22 audited Statement of Accounts were approved by the Audit and Standards Committee on 9 March 2023, however, EY's audit was not concluded before the revaluation of the South Yorkshire Pension Fund (31 March 2023); as the audit was still open and due to the materiality of the triennial revaluation, we were required to reopen the accounts and adjust for the pension related items. The impact on the Statement of Accounts of these pension changes and a number of minor changes that have been made whilst the accounts were still open, is extracted and summarised in ***Appendix A***.

5. The pension adjustments have been subject to audit by EY, which is now almost complete, and the Audit and Standards Committee are asked to note the findings from the separate EY Audit Results Report.

6. The full revised, audited Statement of Accounts is attached at ***Appendix B*** to this report for completeness. The Director of Finance and Commercial Services has re-confirmed on behalf of the authority that they are satisfied that the statement of accounts at Appendix B presents a true and fair view of the financial position of the authority at the end of the financial year to which it relates, and the authority's income and expenditure for that financial year. We request the revised Statement

of Accounts is approved by the Audit and Standards Committee at this meeting. This is on the basis that no emerging material or major issues arise that require any further amendments to the Accounts. The Chair of the Audit and Standards Committee will sign the accounts once EY have given notification that all outstanding queries have been resolved and their final reviews are complete.

Findings from the External Audit of the 2021/22 Statement of Accounts

7. External auditors are required to undertake their work in accordance with International Auditing Standards. Specifically, they are required to communicate any relevant matters relating to the audit to those charged with governance.

8. The updated findings from the external audit are set out in detail in EY's 2021/22 Audit Results Report, which is a separate report, and Members are asked to note the contents. The changes since the last version presented to the Committee in March have been highlighted by the auditors.

9. The Section 151 officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices, and he will certify that they give a true and fair view (i.e. that the financial statements present a true and fair view of the financial position of Sheffield City Council as at 31 March 2022 and its income and expenditure for the year). We understand that the auditors intend to issue an unqualified audit opinion on the accounts.

10. To complete their audit and satisfy their auditing standards, the auditors are requesting written management representation from those charged with governance. Appropriate enquiries have been made with responsible officers within the Authority to confirm the representations included. Therefore, a letter of management representations in the format prescribed by the external auditors (included in the Audit Results report) is to be signed by the Chair of the Audit and Standards Committee on conclusion of the audit.

11. The auditors are also required to ask those charged with governance to confirm that there are no material uncertainties that cast significant doubt about the ability of the Council to continue as a going concern. Appropriate enquiries have been made within the Council and for other parties in which the Council has an interest and no material uncertainties have been identified.

Publication of the 2021/22 Statement of Accounts

12. As part of their work to complete the audit, the auditors issue an opinion on the Statement of Accounts and a Certificate of Completion of the Audit. It is intended that an unqualified opinion will be given on the Statement of Accounts and a certificate issued to close the audit. However, alongside their work on our

financial statements EY are also required to review and report to the National Audit Office (NAO) on our Whole of Government Accounts (WGA) return. EY will not be able to release their certificate to close the audit until it has been confirmed that the NAO do not wish to sample Sheffield City Council's WGA return for additional procedures. In addition, external auditors are required to provide a Value for Money (VFM) commentary, normally within three months of completing their audit, before the certificate can be issued.

13. The 2021/22 Statement of Accounts will be published on the Council's website once the accounts are signed. Then when the Certificate of Completion is received a Notice of Conclusion statement will be published to inform that the audit has been concluded and the accounts have been published.

Financial Implications

14. There are no financial implications arising from the recommendations set out in this report.

Equal Opportunities Implications

15. There are no equal opportunities implications arising from the recommendations set out in this report.

Property Implications

16. There are no property implications arising from the recommendations set out in this report.

Legal Implications

17. The Accounts and Audit Regulations 2015 provide that following the period for public objection, inspection or questioning of the auditor the Council must, in the following order -

    (a) consider, either by way of a committee or by the members meeting as a whole, the statement of accounts;

    (b) approve the statement of accounts by a resolution of that committee or meeting;

    (c) ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.

    The Committee can only pass the resolution once the responsible financial officer has re-confirmed on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of -

    (a) the financial position of the authority at the end of the financial year to which it relates; and

(b) that authority's income and expenditure for that financial year.

Recommendations

18. The Audit and Standards Committee is asked to note the 2021/22 Sheffield City Council Audit Results Report.

19. It is recommended the Audit and Standards Committee:

(a) Approves the Statement of Accounts for 2021/22 as set out in Appendix B, subject to the finalisation of the audit requiring no further changes.
(b) Notes in accordance with The Accounts and Audit Regulations 2015, the Chair of the Audit and Standards Committee will sign the Statement of Accounts for 2021/22 on conclusion of the audit by Ernst & Young LLP (EY).
(c) Notes the Letter of Management Representations to be submitted to the External Auditor is on the basis set out in EY's Audit Results report and this will be signed by the Director of Finance and Commercial Services and the Chair of Audit and Standards Committee

Clair Sharratt and Ruth Matheson
Finance and Commercial Services
21 September 2023

Appendix A – Summary of changes to the 2021/22 Statement of Account post Audit & Standards Committee 9 March 2023

Pension Triennial Revaluation

The pension triennial revaluation as at 31 March 2023 resulted in an audit adjustment to the Council's pension liability, a decrease of £46.6m, as at 31 March 2022. The adjusted pension related items were as follows:

Comprehensive Income and Expenditure Statement (CIES):

Approved version (9 March 2023):

Comprehensive Income and Expenditure Statement (CI&ES)

2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000		Notes	2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000
			Continuing Operations:				
604,227	(302,071)	302,156	People		633,487	(323,799)	309,688
171,947	(168,467)	3,480	Schools		178,482	(172,410)	6,072
263,017	(76,667)	186,350	Place (excluding HRA)		296,838	(107,822)	189,016
6,612	(3,013)	3,599	Policy, Performance & Communications		6,926	(2,700)	4,226
183,013	(165,324)	17,689	Resources		177,235	(164,228)	13,007
557	835	1,392	Corporate		1,257	(3,023)	(1,766)
1,229,373	**(714,707)**	**514,666**			**1,294,225**	**(773,982)**	**520,243**
109,688	(151,974)	(42,286)	Housing Revenue Account (HRA)		212,640	(154,054)	58,586
1,339,061	**(866,681)**	**472,380**	**(Surplus) / Deficit on Continuing Operations**		**1,506,865**	**(928,036)**	**578,829**
		24,647	Other Operating Expenditure	9			151,938
		98,531	Financing and Investment Income and Expenditure	10			89,397
		(581,659)	Taxation and Non-Specific Grant Income	11			(577,597)
		13,899	**(Surplus) / Deficit on Provision of Services**				**242,567**
		(151,466)	(Surplus) / deficit on revaluation of non-current assets				(163,560)
		(449)	Re-measurements of the pension net defined benefit liability				(282,679)
		0	Any other (gains) and losses required to be included				148
		(151,915)	**Other Comprehensive (Income) and Expenditure**				**(446,091)**
		(138,016)	**Total Comprehensive (Income) and Expenditure**				**(203,524)**

Revised version (21 September 2023):

Comprehensive Income and Expenditure Statement (CI&ES)

2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000		Notes	2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000
			Continuing Operations:				
604,227	(302,071)	302,156	People		633,487	(323,799)	309,688
171,947	(168,467)	3,480	Schools		178,482	(172,410)	6,072
263,017	(76,667)	186,350	Place (excluding HRA)		296,838	(107,822)	189,016
6,612	(3,013)	3,599	Policy, Performance & Communications		6,926	(2,700)	4,226
183,013	(165,324)	17,689	Resources		177,235	(164,228)	13,007
557	835	1,392	Corporate		1,257	(3,023)	(1,766)
1,229,373	**(714,707)**	**514,666**			**1,294,225**	**(773,982)**	**520,243**
109,688	(151,974)	(42,286)	Housing Revenue Account (HRA)		212,640	(154,054)	58,586
1,339,061	**(866,681)**	**472,380**	**(Surplus) / Deficit on Continuing Operations**		**1,506,865**	**(928,036)**	**578,829**
		24,647	Other Operating Expenditure	9			151,938
		98,531	Financing and Investment Income and Expenditure	10			89,397
		(581,659)	Taxation and Non-Specific Grant Income	11			(577,597)
		13,899	**(Surplus) / Deficit on Provision of Services**				**242,567**
		(151,466)	(Surplus) / deficit on revaluation of non-current assets				(163,560)
		(449)	Re-measurements of the pension net defined benefit liability				(329,271)
		0	Any other (gains) and losses required to be included				148
		(151,915)	**Other Comprehensive (Income) and Expenditure**				**(492,683)**
		(138,016)	**Total Comprehensive (Income) and Expenditure**				**(250,116)**

Movement in Reserves Statement (MIRS):

Approved version (9 March 2023):

2021/22	Note	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account Balance £'000	Earmarked Housing Revenue Account Reserve £'000	HRA Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	**Total Council Reserves** £'000
	Note	34	34	34	34	34	34	34	34	35	
Balance at 31 March 2021		(12,851)	(361,682)	(7,782)	(4,171)	(98,837)	(65,564)	(33,729)	(584,616)	(716,517)	(1,301,133)
Movement in reserves during 2021/22:											
Total Comprehensive (Income) and Expenditure		172,576	0	69,991	0	0	148	0	242,715	(446,239)	(203,524)
Adjustments between accounting basis and funding basis under regulations	8	(163,244)	0	(81,567)	0	14,249	(13,236)	(3,656)	(247,454)	247,454	0
Net (increase) / decrease before transfers to reserves		9,332	0	(11,576)	0	14,249	(13,088)	(3,656)	(4,739)	(198,785)	(203,524)
Transfers (to) / from reserves	33	(9,332)	9,332	11,335	2,218	(13,553)	0	0	0	0	0
(Increase) / decrease in year		0	9,332	(241)	2,218	696	(13,088)	(3,656)	(4,739)	(198,785)	(203,524)
Balance at 31 March 2022		(12,851)	(352,350)	(8,023)	(1,953)	(98,141)	(78,652)	(37,385)	(589,355)	(915,302)	(1,504,657)

Revised version (21 September 2023):

2021/22	Note	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account Balance £'000	Earmarked Housing Revenue Account Reserve £'000	HRA Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	**Total Council Reserves** £'000
	Note	34	34	34	34	34	34	34	34	35	
Balance at 31 March 2021		(12,851)	(361,682)	(7,782)	(4,171)	(98,837)	(65,564)	(33,729)	(584,616)	(716,517)	(1,301,133)
Movement in reserves during 2021/22:											
Total Comprehensive (Income) and Expenditure		172,576	0	69,991	0	0	148	0	242,715	(492,831)	(250,116)
Adjustments between accounting basis and funding basis under regulations	8	(163,244)	0	(81,567)	0	14,249	(13,236)	(3,656)	(247,454)	247,454	0
Net (increase) / decrease before transfers to reserves		9,332	0	(11,576)	0	14,249	(13,088)	(3,656)	(4,739)	(245,377)	(250,116)
Transfers (to) / from reserves	33	(9,332)	9,332	11,335	2,218	(13,553)	0	0	0	0	0
(Increase) / decrease in year		0	9,332	(241)	2,218	696	(13,088)	(3,656)	(4,739)	(245,377)	(250,116)
Balance at 31 March 2022		(12,851)	(352,350)	(8,023)	(1,953)	(98,141)	(78,652)	(37,385)	(589,355)	(961,894)	(1,551,249)

Balance Sheet:

Approved version (9 March 2023):

As at 31 March 2021 £000		Notes	As at 31 March 2022 £000
1,382	Intangible Assets	27	692
3,235,817	Property, Plant and Equipment	23/23A	3,183,512
54,775	Heritage Assets	25	54,884
19,160	Investment Properties	26	18,780
159,570	Long term Debtors	16	125,507
3,470,704	**Long Term Assets**		**3,383,375**
120,000	Short Term Investments	14	182,000
1,366	Inventories		1,624
220,226	Short Term Debtors	17	207,179
160,797	Cash and Cash Equivalents	14 / 18	212,536
8,312	Assets Held for Sale	28	7,684
510,701	**Current Assets**		**611,023**
(16,977)	Short Term Borrowing	14	(15,665)
(301,458)	Short Term Creditors	19	(305,143)
(11,570)	Short Term Provisions	20	(12,107)
(19,631)	PFI / PPP Finance Lease Liability	14 / 24	(20,657)
(46,199)	Capital Grants Receipts in Advance	12	(45,086)
(395,835)	**Current Liabilities**		**(398,658)**
(855,567)	Long Term Borrowing	14	(897,489)
(17,257)	Long Term Provisions	20	(16,237)
(340,777)	PFI / PPP Finance Lease Liability	14 / 24	(320,120)
(1,001,114)	Pension Liability	45	(791,019)
(43,605)	Other Long Term Liabilities	21	(33,206)
0	Revenue Grants Receipts in Advance	12	(7,131)
(26,117)	Capital Grants Receipts in Advance	12	(25,881)
(2,284,437)	**Long Term Liabilities**		**(2,091,083)**
1,301,133	**Net Assets**		**1,504,657**
(584,616)	Usable Reserves	34	(589,355)
(716,517)	Unusable Reserves	35	(915,302)
(1,301,133)	**Total Reserves**		**(1,504,657)**

Revised version (21 September 2023):

As at 31 March 2021 £000		Notes	As at 31 March 2022 £000
1,382	Intangible Assets	27	692
3,235,817	Property, Plant and Equipment	23/23A	3,183,512
54,775	Heritage Assets	25	54,884
19,160	Investment Properties	26	18,780
159,570	Long term Debtors	16	125,507
3,470,704	**Long Term Assets**		**3,383,375**
120,000	Short Term Investments	14	182,000
1,366	Inventories		1,624
220,226	Short Term Debtors	17	207,179
160,797	Cash and Cash Equivalents	14 / 18	212,536
8,312	Assets Held for Sale	28	7,684
510,701	**Current Assets**		**611,023**
(16,977)	Short Term Borrowing	14	(15,665)
(301,458)	Short Term Creditors	19	(305,143)
(11,570)	Short Term Provisions	20	(12,107)
(19,631)	PFI / PPP Finance Lease Liability	14 / 24	(20,657)
(46,199)	Capital Grants Receipts in Advance	12	(45,086)
(395,835)	**Current Liabilities**		**(398,658)**
(855,567)	Long Term Borrowing	14	(897,489)
(17,257)	Long Term Provisions	20	(16,237)
(340,777)	PFI / PPP Finance Lease Liability	14 / 24	(320,120)
(1,001,114)	Pension Liability	45	(744,427)
(43,605)	Other Long Term Liabilities	21	(33,206)
0	Revenue Grants Receipts in Advance	12	(7,131)
(26,117)	Capital Grants Receipts in Advance	12	(25,881)
(2,284,437)	**Long Term Liabilities**		**(2,044,491)**
1,301,133	**Net Assets**		**1,551,249**
(584,616)	Usable Reserves	34	(589,355)
(716,517)	Unusable Reserves	35	(961,894)
(1,301,133)	**Total Reserves**		**(1,551,249)**

Note 35 – Unusable Reserves:

Approved version (9 March 2023):

31 March 2021		31 March 2022
£000		£000
	Capital Reserves:	
(738,042)	Revaluation Reserve	(882,018)
(1,085,295)	Capital Adjustment Account	(886,548)
(53)	Deferred Capital Receipts Reserve	(53)
(1,823,390)		**(1,768,619)**
	Revenue Reserves:	
42,194	Financial Instruments Adjustment Account	40,944
1,001,114	Pensions Reserve	791,019
52,933	Collection Fund Adjustment Account	10,083
10,632	Accumulated Absences Account	11,271
1,106,873		**853,317**
(716,517)	**Total**	**(915,302)**

2020/21		2021/22
£000		£000
941,074	**Balance at 1 April**	**1,001,114**
(449)	Actuarial (gains) or losses on pensions assets and liabilities	(282,679)
106,520	Reversal of items relating to retirement benefits debited or credited to the CI&ES	122,122
(46,031)	Employer's pensions contributions and direct payments to pensioners payable in the year	(49,538)
1,001,114	**Balance at 31 March**	**791,019**

Revised version (21 September 2023):

31 March 2021		31 March 2022
£000		£000
	Capital Reserves:	
(738,042)	Revaluation Reserve	(882,018)
(1,085,295)	Capital Adjustment Account	(886,548)
(53)	Deferred Capital Receipts Reserve	(53)
(1,823,390)		**(1,768,619)**
	Revenue Reserves:	
42,194	Financial Instruments Adjustment Account	40,944
1,001,114	Pensions Reserve	744,427
52,933	Collection Fund Adjustment Account	10,083
10,632	Accumulated Absences Account	11,271
1,106,873		**806,725**
(716,517)	**Total**	**(961,894)**

2020/21		2021/22
£000		£000
941,074	**Balance at 1 April**	**1,001,114**
(449)	Actuarial (gains) or losses on pensions assets and liabilities	(329,271)
106,520	Reversal of items relating to retirement benefits debited or credited to the CI&ES	122,122
(46,031)	Employer's pensions contributions and direct payments to pensioners payable in the year	(49,538)
1,001,114	**Balance at 31 March**	**744,427**

Note 45 – Post Employment Benefits:

Approved version (9 March 2023):

2020/21		2021/22
£000		£000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
84,630	Current service cost	98,308
424	Past service cost including curtailments	1,930
85,054	**Charge to (Surplus) / Deficit on Continuing Operations**	**100,238**
	Other Operating Expenditure:	
1,158	Administration expenses	1,248
1,158		1,248
	Financing and Investment Income and Expenditure:	
70,799	Interest cost on pension liabilities	81,657
(50,491)	Interest on plan assets	(61,021)
20,308		20,636
21,466	**Charge to the (Surplus) / Deficit on the Provision of Services**	**21,884**
	Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:	
(14,249)	Re-measurements of the net defined benefit liability	(294,427)
13,800	Business Combinations	11,748
(449)		**(282,679)**
106,071	**Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement**	**(160,557)**

2020/21		2021/22
£000		£000
(3,305,385)	Opening Balance at 1 April	(3,883,967)
(84,630)	Current service cost	(99,556)
(70,799)	Interest cost	(81,657)
(15,006)	Contributions by scheme participants	(16,250)
(449,041)	Re-measurements	74,891
94,297	Benefits Paid	103,328
(424)	Curtailments	(1,930)
(52,979)	Business Combinations	(65,710)
(3,883,967)	**Closing Balance at 31 March**	**(3,970,851)**

2020/21		2021/22
£000		£000
2,364,311	Opening Balance at 1 April	2,882,853
50,491	Interest on plan assets	61,021
463,290	Re-measurements	219,536
(1,158)	Administration expenses	0
46,031	Contributions by Employer	49,538
15,006	Contributions by scheme (plan) participants	16,250
(94,297)	Benefits paid	(103,328)
39,179	Business Combinations	53,962
2,882,853	**Closing Balance at 31 March**	**3,179,832**

	31 March 2021	31 March 2022
Equity Securities:	£000	£000
Other - Quoted	16,127	7,635
Other - Unquoted	0	15
Debt Securities:		
Corporate Bonds (investment grade)	0	0
Corporate Bonds (non-investment grade) - Not Quoted	157,034	344
UK Government - Not Quoted	56,488	18,974
Other - Quoted	8,380	9,030
Other - Not Quoted	133,325	149,613
Private Equity:		
All - Quoted	15,595	6,840
All - Not Quoted	242,137	304,841
Real Estate:		
UK Property - Quoted	6,007	5,268
UK Property - Not Quoted	242,486	262,737
Overseas Property - Not Quoted	3,971	4,283
Investment Funds and Unit Trusts:		
Equities - Not Quoted	1,390,880	1,481,632
Bonds - Not Quoted	387,943	571,155
Hedge Funds	0	0
Commodities	0	0
Infrastructure - Quoted	52,812	40,831
Infrastructure - Not Quoted	132,792	221,863
Other	0	59,309
Cash and Cash Equivalents:		
All - Quoted	36,876	35,463

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Present value of liabilities	(2,867,131)	(3,099,421)	(3,305,385)	(3,883,967)	(3,970,851)
Fair value of scheme assets	2,090,557	2,168,758	2,364,311	2,882,853	3,179,832
Surplus / (deficit) in the scheme	**(776,574)**	**(930,663)**	**(941,074)**	**(1,001,114)**	**(791,019)**

2020/21		2021/22
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.5 years	Men	22.6 years
25.3 years	Women	25.4 years
	Longevity at 65 for future pensioners:	
24.0 years	Men	24.1 years
27.2 years	Women	27.1 years
	Financial assumptions:	
2.7%	Rate of CPI inflation	3.3%
3.95%	Rate of increase in salaries	4.3%
2.8%	Rate of increase in pensions	3.3%
2.1%	Rate for discounting scheme liabilities	2.7%

Change in Assumptions at 31 March 2022	**£000**
Increase in life expectancy (1 year increase)	158,834
Rate of inflation (0.1% increase)	57,646
Rate of increase in salaries (0.1% increase)	9,061
Rate of discount (0.1% increase)	67,352

	2017/18	2018/19	2019/20	2020/21	2021/22
	%	%	%	%	%
Differences between the expected and actual return on assets	1.6	3.1	8.1	16.1	6.9
Experience gains and losses on liabilities	-4.6	4.9	-1.6	13.4	-2.1

Revised version (21 September 2023):

2020/21		2021/22
£000		£000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
84,630	Current service cost	98,308
424	Past service cost including curtailments	1,930
85,054	**Charge to (Surplus) / Deficit on Continuing Operations**	**100,238**
	Other Operating Expenditure:	
1,158	Administration expenses	1,248
1,158		1,248
	Financing and Investment Income and Expenditure:	
70,799	Interest cost on pension liabilities	81,657
(50,491)	Interest on plan assets	(61,021)
20,308		20,636
21,466	**Charge to the (Surplus) / Deficit on the Provision of Services**	**21,884**
	Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:	
(14,249)	Re-measurements of the net defined benefit liability	(341,019)
13,800	Business Combinations	11,748
(449)		**(329,271)**
106,071	**Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement**	**(207,149)**

2020/21		2021/22
£000		£000
(3,305,385)	Opening Balance at 1 April	(3,883,967)
(84,630)	Current service cost	(99,556)
(70,799)	Interest cost	(81,657)
(15,006)	Contributions by scheme participants	(16,250)
(449,041)	Re-measurements	105,681
94,297	Benefits Paid	103,328
(424)	Curtailments	(1,930)
(52,979)	Business Combinations	(65,710)
(3,883,967)	**Closing Balance at 31 March**	**(3,940,061)**

2020/21		2021/22
£000		£000
2,364,311	Opening Balance at 1 April	2,882,853
50,491	Interest on plan assets	61,021
463,290	Re-measurements	235,338
(1,158)	Administration expenses	0
46,031	Contributions by Employer	49,538
15,006	Contributions by scheme (plan) participants	16,250
(94,297)	Benefits paid	(103,328)
39,179	Business Combinations	53,962
2,882,853	**Closing Balance at 31 March**	**3,195,634**

	31 March 2021	31 March 2022
Equity Securities:	£000	£000
Other - Quoted	16,127	7,673
Other - Unquoted	0	16
Debt Securities:		
Corporate Bonds (investment grade)	0	0
Corporate Bonds (non-investment grade) - Not Quoted	157,034	346
UK Government - Not Quoted	56,488	19,068
Other - Quoted	8,380	9,075
Other - Not Quoted	133,325	150,356
Private Equity:		
All - Quoted	15,595	6,874
All - Not Quoted	242,137	306,356
Real Estate:		
UK Property - Quoted	6,007	5,294
UK Property - Not Quoted	242,486	264,042
Overseas Property - Not Quoted	3,971	4,304
Investment Funds and Unit Trusts:		
Equities - Not Quoted	1,390,880	1,488,995
Bonds - Not Quoted	387,943	573,993
Hedge Funds	0	0
Commodities	0	0
Infrastructure - Quoted	52,812	41,034
Infrastructure - Not Quoted	132,792	222,965
Other	0	59,604
Cash and Cash Equivalents:		
All - Quoted	36,876	35,639

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Present value of liabilities	(2,867,131)	(3,099,421)	(3,305,385)	(3,883,967)	(3,940,061)
Fair value of scheme assets	2,090,557	2,168,758	2,364,311	2,882,853	3,195,634
Surplus / (deficit) in the scheme	**(776,574)**	**(930,663)**	**(941,074)**	**(1,001,114)**	**(744,427)**

2020/21		2021/22
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.5 years	Men	21 years
25.3 years	Women	24 years
	Longevity at 65 for future pensioners:	
24.0 years	Men	22 years
27.2 years	Women	25.5 years
	Financial assumptions:	
2.7%	Rate of CPI inflation	3.2%
3.95%	Rate of increase in salaries	3.8%
2.8%	Rate of increase in pensions	3.2%
2.1%	Rate for discounting scheme liabilities	2.7%

Change in Assumptions at 31 March 2022	**£000**
Increase in life expectancy (1 year increase)	157,602
Rate of inflation (0.1% increase)	58,125
Rate of increase in salaries (0.1% increase)	8,355
Rate of discount (0.1% increase)	67,012

	2017/18	2018/19	2019/20	2020/21	2021/22
	%	%	%	%	%
Differences between the expected and actual return on assets			8.1	16.1	6.9
	1.6	3.1			
Experience gains and losses on liabilities	-4.6	4.9	-1.6	13.4	-4.6

Additional Changes

Note 12 – Grant Income

Correction to the disclosure note for grants received in advance under the Department for Levelling Up, Housing & Communities (DLUHC).

Approved version (9 March 2023):

31 March 21		31 March 22
£000		£000
	Revenue Grants Receipts in Advance:	
(24,033)	Department for Business, Energy and Industrial Strategy	(19,994)
(65,371)	Department for Levelling Up, Housing & Communities	(99,731)
(3,651)	Department for Education	(3,160)
(67)	Department for Environment, Food and Rural Affairs	(12)
(16,316)	Department of Health and Social Care	(4,308)
(953)	Department for Work and Pensions	(1,647)
(330)	Home Office	(412)
(36)	Department for Transport	(7,167)
(4,246)	Other	(5,420)
(115,003)	**Total**	**(141,851)**

Revised version (21 September 2023):

31 March 21		31 March 22
£000		£000
	Revenue Grants Receipts in Advance:	
(24,033)	Department for Business, Energy and Industrial Strategy	(19,994)
(65,371)	Department for Levelling Up, Housing & Communities	(72,400)
(3,651)	Department for Education	(3,160)
(67)	Department for Environment, Food and Rural Affairs	(12)
(16,316)	Department of Health and Social Care	(4,308)
(953)	Department for Work and Pensions	(1,647)
(330)	Home Office	(412)
(36)	Department for Transport	(7,167)
(4,246)	Other	(5,420)
(115,003)	**Total**	**(114,520)**

Note 14 – Financial Instruments

Minor changes to disclosure note, to show Expected Credit Loss (ECL) in brackets and a correction on interest expense with sub totals and totals updated accordingly.

Approved version (9 March 2023):

2020/21				2021/22		
Financial Liabilities	**Financial Assets Loans and Receivable**	**Total**		**Financial Liabilities**	**Financial Assets Loans and Receivable**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(33,763)	0	(33,763)	Interest expense	(33,444)	0	(33,444)
(35,506)	0	(35,506)	Interest on PFI scheme liabilities	(37,975)	0	(37,975)
(96)	0	(96)	Expected credit loss impairment	4	0	4
(69,365)	**0**	**(69,365)**	**Interest payable and similar charges**	**(71,415)**	**0**	**(71,415)**
0	621	621	Interest income	0	648	648
0	**621**	**621**	**Interest and investment income**	**0**	**648**	**648**
(69,365)	**621**	**(68,744)**	**Net gain / (loss) for the year**	**(71,415)**	**648**	**(70,767)**

Revised version (21 September 2023):

2020/21				2021/22		
Financial Liabilities	**Financial Assets Loans and Receivable**	**Total**		**Financial Liabilities**	**Financial Assets Loans and Receivable**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(33,763)	0	(33,763)	Interest expense	(33,330)	0	(33,330)
(35,506)	0	(35,506)	Interest on PFI scheme liabilities	(37,975)	0	(37,975)
(96)	0	(96)	Expected credit loss impairment	(4)	0	(4)
(69,365)	**0**	**(69,365)**	**Interest payable and similar charges**	**(71,309)**	**0**	**(71,309)**
0	621	621	Interest income	0	648	648
0	**621**	**621**	**Interest and investment income**	**0**	**648**	**648**
(69,365)	**621**	**(68,744)**	**Net gain / (loss) for the year**	**(71,309)**	**648**	**(70,661)**

Note 18 – Cash and Cash Equivalents

Additional wording included to highlight our accounting policy, that we do not include third party funds / bank accounts.

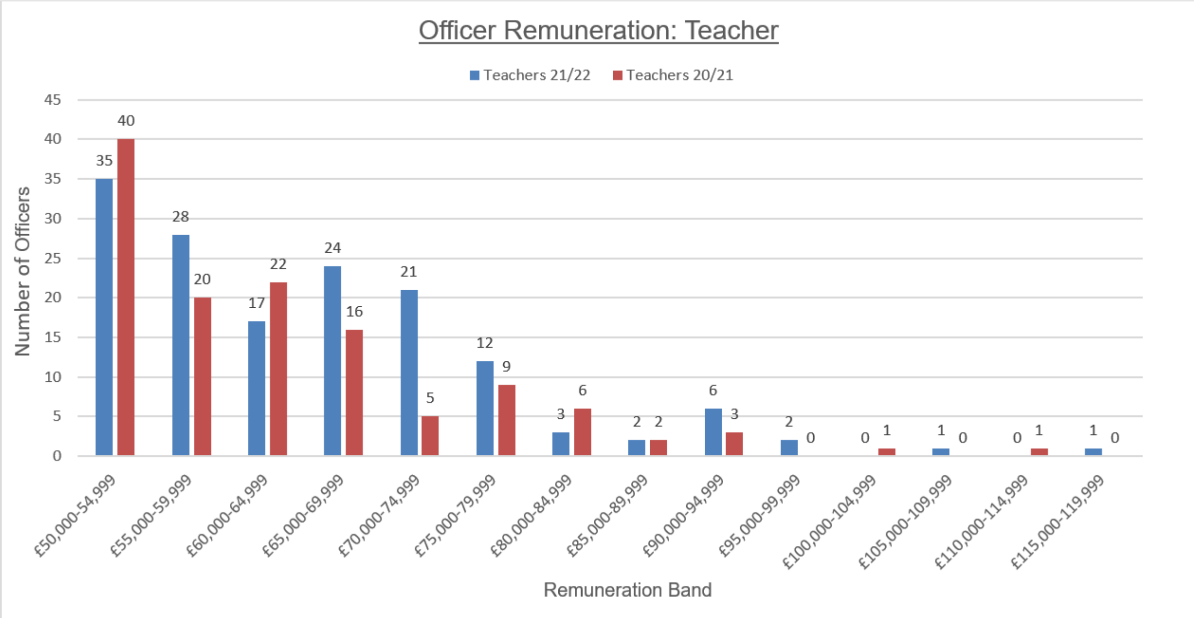
Revised version (21 September 2023):

In accordance with the accounting policy for Cash and Cash Equivalents detailed in Accounting Policies, we do not include third party balances which as at 31st March 2022 was £9.8m (£6.9 as at 31st March 2021).

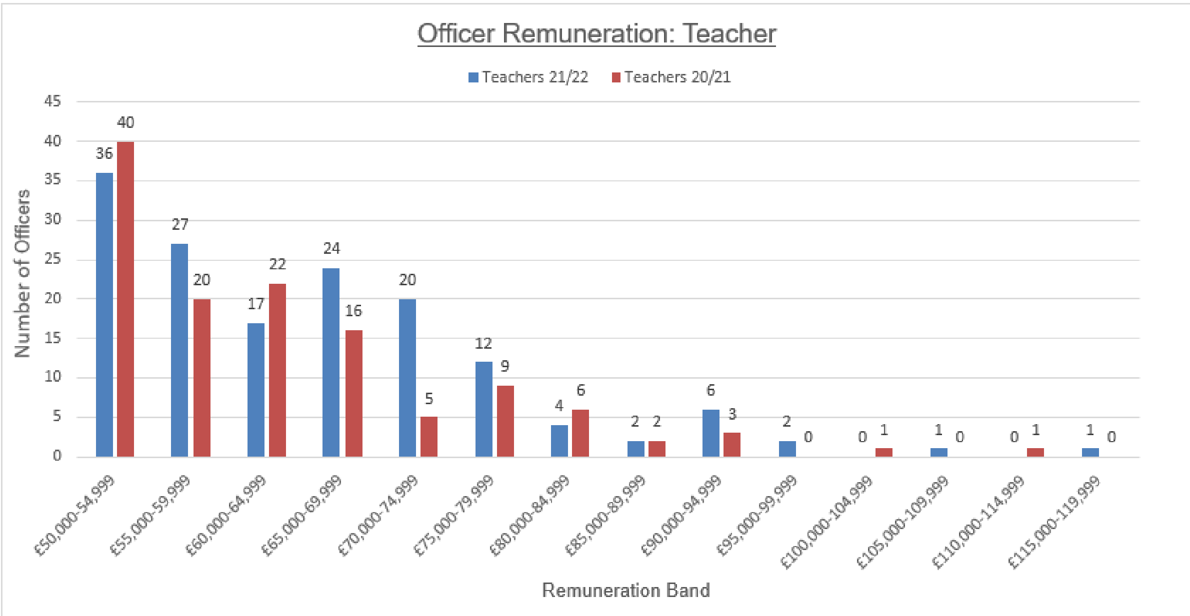
Note 43 – Officers Remuneration

Correction to bandings with 1 teacher moving from the '£55,000-59,999' band to the '£50,000-54,999' band and a further teacher moving from the '£70,000-74,999' band to the '£80,000-84,999' band.

Approved version (9 March 2023):



Revised version (21 September 2023):



Note 45 – Post Employment Benefits

Additional wording included on Sheffield City Trust's (SCT) pension scheme to ensure consistency with SCT's group Statement of Accounts.

Revised version (21 September 2023):

On 31 March 2022, the historic assets and liabilities of the Sheffield City Trust's South Yorkshire Pension Scheme were subsumed by the Council's South Yorkshire Pension Scheme and the Trust has been discharged of its net pension liability.

Accounting Policies

Correction to the Street Lighting useful life from 20 years to 40 years.

Approved version (9 March 2023):

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are as follows:

Infrastructure Assets	Useful Life
Carriageways	40
Footways and cycle tracks	40
Structures (bridges, tunnels and underpasses)	40
Street lighting	20
Street furniture	20
Traffic management systems	20

Revised version (21 September 2023):

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are as follows:

Infrastructure Assets	Useful Life
Carriageways	40
Footways and cycle tracks	40
Structures (bridges, tunnels and underpasses)	40
Street lighting	40
Street furniture	20
Traffic management systems	20

Note 4 – Going Concern

Due to the audit delay the Going Concern narrative and figures have been updated for the latest cash flow, budget and reserve position.

SHEFFIELD CITY COUNCIL

STATEMENT OF ACCOUNTS 2021/22

Audited

For the period
1 April 2021 to 31 March 2022

Contents

Narrative Report by the Director of Finance and Commercial Services

1) INTRODUCTION

Purpose of the Narrative Report

Sheffield City Council is a large and diverse organisation and the information contained in these accounts can be technical and complex to follow. The purpose of the Narrative Report is to provide information on the authority, its main objectives and strategies and the principal risks that it faces. The Narrative Report therefore presents a summary of the City Council's financial position and performance for the year and its prospects for future years.

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. These statements and notes have been prepared in accordance with the 2021/22 Code of Practice on Local Authority Accounting (the Code) together with disclosure notes as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A glossary can also be found towards the end of these accounts to help explain some of the accounting terms used.

2) THE IMPACT OF THE PANDEMIC

The Coronavirus pandemic dominated every aspect of our lives in 2020 and 2021, creating disruption, economic instability, serious illnesses, and the unfortunate loss of loved ones. The Council is still dealing with the consequences of the pandemic including increased demand for health and social care services creating pressure on Council budgets. The Council has continued to administer Central Government support for businesses in 2021/22, including grants, business rate reliefs and additional restrictions payments of over £91.7m. This work has all been in addition to delivering the critical elements of the Council's general services, such as providing care for the elderly, support for vulnerable children and families, and the usual place-based services such as emptying bins, maintaining roads and running parks.

In addition to support for businesses the Council has administered the significant levels of Central Government support to other organisations such as care homes and leisure providers, as well as payments to support individuals financially affected by the pandemic. The Council has also received almost £17.7m in un-ringfenced support for its general costs and a further £2.1m for lost sales, fees and charges income.

During 2021/22, the main COVID-19 related grants received, and their purposes, are shown in the Figure 1 below. Further grants continue to be received on a monthly basis.

Figure 1. COVID-19 related grants and their purposes

Grant	Purpose	Amount £'m
General support		
General un-ringfenced support	General support for Council services.	17.7
Sales, fees and charges	Support to the Council for lost sales, fees and charges income.	2.1
Leisure centres	Support for leisure facilities	1.5
Local Tax Income Guarantee Scheme	To compensate local authorities for 75% of irrecoverable losses in council tax and business rates income.	2.6
Businesses		
Business rates relief	To reduce the business rate bills payable by businesses. Compensates the Council for the equivalent lost income.	45.9
Business Support	Funds paid to small businesses, retail, hospitality and leisure forced to close because of either local or national restrictions imposed by Central Government. Includes the Local Restrictions Support Grant (LRSG), Restart Grant, Omicron Hospitality and Leisure Grant (OHLG) and Additional Restrictions Grant (ARG).	45.8
Others		
Local Council Tax Support (LCTS) Grant	Help with the expected increase in the cost of LCTS.	5.6
Household Support Fund	Help support the families most in need	2.6
Welcome Back Fund	Prepare for the safe reopening of high streets.	0.6
Test & Trace Service Support Grant	Support for people required to self-isolate.	1.0
LA Framework / Practical Support for those Self Isolating	Help people overcome the practical challenges of being asked to self-isolate.	1.3
Contain Outbreak Management Fund (COMF)	To help contain the spread of infection, via testing, tracing and contain activities.	4.6
Clinically Extremely Vulnerable (CEV)	Provide support to CEV people who need it.	1.0
Infection Control and Testing Fund	To support infection control and testing within care homes. Payable to those homes.	9.1
Adult Social Care – Omicron Support Fund	Support the adult social care response to COVID-19 in January 2022.	0.7
Workforce Recruitment & Retention Fund	To support LAs & providers to recruit & retain sufficient staff over winter.	5.2
Winter Grant (Local Support) Scheme	Support paid to families over the winter (free school meals, heating, etc.).	3.7
Vaccination and Testing Support	Promote vaccine uptake amongst hard-to-reach areas and identifying asymptomatic cases through local testing.	1.0
Schools support	Various grants to schools.	1.0
Miscellaneous	Other grant schemes.	0.5

The scale of COVID-19's impact necessitated a whole-city response, with partners from across the public, private and voluntary, community and faith sectors collaborating and working alongside Sheffield's communities to respond to a rapidly changing emergency. Although the vaccination programme has thankfully seen a decline in the number of cases, hospitalisations and deaths, the threat of new variants and further waves of infection remains. The Council remains committed to helping the city through the pandemic, and in assisting in the recovery of jobs, growth and prosperity afterwards.

3) SHEFFIELD AS A PLACE

Sheffield is an ambitious city and is England's fourth largest city in terms of population. Historically the centre of the world's steel industry, Sheffield has now diversified as a major centre for advanced manufacturing and engineering, as well as being home to a thriving creative and digital sector and a cultural hub for the arts and for leisure activities. Sitting on the edge of the Peak District, Sheffield is known as the outdoor city, something in which we take great pride.

Even without the effects of the pandemic, like many UK cities, Sheffield faces a wide variation in the levels of income within the city. However, unlike many cities, it has been successful in attracting and retaining its higher income inhabitants within its city boundaries. Consequently, Sheffield is home to some of England's most prosperous suburbs. However, the city also has areas of significant poverty, including some of the most deprived neighbourhoods in England. These income, health and other inequalities provide a major backdrop and challenge to the services the Council provides.

In normal times Sheffield also welcomes over 70,000 students from across the UK and the wider world to its two universities which enjoy enviable reputations, with the University of Sheffield being part of the prestigious Russell Group of leading research-intensive universities. Sheffield Hallam was named University of the Year at the 2022 Educate North Awards, in recognition of the number of graduates going on to gain quality jobs, widening access to higher education, and the positive impact the University has on the region. It was also named University of the Year in 2021 in the Social Mobility Awards and Outstanding Entrepreneurial University at the Times Higher Education Awards 2021 which recognises the entrepreneurial principles embedded throughout the whole University's approach. The city's Universities offer world-recognised research and innovation, as well as a student life often voted one of the best in the UK. Excellent cultural, sporting and leisure facilities help to attract students, and often to retain them after graduation.

With a number of redevelopments either in progress or planned as part of the Council led Heart of the City II development, coupled with a wide range of large and small retail outlets in the city centre, and the major shopping and leisure mall at Meadowhall, Sheffield continues to attract many visitors not only for its retail offer but also to the city's many parks and museums. Annually Sheffield hosts a range of cultural events and sporting activities including welcoming the snooker world championships, which have been held at the City's Crucible Theatre since 1979, the annual Doc/Fest, and the Tramlines festival, to name but a few. In July 2022, Sheffield hosted group stage matches of the UEFA Women's Euro football championships.

The City's reputation for research and innovation has helped attract a range of world leading companies to Sheffield. As well as the established manufacturing industry, the Advanced Manufacturing Research Centre, situated within both Sheffield and Rotherham, has attracted companies such as McLaren and Boeing as well as hosting Factory 2050 – a UK first and state of the art factory that is helping to put the UK at the forefront of manufacturing technology research and development globally.

4) SHEFFIELD CITY COUNCIL

2021/22 has been a year of significant change in both the political administration of the Council and in the way the City Council is governed. In response to the May 2021 Council referendum, during the year, the Council prepared to change its system of governance to a modern Committee system from May 2022. The 2021 elections also resulted in the Council being in “no overall control” (i.e. no party has an absolute majority of seats on the Council). A co-operation agreement between the Labour and the Green groups was established and an administration formed to take forward a range of policy priorities agreed between the two parties. The Council also established Local Area Committees from summer 2021, delegating more decision-making powers to local areas.

Financially, like most other local authorities in England, the Council faces a number of challenges in the coming years. For example:

- mitigating the impact of the pandemic on businesses and jobs, and supporting the city’s recovery.
- potential reductions in Central Government funding beyond 2022/23 onwards. Any reductions would be especially challenging to cope with, given the fall of more than £200m of funding reductions since the 2010 recession and the consequent “austerity” agenda.
- demographic change and an ageing population which continue to put pressures on our services, in particular our social care services that support the most vulnerable in our society.
- the impact of Brexit continues to cause considerable uncertainty. The full impacts of Brexit have not fully flowed through the economy; we have seen have been significant implications in labour market shortages, increasing supply chain costs and a marked hesitancy by businesses to invest whilst Brexit impacts remain unclear affecting Business Rates growth forecasts.
- The war in the Ukraine has triggered further economic damage with rising food and fuel prices impacting the cost of living across the country. In 21/22 we saw the consumer price index jump from 1.6% to 6.2% creating cost pressures in our own supply chain and financial challenges to those we support in the city.

Nevertheless, the Council remains ambitious for the city, with a range of projects underway. In particular the Council is leading the construction of a range of modern retail, office and residential accommodation as part of the £370m Heart of the City re-development, whilst more generally the city centre has been transformed over recent years, with the significant regeneration of The Moor and continued developments around Kelham Island.

During 2018/19 the Council approved a radical Ethical Procurement Policy, which is shaping how we spend our money over the coming years. Over time, this policy will seek to increase the proportion of our supply chain that meets the real Living Wage. The policy will also increase the proportion of our spend in the local economy, as managers are mandated to seek at least one local tender in every three. Our local spend ratio shows over 40% of our spend is local. Our Ethical Procurement Policy forms an integral part in our procurement activities and provides clear guidance for establishing internal and external relationships essential for operations and long-term growth.

The Council employs approximately 8,600 people in full-time and part-time positions, with a further 4,900 people approximately employed by schools. The Council is committed to ensuring that its workforce is representative of the communities that it serves, and whilst this is not yet fully the case, we are taking significant steps through our workforce planning, recruitment, learning and development, and employee engagement work to rapidly improve this picture.

The Council is also committed to training and developing its workforce, and it employs apprentices in a wide variety of roles. From April 2017, the Council pays an apprenticeship levy at 0.5% of the Council's total pay bill. This money is used to pay for apprenticeship training and to implement an approved apprenticeship standard for both new recruits and existing employees. New types of apprenticeship standards are available to accredit specific specialist roles to a professional standard, including degree level. Since 2017 there have been over 400 apprenticeships started at the Council.

5) THE CITY COUNCIL'S CORPORATE AIMS AND OBJECTIVES

In July 2021, the Council approved a One Year Plan, designed to help Sheffield rebuild from COVID-19, empower communities and deliver for the city and its amazing people.

As well as immediate actions for 2021/22, the plan laid the foundations for long term change. We want Sheffield to flourish as a modern city that is socially and environmentally just, with great opportunities and wellbeing for everyone.

There were four areas in the One Year Plan, with clear priorities and actions in each:

- *Communities and Neighbourhoods*: focusing on our ambition for all communities to love and be proud of where they live, to have great facilities, to feel safe, live without discrimination and be healthier and happier.
- *Education, Health and Care*: our ambition is for every person in Sheffield to be able to achieve their full potential. We want to address educational inequalities and support people to stay fit and healthy, so fewer people reach crisis point and families can thrive.
- *Climate Change, Economy and Development*: our ambition is for Sheffield to be a flourishing, sustainable and inclusive city, creating opportunity and great jobs for Sheffielders. Working with businesses towards a dynamic environment for enterprise and innovation and achieving net zero carbon by 2030.
- *Our Council*: we want to lead boldly with purpose and decisiveness, putting the communities and people of Sheffield at the heart of everything and working hard to deliver excellence always.

As we draw to a close of the One Year Plan timeframe, the Council is working on the 22/23 Delivery Plan whilst reflecting on the achievements made during the year:

- We held a city-wide summit on poverty, engaging partners and stakeholders in agreeing key actions needed to tackle poverty.
- We brought back Local Area Committees, giving power back to our communities.

- We set out our 10 point plan to tackle the climate emergency in Sheffield. We supported local high street and district centre recovery including the Summer in the Outdoor City programme.
- We supported young people with 500 new apprenticeships, targeting support to those most at risk of being NEET (not in education, employment or training).
- We provided trauma-informed training to all schools to help them identify and support the growing mental health needs of children and young people.
- We delivered long term strategic direction and planning for Adult Social Care.
- We invested in new Sustainable Communities Officers; working with police and public services to improve safety and tackle anti-social behaviour.
- We began developing the Gleadless Valley Masterplan with the community.
- We held a local non-statutory inquiry into the management of the street trees dispute; continuing to build trust with communities.

Looking into 22/23, the Council is looking to build on these foundations as we set out our strategic goals and priorities as we develop our delivery plan. This will be the basis for all our future planning and help us become a good council that delivers high quality services for all in Sheffield.

The Delivery Plan is the first step on a four year improvement journey and will ensure that Sheffield City Council is in the best possible position to deliver the administration's priorities and be effective in working alongside communities and partners to build a more sustainable, inventive, and socially just Sheffield. As an employer and leader in the city, we need to aspire to be an outstanding organisation; a council of which all Elected Members, staff and citizens can be proud. Focusing on a small number of areas to deliver real improvements to the things that most matter to Sheffielders will give us a platform to build from over the coming years. It will put us in the best position to achieve our goals and ambitions for Sheffield and the people who live, work and visit the city.

Our Sheffield Delivery Plan 2022-23

We will continue to collaborate closely with partners in the city region and through our wider networks to lead the recovery of the economic area and maximise the city's influence on Government's approach. Including:

- South Yorkshire Local Resilience Forum – continuing to work with local authorities and statutory partners in South Yorkshire to co-ordinate recovery for all our communities.
- South Yorkshire Mayoral Combined Authority (SYMCA) – leading the Region's economic recovery alongside the Mayor and our neighbouring councils in (SYMCA).
- Core Cities – as a member of the Core Cities Cabinet, we will continue to support the development of intelligence and policy propositions for the future of cities in the UK.

6) PERFORMANCE

Sheffield City Council exists to improve people's lives and to make them easier. Under difficult financial circumstances and in the face of severe funding cuts, we have managed to keep the Council services running throughout the city. However, we continue to face significant budget challenges over the years ahead. Even before the impact of the Coronavirus pandemic, we faced annually increasing demand for our services as our population grows and ages. Now the pandemic and continued uncertain economic conditions has put additional pressure on our services, such as those that support vulnerable families, children, and older people. The pandemic has also decreased the income we receive from business and from council tax, as well as reducing the income from the city's leisure facilities and from areas such as car parking.

The impact of these increased costs and reduced income meant that we faced initial budget pressures of £78.6m when setting the Council's 2022/23 budget. Even after allowing for one-off Central Government COVID-19 funding, and a contribution from reserves to the budget, savings of around £52.7m need to be made to balance this budget, with further savings likely to be needed once the one-off Government funding drops away.

The Council's financial position has deteriorated during 2021/22, and looks set to deteriorate further during 2022/23, due to the level of forecast overspends for those two years. Following a review of reserves in 2021/22, the Council earmarked £70m of reserves that could be used to support the budget whilst improvements to the Council's financial position are made. This decision leaves the General Fund Balance untouched and will not affect the financial stability of the Council. The 2022/23 budget uses £14.5m of these earmarked reserves to balance the position. In addition, it requires the delivery of £52.7m of savings schemes to balance. In practice some of these schemes will prove difficult to implement in whole or part following consultation, and a number are unlikely to deliver a full year of savings during 2022/23. The earmarked reserves will support the timing and delivery risks associated with delivery of these savings.

Central Government funding for 2022/23 was confirmed in December 2021, leaving the financial position after 2022/23 uncertain. Obviously, there is not yet clarity either nationally or locally on the longer-term financial impacts of the pandemic. Central Government financial support has been available for 2020/21 and 2021/22 towards the costs of the pandemic. However, neither this support, nor the additional money for social care announced as part of social care reforms in autumn 2021, addresses the impact of ten years of cuts to Council funding between 2010 and 2020, nor the consequent structural under-funding of Local Government (LG), particularly in relation to social care. This Council, along with many others nationally and the bodies that represent LG, have repeatedly called for more clarity over the medium-term funding for LG, and for additional funding for social care. Increased certainty would allow the Council to plan for future service developments and activities to help the city recover from the pandemic and would inform the levels of savings required to balance budgets. However there have been no new multi-year funding announcements since the four-year settlement was announced in 2016.

The last few years have not been easy at Sheffield City Council, and there have been many difficult decisions to make, but we will always support and stand up for the people of Sheffield and hold ourselves to a high ethical standard as an employer and a local authority. We are ambitious for Sheffield – it is a brilliant and unique city, and we are working every day to make it even greater. The 2022/23 Budget continues to invest in the long-term economic potential of the city whilst standing up for and protecting services for those with the greatest need.

The combination of a decade of Government funding cuts and increasing demand on vital services has had a major impact on the money we have available to spend. Consequently, we set a 1.99% rise in Council Tax to support vital services in the city, plus a further 3.0% for the Adult Social Care precept. Consequently, this means that most properties in Sheffield are paying an extra 65p a week on their Council Tax bills from April 2022.

We used an online survey to ask people in Sheffield about their views on the approaches we are taking to meet the financial challenge and how we should prioritise the money we have to spend. Responses to the survey showed:

- In line with previous years, respondents said that their main priorities for more investment were some of our most critical and key services – particularly adult social care, children's social care and education. Public Health is also usually a key priority for citizens and with the impact of the COVID-19 pandemic, this has grown in importance. In priorities for spending, respondents indicated that Public Health (6 percentage point increase) and Housing Benefits (4ppt increase) showed the biggest year-on-year increases, with Planning, Highways and Transport (17 ppt decrease) and Waste Disposal/Recycling (15ppt decrease), suggesting the majority of respondents are happy to see funding stay the same in these areas. These changes may be due to the impact of the COVID-19 pandemic on lifestyles, for example less travel and mobility around the city due to lockdowns.
- In the 2021/22 budget consultation, we asked respondents about whether they agreed or disagreed with the proposed 1.99% increase in Council Tax for 2021/22. We stated that this increase would help protect key services and help the city's continued response to COVID-19. Two-thirds of respondents said that they agreed with the proposed increase with around 28% saying that they disagreed. When prompted to say why they gave this view, comments largely focused on two main themes: respondents recognising the challenges for local public finances following a decade of austerity and the role that increased Council Tax could play in supporting core services and the City's COVID-19 response; and concerns about the implications of higher local taxes for people on the lowest incomes and those who have seen their incomes reduce because of COVID-19.
- We also asked citizens about the proposed 3% increase in the Adult Social Care Precept which is specifically to invest in local adult social care services. In line with the response to the Council Tax question, over two-thirds of respondents said that they agreed with the proposal with just under a quarter (22%) of people disagreeing.
- In line with previous years, the majority of respondents said that they are keen to see us hold fees and charges at the current level (57%), with 31% suggesting that they would be happy to see fees and charges increased.
- We asked citizens how important they thought it was that we used our capital programme to invest in the city. Respondents strongly supported investment in the city's economy, essential maintenance and green and open spaces. Transport and housing investment were also seen as areas of significant importance.
- Apart from 'housing investment', in comparison with the 2020/21 budget consultation, there were some decreases in the percentage of respondents stating it is 'important' or 'very important' for the Council to invest in all the areas we asked about. For example, fewer people said that 'transport' was very important/important in this year's survey and some of this trend may be linked to the changes to people's living and working lives that the COVID-19 measures have brought.

- Finally, we asked respondents to provide any additional comments they may have or suggestions about how Sheffield City Council could save money, increase income or make savings. Respondents provided a very wide range of views and comments, but particularly focused in a number of areas:
    - Ways of working – the impact of COVID-19 and forced move to large-scale home working could provide an opportunity for rationalising of council office bases, so that more people could work from home for the long term, be based in local centres (e.g. libraries) and there should be increased investment in IT and the digitisation of services.
    - Being an efficient and effective council – a range of comments focused on the importance of Sheffield City Council being an efficient organisation with appropriate levels of officer pay, value for money contracts and effective at collecting Council Tax, levying appropriate fees and changes and using enforcement (e.g. parking fines).
    - Fair funding for councils – Government should be adequately and fairly funding local councils and Sheffield City Council should be lobbying for a fairer funding for the City.
    - Stronger community focus – a range of ideas and proposals centred on empowering Sheffielders to have more control and influence over their local area (e.g. funding for parks, libraries; taking responsibility for neighbourhood tidy-ups etc) or using innovative funding (crowd sourcing, Sheffield Investment Bonds) for citizens to contribute to new projects to improve the City.
    - Joining up and improving local services – looking at opportunities to learn from councils elsewhere but also closer joint working with public and VCF sector partners in the city and beyond (e.g. South Yorkshire) to improve quality and efficiency.
    - Focus on climate change – investing in the future and in particular, tackling the climate emergency by investing to make Sheffield a more sustainable city (clean/active travel regularly cited).

Further, as specific budget proposals are developed, services and portfolios across the council are required to produce Equality Impact Assessments (EIAs) on their budget proposals. This process ensures that services have fully considered any potential implications for their proposals for people in Sheffield (particularly the protected characteristics covered by the Equality Act 2010) and explain any mitigations that are necessary to avoid any unlawful discrimination that may result from the proposed changes.

7) FINANCIAL HIGHLIGHTS

The following summarises the headlines of this year's accounts.

- Revenue expenditure covers the day-to-day running costs of the Council's services which are grouped under three portfolios plus corporate. The net revenue budget for 2021/22, which included savings from General Fund services of £14.9m, was split by portfolio as shown in the Figure 2 below. The net expenditure was budgeted to be funded by £38m of Revenue Support Grant, £209m of Council Tax, £143m of the Council's share of National Non Domestic Rates (NNDR) including top up grant, and £26m of Social Care Precept. This income was offset by a £55m Collection Fund deficit created as a result of the accounting regulations in relation to Business Rates reliefs for 2020/21.

- The final outturn position was an overspend of £19.8m, equivalent to 5% of the Council's net revenue budget, shown in the Figure 3 below. Further details on the future financial outlook for the Council can be found in the Financial Outlook section of this Narrative Report.
- Social care remains the main area of cost pressures for the Council. The needs of an increasing number of older people, and people living with disabilities, and the pressures on families mean, in common with other Local Authorities, we have to devote an increasing proportion of our spending to social care, as shown by Figure 4 below (social care comprises the vast majority of the spend in our People Portfolio).
- The Place portfolio underspent by £3.8m against the budgeted position in the main following a better than expected recovery performance in the leisure industry post pandemic.
- The Council's net worth (value of total assets less total liabilities) has increased by £250m (or 19.2%) since 2020/21.
- Total usable revenue reserves decreased from £386.5m at 31st March 2021 to £375.2m at 31st March 2022. A further £50m of these reserves have been identified to fund the 2022/23 budget gap of £14.5m, but also to act as a buffer against future overspends and potential budget gaps. Total usable capital reserves increased by £16m from £198m to £214m (which includes £157m ring-fenced for Council Housing). Usable revenue reserves comprise both those which are earmarked for specific purposes, and those which are un-earmarked. Only £12.9m of the Council's reserves are un-earmarked, which is at the minimum recommended prudent level.
- £151m of capital investment was spent via the Capital Programme during the year, compared to £122.6m in 2020/21.

Figure 2. General Fund Service Savings by Portfolio

Portfolio	***Approved Savings £m***
People	9.7
Place	4.6
Resources	0.6
Total	**14.9**

Figure 2 shows the Council's savings from General Fund services, split by Portfolio for the financial year 2021/22.

Figure 3. Financial results by Portfolio

Portfolio	*Variance*
	£'000
People	22,431
Place	(3,843)
Resources	1,305
Corporate	(103)
Total overspend for the year	**19,790**

Figure 3 shows the Council's overspend for the financial year 2021/22 split by Portfolio with the total for the financial year 2021/22 at £19.8m.

Figure 4. Sheffield City Council 2021/22 Net Revenue Budget by Portfolio (£000)

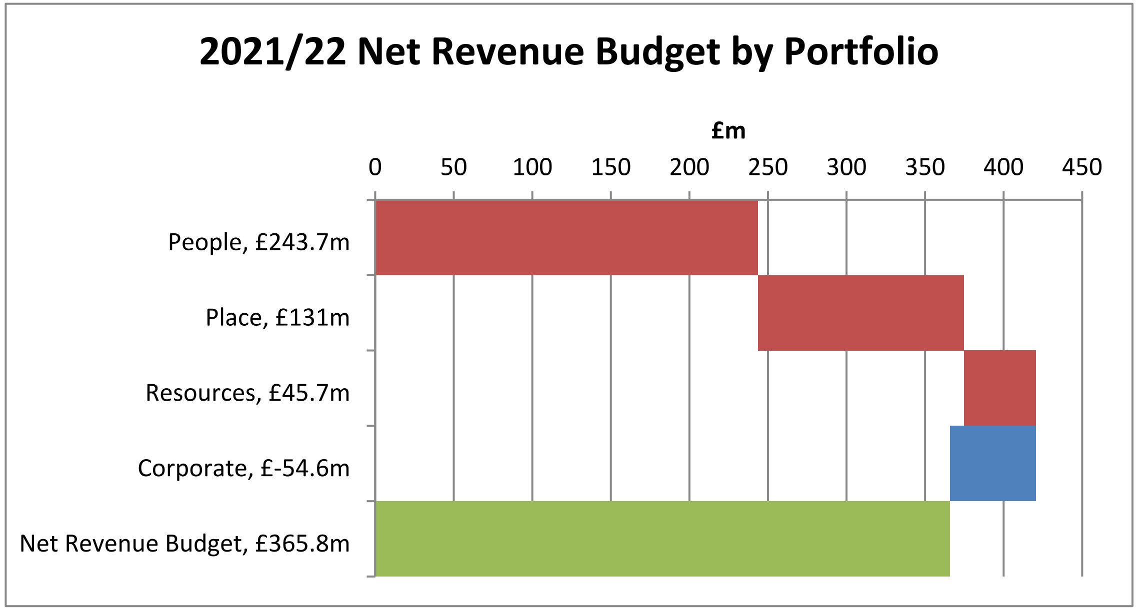


Figure 4 •shows the Net Revenue Budget of the Council for the financial year 2021/22 split by Portfolio, with the overall net revenue budget at £365.8m. It is worth noting this net budget is affected by a £55m collection fund account adjustment.

CAPITAL EXPENDITURE

Capital expenditure can broadly be defined as spending which creates and enhances assets that have a life of more than one year. The Council has an ambitious five-year capital programme which as at 31st March 2022 was valued at £1,053m. This investment will deliver a range of improvements across the city, including:

- Upgrading our transport infrastructure - to improve air quality and safety and deliver sustainable economic growth
- Building more social housing for our citizens – to enable more residents to live in high quality homes and regenerate brownfield sites
- Improving existing council housing stock - to improve tenants' quality of life and improve energy efficiency
- Enhancing parks and public spaces – to ensure people have access to high quality green spaces and improve biodiversity
- Protecting the city from flooding – to improve our resilience to climate change
- Regenerating our city centre – to support Sheffield's position as a thriving city with an attractive employment, leisure, retail and residential offer.

Sheffield has declared a climate emergency and our capital programme reflects our desire to reach net zero. Whilst this presents us with many challenges – particularly in the current climate of rising prices and supply chain difficulties we continue to focus on minimising our negative impacts on the environment in everything we do.

Image 1: Grey to Green 2, improving flood resilience

Image 2: Improvements to Porter Brook Pocket park

Image 3: Revitalised playground at Norfolk Park

Image 4: Burgess House – part of Heart of the City

Image 5: Proposed Older Persons Independent Living (OPIL) scheme at Hemsworth

Image 6: Proposed council houses at Newstead

The 2021/22 Capital Outturn is £151m against a revised budget of £193.8m, a variance of £42.8m (22%). The main reason for this difference is ‘slippage’, the extent to which, in terms of expenditure, capital projects are behind their original schedule. This will be carried forward into 2022/23, along with the resources identified to fund the schemes and reprofiling of allocations for themes of work or schemes not yet in delivery.

For further details, please refer to agenda item 11, final outturn report, on the Council’s website:

Strategy and Resources Policy Committee - Tuesday 5 July 2022 2.00 pm

8) KEY SECTIONS INCLUDED IN THE STATEMENT OF ACCOUNTS

Statement of Responsibilities

This sets out the respective responsibilities of the City Council and the Director of Finance and Commercial Services for the Accounts.

Comprehensive Income and Expenditure Statement

This account summarises the revenue costs of providing all Council services and the income and resources received in financing the expenditure.

Revenue expenditure is reported in the Council’s Accounts under the Comprehensive Income and Expenditure Statement (CIES). The CIES takes a wider view of financial performance than that shown in the General Fund and shows the accounting position for the year, namely a surplus of £250m. This surplus represents the total amount by which the Council’s net worth has increased during the year as shown in the Balance Sheet.

Movement in Reserves Statement

This statement shows the movement during the year of the different reserves held by the Council.

Balance Sheet

The Balance Sheet includes information on the Council's non-current and current assets, short term and long term liabilities and the balances at its disposal at the reporting date.

Cash Flow Statement

This statement provides a summary of the flow of cash into and out of the Council for revenue and capital purposes, based on the indirect method of presentation.

Expenditure and Funding Analysis Statement

The statement 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.

Notes to the Core Financial Statements

These notes expand on important points shown in the core statements and provide further explanation of movements and balances.

Housing Revenue Account (HRA)

This account reflects the statutory obligation under the Local Government and Housing Act 1989 to show separately the financial transactions relating to the provision of local council housing.

Collection Fund Statement

This statement summarises the transactions of Sheffield as a Billing Authority in relation to National Non-Domestic Rates and Council Tax, and also illustrates the way in which income has been distributed to the Precepting Authorities (e.g. South Yorkshire Fire and Police).

Usable Reserves (Note 34)

Reserves are reported in two categories, usable and unusable. This section is concerned with 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 note shows a breakdown of usable reserves. Of the different components shown in the table, the General Fund is the only component which is not earmarked for a specific purpose. At £12.9m or around 3.5% of the 2021/22 net revenue budget, the General Fund is low in comparison to most other major cities. If this were ever used, it would have to be replaced as soon as possible as the Council would always need a minimum level of emergency reserves.

Significant changes in accounting policies

The Council’s financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the CIPFA Code of Practice on Local Authority Accounting 2021/22. The accounting policies presented in Note 1 to the financial statements are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

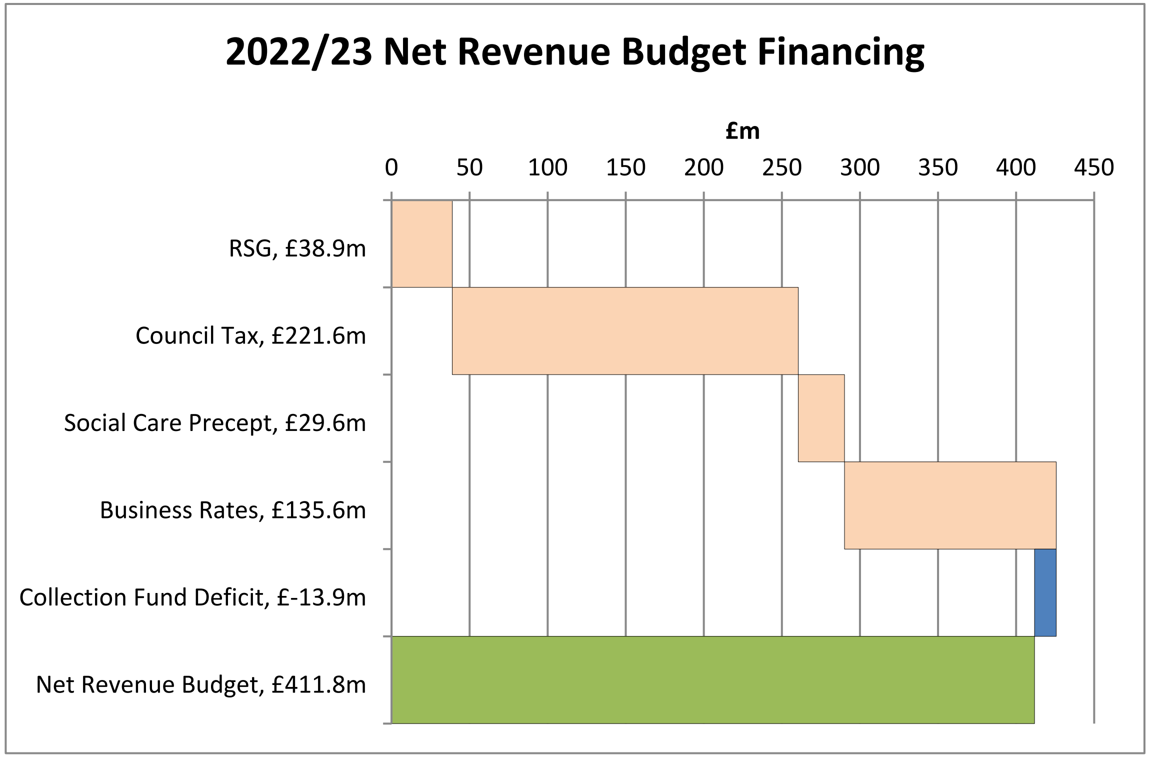
There have been no significant changes in accounting policies during 2021/22.

9) FINANCIAL OUTLOOK

This section provides a summary of what the future holds for the Council's finances. Further details can be found in the 2022/23 Revenue Budget (approved by Full Council on 1 March 2022) and the Medium Term Financial Analysis 2022/23 to 2025/26 approved by Cabinet on 20 October 2021.

The 2022/23 Revenue Budget shows the Council's Net Revenue Budget of £411.8m is funded as shown in Figure 5 below:

Figure 5. Sheffield City Council Financing of the 2022/23 Net Revenue Budget (£m)



Local Government Finance Settlement

After releasing details of the Provisional Local Government Finance Settlement on 16 December 2021, the final Local Government Finance Settlement figures for 2022/23 were confirmed on 8 February 2022.

As shown in the chart, the net revenue budget for 2022/23 totals £411.8m, and comprises four main sources of income, less a large one-off amount of £13.9m “Collection Fund Deficit”. This deficit was created as a result of the prescribed accounting treatment for Expanded Business Rates Reliefs, but has been funded by a Central Government grant received late in 2021/22 which was added to Earmarked reserves.

When compared to the early 2010s, the proportion of each of these income sources has changed significantly. Revenue Support Grant (RSG), funding from Central Government, has steadily reduced over the past decade, reducing from £192m in 2013/14 to £39m for 2022/23. As a result RSG now only accounts for less than 10% of the net revenue budget. Resources raised from local residents and businesses are now overwhelmingly the main sources of funding the Council’s net revenue budget, with council tax, including the Social Care Precept, at 61%, and Business Rates and the Collection Fund Deficit totalling 30% of net revenue budget.

After adjusting the net revenue budget for the impact of the accounting treatment of the Collection Fund deficit, the Council’s available resources are improved compared to 2021/22. However, whilst some Central Government grant funding has been provided for 2022/23, and the Council has taken the difficult decision to increase local taxation, overall funding is still insufficient to cope with the, nationally acknowledged, demand and cost pressures in Children’s and Adult Social Care, nor does it offset the impact of a decade of Central Government cuts to local authorities. It is the demand for these services, coupled with inflationary cost pressures, which, if left unchecked or underfunded, will create long term financial sustainability issues for the Council.

The Council will continue to lobby for additional funding for Local Government, and for the recognition that deprivation is a key driver of the costs of local authorities. In addition, it will continue to lobby for adequate compensation for the longer term costs and reduced income arising from the COVID-19 pandemic.

Until funding increases, the Council will continue to prioritise protecting services for the most vulnerable, will continue to seek to deliver its services as efficiently as possible, and will make a prudent use of its reserves to cash-flow the transformation of its services towards a more preventative and personalised model. The Council will also look to integrate services as far as possible with its key partners, in particular its social care services with the NHS. Figure 6 below shows how an increasing proportion of the Council’s spending has been devoted to social care services over the past ten years.

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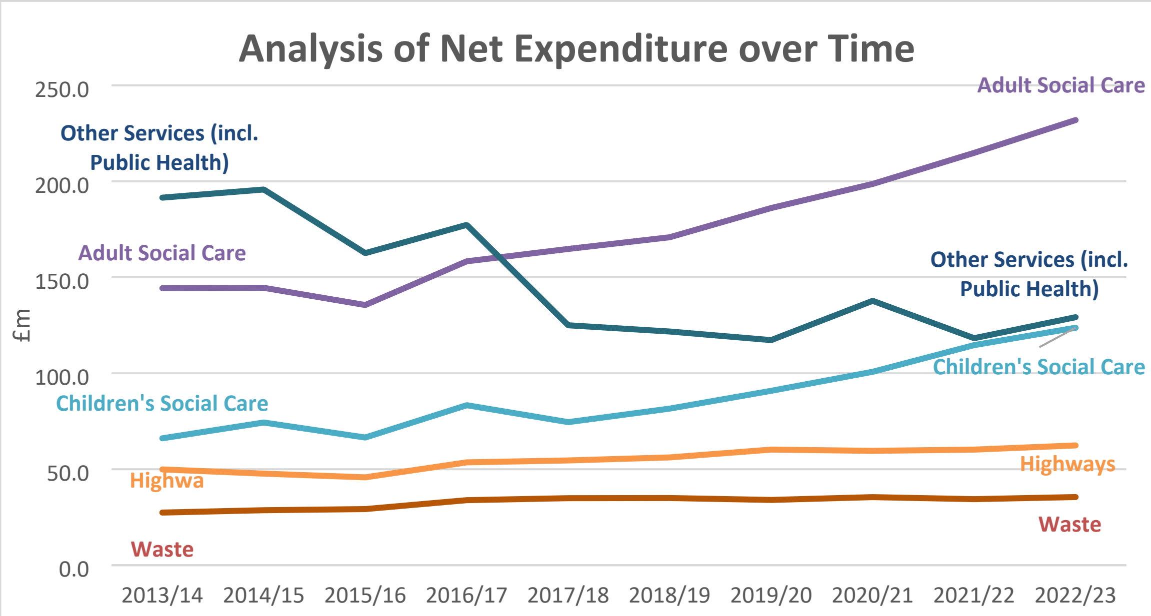
Figure 6. Proportion of Sheffield City Council's spend by area



10) KEY RISKS

The Council has a risk management strategy in place to identify and evaluate risk. It includes clearly defined steps to support better decision making through the understanding of risks, whether they represent a threat or a positive opportunity. These risk management processes are subject to regular review and updating.

We have identified the following key risks:

Risk description	Impact	Mitigations
Medium Term Financial pressures/ Budget Pressures	Continuing constraints on local government funding, continuing service and cost pressures, alongside uncertainty about future funding increase the risk of not being financially	A robust business planning process is in place, with formal updates on the four-year position annually, and at least quarterly reporting to the

	solvent. Additionally, the impact of the COVID-19 Pandemic, Brexit and now the cost of living crisis have all added to the pressures.	Performance & Delivery Board on the financial position. This has enabled the Council to deliver to date whilst maintaining satisfactory level of reserves.
Service demands for both Adults and Children's & Families	The risks and resource requirements to meet increased demand within each Portfolio have been further impacted by external events e.g.: COVID-19. Services are very challenged due to reduced available staff, budget limitations etc.	Continual review and reporting of services and processes to maximise use of resources and manage caseloads.
Universal Credit (UC) – HRA & Council Tenants	The roll out of UC poses a significant financial risk to the HRA as income will be paid to tenants rather than directly to the HRA. Currently over 10,000 tenants have moved to UC and this could result in unpaid rent, increased arrears and reduced HRA income. The cost of living crisis will further impact this risk.	Extensive work has been undertaken with customers and stakeholders to minimise the impact UC has on rent arrears. This includes: • Dedicated team to support new UC claimants. • Budgeting support. • Access to HRA hardship funds. • Supporting tenants to understand and make claims. • Promotion of DD as preferred payment method. • Close relationship with Sheffield Credit Union. • Close working with partners such as DWP, Citizens Advice.
Health & Safety & Wellbeing in the Workplace	Having inadequate health, safety and wellbeing arrangements in place and failing to comply with statutory duties under Health & Safety legislation could lead to prosecution, intervention fees, litigation and reputational risk.	Continuous development, maintenance, improvement of the Health and Safety Management System (aligned to ISO 45001:2018 and HSE HS(G)65 Successful Health and Safety Management model Plan Do Check Act). • Workplace audit and inspection programme. • Publication of risk information, risk assessments, Standard Operating Procedures, safe systems of work etc.

		• External audit and scrutiny through external auditors. • Health and Safety consultation meetings monitor performance.
Supertram financial sustainability	Non provision of COVID-19 financial support could lead to Stagecoach Supertram ceasing or a significant reduction in Supertram services in Sheffield.	Work is ongoing with partners to look at the mitigations for this event both on day-to-day operations and renewal options.
Care Home Provider - Financial Sustainability	Unmanaged or closures of Care Homes, present significant risks to vulnerable residents.	The Care Home strategic review has assessed future demand and recommended market management to reshape provision over the next few years to meet longer term demand and expectations. The volatility of the market due to high vacancies means part and whole provider led closures are still expected over the coming year. Although, intelligence gathering from care homes in the city suggests that these will be managed and ensure continuity of care for residents needing to move - and are less likely to result in market failure than previously feared. The overriding concern is the safety and welfare of residents.
Home care provision	The Pandemic has exacerbated the challenges for home care in the city regarding recruitment and retention, alongside increasing demand for this type of care.	A detailed Home Care Crisis Response Plan has been put in place with a wide range of risk treatments, across the short, medium and longer term, involving colleagues in a wide spectrum of health and social care. The adult social care home care transformation programme will deliver the systemic changes needed to ensure excellent quality and sustainable home care that will be contractually embedded in the re-procurement of homecare

		which will establish the new Care and Wellbeing Services 'go live' in April 2023.
2030 – Carbon Neutral targets	The Council has voiced its ambition to be carbon neutral by 2030. A corporate approach to delivering this work and a suitable framework to underpin it is required. Failure to implement this will result in the Council and the City not able to achieve this ambition.	This area is under active consideration as part of the new Co-operative Executive priorities for Sheffield.
Clean Air Zone	Linked to the risk above, a Clean Air Charging Zone is to be introduced to Sheffield. The pandemic has impacted on delivery dates and activities.	SCC are working with central government departments on this, and this is expected to be implemented in 2022.
Building Maintenance Backlog costs	The backlog in building maintenance for the Council's corporate estate has the potential to cause serious disruption or closure of key buildings due to potential failing elements e.g. mechanical & electrical systems.	A number of financial and operational activities are being undertaken to ensure that this area is addressed, including a review of the current estate and prioritisation of essential and non-essential works.
Partnership working with NHS	There is a risk of ineffective collaboration leading to poor outcomes for clients and inability to meet financial challenges. This risk is heightened due to forthcoming changes to the NHS structure with the introduction of a countywide Integrated Care System (ICS), which may cause disruption to existing place-based collaboration.	Joint working groups are in place to shape the future delivery of services, alongside regular monitoring of joint commissioning arrangements. In recent months the risk position has improved.
Funding SEND learners	Significant pressure on budgets, leading to failure to meet the needs of SEND learners – which are demand led.	Inclusion strategy and action plan in place to address this. The Inclusion Task Force is continuing to develop a consistent city-wide approach to SEND.
Cyber Security	Potential Council-wide loss or unavailability of information due to malicious software.	There is ongoing preventative, technical and resilience work to address this ever-present risk.

Non-compliance with COVID-19 grant conditions	Since the onset of the Pandemic, the Council has been awarded a large number of COVID-19 Grants. Due to the plethora of these grants, the Council may not have capacity to adhere to grant conditions.	The External Funding Team (EFT) continue to review compliance with grant conditions robustly. The Team continues to work closely with Legal and Services to expedite the receipt and approval of COVID-19 related claims.
SIV/Sheffield City Trust – financial pressure on SCC	The Trust have been unable to meet their business plan projections – resulting in an unsustainable future, which in turn creates further financial pressure on SCC.	A joint programme between portfolios has been undertaken to oversee key actions. The aim is to produce a financially sustainable long-term strategy for the future of leisure, sport and entertainment venues in Sheffield. The Council and the Trust expect to conclude a funding agreement covering the period to 2024.

11) GOVERNANCE

The Council's governance arrangements are discussed in the Annual Governance Statement which accompanies these accounts.

12) CONCLUSION

Sheffield City Council has successfully delivered significant General Fund budget savings in the past ten years to mitigate over £200m of grant reductions as well as demand and inflation cost pressures over the same period. Despite these pressures, the Council has managed to produce a balanced budget for 2022/23, which includes additional General Fund savings of £52.7m. These ambitious savings include proposals set out in the Social Care Recovery Plans aimed at controlling or mitigating the cost and demand pressures.

Further cost challenges during 2022/23, mainly in the Council's social care budgets, reflecting some increased demand for services and significant rises in the costs of provision following the pandemic, mean that at June 2022, the Council is forecasting that its 2022/23 budget will be overspent by approximately £17m. In addition to using £14.5m worth of reserves to balance the budget. The Council has reviewed its reserve balances and identified sufficient sums that can be released to cover this deficit. 2023/24 will present an even more challenging position unless significant mitigations towards recurrent overspends are brought forward. The Council's outlook, with uncertainty on Central Government funding, increasing social care pressures and inequalities exacerbated by the pandemic, remains extremely challenging, but the Council has a robust existing financial base from which to face that challenge.

Since the balance sheet date, the level of inflation in the UK and across much of the world has increased materially with CPI running at historically high levels and expected to continue to be high throughout the 2022/23 financial year. This will inevitably place additional strain on Council finances if government funding does not increase to offset inflationary pressures. This strain will affect the Council in two ways, firstly direct and indirect cost pressures as prices and wages rise, but also because the financial hardship that inflation causes for people on lower incomes is likely to increase demand for Council services. At the time of writing, it is hard to assess the full impact, but this will have to be built into the Council's financial planning for 2023/24 and beyond.

13) FURTHER INFORMATION

Further information about the Council's Statement of Accounts is available upon request from the following e-mail address:

financialplanning&accounts@sheffield.gov.uk

The Statement of Accounts can be downloaded from the Council's website:

http://www.sheffield.gov.uk/home/your-city-council/statement-accounts

If you have any problems understanding this publication or have any suggestions as to how it may be improved, please contact us via the e-mail address above. Please note that local electors and taxpayers have a statutory right to inspect the Council's Statement of Accounts and all related books, deeds, contracts, bills, vouchers and receipts before the external audit has been completed, and to question the auditor. The public notice confirming availability of the accounts for such inspection is advertised on the Council's website and in public notice areas.

Statement of Accounts

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance and Commercial Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Responsibilities of the Director of Finance and Commercial Services

The Director of Finance and Commercial Services is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Philip Gregory
Director of Finance & Commercial Services (Section 151 Officer)
XX October 2023

In preparing this Statement of Accounts, the Director of Finance and Commercial Services has:

- Selected suitable accounting policies and then applied them consistently,
- Made judgements and estimates that were reasonable and prudent,
- Complied with the Local Authority Code.

The Director of Finance and Commercial Services has also:

- Kept proper accounting records, which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future and maintained such internal control as determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Core Financial Statements

Comprehensive Income and Expenditure Statement (CI&ES)

2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000		Notes	2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000
			Continuing Operations:				
604,227	(302,071)	302,156	People		633,487	(323,799)	309,688
171,947	(168,467)	3,480	Schools		178,482	(172,410)	6,072
263,017	(76,667)	186,350	Place (excluding HRA)		296,838	(107,822)	189,016
6,612	(3,013)	3,599	Policy, Performance & Communications		6,926	(2,700)	4,226
183,013	(165,324)	17,689	Resources		177,235	(164,228)	13,007
557	835	1,392	Corporate		1,257	(3,023)	(1,766)
1,229,373	**(714,707)**	**514,666**			**1,294,225**	**(773,982)**	**520,243**
109,688	(151,974)	(42,286)	Housing Revenue Account (HRA)		212,640	(154,054)	58,586
1,339,061	**(866,681)**	**472,380**	**(Surplus) / Deficit on Continuing Operations**		**1,506,865**	**(928,036)**	**578,829**
		24,647	Other Operating Expenditure	9			151,938
		98,531	Financing and Investment Income and Expenditure	10			89,397
		(581,659)	Taxation and Non-Specific Grant Income	11			(577,597)
		13,899	**(Surplus) / Deficit on Provision of Services**				**242,567**
		(151,466)	(Surplus) / deficit on revaluation of non-current assets				(163,560)
		(449)	Re-measurements of the pension net defined benefit liability				(329,271)
		0	Any other (gains) and losses required to be included				148
		(151,915)	**Other Comprehensive (Income) and Expenditure**				**(492,683)**
		(138,016)	**Total Comprehensive (Income) and Expenditure**				**(250,116)**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (Council Tax). Councils raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (EFA) Statement and the Movement in Reserves Statement.

Movement in Reserves Statement (MIRS)

This statement shows the movement in the year 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 unusable reserves. It includes both revenue and capital usable reserves, most of which are held pending future spending commitments.

The (Surplus) / Deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The net (increase) / decrease before transfers to earmarked reserves line shows the statutory General Fund and Housing Revenue Account Balance before any discretionary transfers (to) or from earmarked reserves undertaken by the Council.

2021/22	Note	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account Balance £'000	Earmarked Housing Revenue Account Reserve £'000	HRA Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	**Total Council Reserves £'000**
	Note	34	34	34	34	34	34	34	34	35	
Balance at 31 March 2021		(12,851)	(361,682)	(7,782)	(4,171)	(98,837)	(65,564)	(33,729)	(584,616)	(716,517)	(1,301,133)
Movement in reserves during 2021/22:											
Total Comprehensive (Income) and Expenditure		172,576	0	69,991	0	0	148	0	242,715	(492,831)	(250,116)
Adjustments between accounting basis and funding basis under regulations	8	(163,244)	0	(81,567)	0	14,249	(13,236)	(3,656)	(247,454)	247,454	0
Net (increase) / decrease before transfers to reserves		9,332	0	(11,576)	0	14,249	(13,088)	(3,656)	(4,739)	(245,377)	(250,116)
Transfers (to) / from reserves	33	(9,332)	9,332	11,335	2,218	(13,553)	0	0	0	0	0
(Increase) / decrease in year		0	9,332	(241)	2,218	696	(13,088)	(3,656)	(4,739)	(245,377)	(250,116)
Balance at 31 March 2022		(12,851)	(352,350)	(8,023)	(1,953)	(98,141)	(78,652)	(37,385)	(589,355)	(961,894)	(1,551,249)

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2020/21 Comparative Information

	Note	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account Balance £'000	Earmarked Housing Revenue Account Reserve £'000	HRA Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	**Total Council Reserves £'000**
	Note	34	34	34	34	34	34	34	34	35	
Balance at 31 March 2020		**(13,151)**	**(258,605)**	**(7,651)**	**(3,478)**	**(76,851)**	**(66,677)**	**(26,429)**	**(452,842)**	**(710,275)**	**(1,163,117)**
Movement in reserves during 2020/21:											
Total Comprehensive (Income) and Expenditure		41,690	0	(27,796)	0	0	5	0	13,899	(151,915)	(138,016)
Adjustments between accounting basis and funding basis under regulations	8	(144,467)	0	3,576	0	1,410	1,108	(7,300)	(145,673)	145,673	0
Net (increase) / decrease before transfers to reserves		**(102,777)**	**0**	**(24,220)**	**0**	**1,410**	**1,113**	**(7,300)**	**(131,774)**	**(6,242)**	**(138,016)**
Transfers (to) / from reserves	33	103,077	(103,077)	24,089	(693)	(23,396)	0	0	0	0	0
(Increase) / decrease in year		**300**	**(103,077)**	**(131)**	**(693)**	**(21,986)**	**1,113**	**(7,300)**	**(131,774)**	**(6,242)**	**(138,016)**
Balance at 31 March 2021		**(12,851)**	**(361,682)**	**(7,782)**	**(4,171)**	**(98,837)**	**(65,564)**	**(33,729)**	**(584,616)**	**(716,517)**	**(1,301,133)**

Balance Sheet

The Balance Sheet shows the value, as at the Balance Sheet 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 is 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 may only be used to fund capital expenditure or repay debt. The second category of reserves is unusable reserves i.e. those that the Council is not able to use to provide services. This category 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.

As at 31 March 2021			As at 31 March 2022
£000		Notes	£000
1,382	Intangible Assets	27	692
3,235,817	Property, Plant and Equipment	23/23A	3,183,512
54,775	Heritage Assets	25	54,884
19,160	Investment Properties	26	18,780
159,570	Long term Debtors	16	125,507
3,470,704	**Long Term Assets**		**3,383,375**
120,000	Short Term Investments	14	182,000
1,366	Inventories		1,624
220,226	Short Term Debtors	17	207,179
160,797	Cash and Cash Equivalents	14 / 18	212,536
8,312	Assets Held for Sale	28	7,684
510,701	**Current Assets**		**611,023**
(16,977)	Short Term Borrowing	14	(15,665)
(301,458)	Short Term Creditors	19	(305,143)
(11,570)	Short Term Provisions	20	(12,107)
(19,631)	PFI / PPP Finance Lease Liability	14 / 24	(20,657)
(46,199)	Capital Grants Receipts in Advance	12	(45,086)
(395,835)	**Current Liabilities**		**(398,658)**
(855,567)	Long Term Borrowing	14	(897,489)
(17,257)	Long Term Provisions	20	(16,237)
(340,777)	PFI / PPP Finance Lease Liability	14 / 24	(320,120)
(1,001,114)	Pension Liability	45	(744,427)
(43,605)	Other Long Term Liabilities	21	(33,206)
0	Revenue Grants Receipts in Advance	12	(7,131)
(26,117)	Capital Grants Receipts in Advance	12	(25,881)
(2,284,437)	**Long Term Liabilities**		**(2,044,491)**
1,301,133	**Net Assets**		**1,551,249**
(584,616)	Usable Reserves	34	(589,355)
(716,517)	Unusable Reserves	35	(961,894)
(1,301,133)	**Total Reserves**		**(1,551,249)**

The Statement of Accounts was approved and authorised for issue by the Director of Finance and Commercial Services and the Audit and Standards Committee, in accordance with the Accounts and Audit (England) Regulations 2015 on XX October 2023.

Philip Gregory
Director of Finance & Commercial Services (Section 151 Officer)
XX October 2023

Councillor Mohammed Mahroof
Chair of the Audit & Standards Committee
XX October 2023

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement 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 claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2020/21			2021/22
£000		Notes	£000
(13,899)	Net surplus or (deficit) on the provision of services		(242,567)
271,209	- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	36	403,685
(59,633)	- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	36	(72,246)
197,677	**Net cash flow from operating activities**		**88,872**
(63,053)	Investing activities	37	(79,917)
(107,972)	Financing activities	38	42,784
26,652	**Net increase / (decrease) in cash and cash equivalents**		**51,739**
134,145	Cash and cash equivalents at 1 April	18	160,797
160,797	**Cash and cash equivalents at 31 March**	18	**212,536**

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Expenditure and Funding Analysis (EFA) Statement

The Expenditure and Funding Analysis (EFA) Statement is a supporting statement to the primary statements and 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 portfolios/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2021/22	**Notes**	**Outturn Position Reported to Internal Management**	**Adjustments for Items Not Reported to Internal Management**	**Net Expenditure Chargeable to the General Fund and HRA Balances Under Statutory Funding Provisions**	**Adjustments between the Funding and Accounting Basis**	**Other Adjustments**	**Net Expenditure in the CI&ES**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Notes					5		
People		284,827	(1,189)	**283,638**	26,050	0	**309,688**
Schools		0	(755)	**(755)**	6,827	0	**6,072**
Place (excluding HRA)		133,085	(261)	**132,824**	54,940	1,252	**189,016**
Policy, Performance & Communications		3,083	0	**3,083**	1,143	0	**4,226**
Resources		10,494	(1,303)	**9,191**	3,816	0	**13,007**
Corporate		(411,699)	(6,950)	**(418,649)**	70,468	346,415	**(1,766)**
Total General Fund (GF)		19,790	(10,458)	**9,332**	163,244	347,667	**520,243**
Housing Revenue Account (HRA)		0	(11,576)	**(11,576)**	81,567	(11,405)	**58,586**
Net Cost of Services	5	**19,790**	**(22,034)**	**(2,244)**	**244,811**	**336,262**	**578,829**
Other Income & Expenditure GF		0	0	0	0	(347,667)	(347,667)
Other Income & Expenditure HRA		0	0	0	0	11,405	11,405
Other Income & Expenditure		**0**	**0**	**0**	**0**	**(336,262)**	**(336,262)**
(Surplus) / Deficit	5	**19,790**	**(22,034)**	**(2,244)**	**244,811**	**0**	**242,567**
Opening General Fund and HRA Balance at 1 April		(386,486)					
(Surplus) / Deficit on General Fund and HRA Balance at 31 March		(2,244)					
Other Movements		13,553					
Closing General Fund and HRA Balance at 31 March*		**(375,177)**					

* For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

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2020/21 Comparative information	Notes	Outturn Position Reported to Internal Management	Adjustments for Items Not Reported to Internal Management	Net Expenditure Chargeable to the General Fund and HRA Balances Under Statutory Funding Provisions	Adjustments between the Funding and Accounting Basis	Other Adjustments	Net Expenditure in the CI&ES
		£000	£000	£000	£000	£000	£000
Notes					5		
People		305,141	(284)	**304,857**	(2,701)	0	**302,156**
Schools		0	(5,702)	**(5,702)**	9,182	0	**3,480**
Place (excluding HRA)		182,184	(419)	**181,765**	11,485	(6,900)	**186,350**
Policy, Performance & Communications		2,850	0	**2,850**	749	0	**3,599**
Resources		39,223	(46)	**39,177**	(21,488)	0	**17,689**
Corporate		(529,161)	(98,190)	**(627,351)**	148,872	479,871	**1,392**
Total General Fund (GF)		237	(104,641)	**(104,404)**	146,099	472,971	**514,666**
Housing Revenue Account (HRA)		0	(24,220)	**(24,220)**	(3,576)	(14,490)	**(42,286)**
Net Cost of Services	5A	**237**	**(128,861)**	**(128,624)**	**142,523**	**458,481**	**472,380**
Other Income & Expenditure GF		0	0	0	0	(472,971)	(472,971)
Other Income & Expenditure HRA		0	0	0	0	14,490	14,490
Other Income & Expenditure		**0**	**0**	**0**	**0**	**(458,481)**	**(458,481)**
Surplus) / Deficit	5A	**237**	**(128,861)**	**(128,624)**	**142,523**	**0**	**13,899**
Opening General Fund and HRA Balance at 1 April		(282,885)					
(Surplus) / Deficit on General Fund and HRA Balance at 31 March		(128,624)					
Other Movements		25,023					
Closing General Fund and HRA Balance at 31 March*		**(386,486)**					

* For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

Notes to the Core Financial Statements

The following notes contain further information to that presented in the main statements. They provide narrative descriptions, disaggregation of items presented in the statements and information about items that do not qualify for recognition in the statements.

01. Prior Period Restatement

In 2021/22 no prior period adjustments were required to the Council's Statement of Accounts.

02. Events After the Reporting Date

The Statement of Accounts was authorised for issue by Philip Gregory, Director of Finance and Commercial Services on XX October 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

03. Material Items of Income and Expense

There were no exceptional items in 2021/22 (2020/21 – none).

04. Acquired and Discontinued Operations

Acquired Operations

No operations were acquired in the year to 31st March 2022 (2020/21 – none).

Discontinued Operations

There were no discontinued operations during 2021/22 (2020/21 – none).

05. Note to the Expenditure and Funding Analysis (EFA) Statement

2021/22

Adjustments from General Fund to arrive at the CI&ES Amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustment £000	Other Differences £000	Total Adjustments £000
People	10,390	17,970	(2,310)	26,050
Schools	0	6,827	0	6,827
Place (excluding HRA)	73,247	15,654	(33,961)	54,940
Policy, Performance & Communications	0	0	1,143	1,143
Resources	12,947	9,715	(18,846)	3,816
Corporate	37,537	22,418	10,513	70,468
Total General Fund (GF)	134,121	72,584	(43,461)	**163,244**
Housing Revenue Account (HRA)	81,567	0	0	**81,567**
Net Cost of Services	**215,688**	**72,584**	**(43,461)**	**244,811**
Other Income & Expenditure	0	0	0	**0**
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit	**215,688**	**72,584**	**(43,461)**	**244,811**

2020/21 Comparative Information

Adjustments from General Fund to arrive at the CI&ES Amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustment £000	Other Differences £000	Total Adjustments £000
People	19,212	13,176	(35,089)	(2,701)
Schools	0	5,697	3,485	9,182
Place (excluding HRA)	1,133	10,767	(415)	11,485
Policy, Performance & Communications	749	0	0	749
Resources	(20,513)	4,514	(5,489)	(21,488)
Corporate	12,115	26,336	110,421	148,872
Total General Fund (GF)	12,696	60,490	72,913	**146,099**
Housing Revenue Account (HRA)	(3,576)	0	0	**(3,576)**
Net Cost of Services	**9,120**	**60,490**	**72,913**	**142,523**
Other Income & Expenditure	0	0	0	**0**
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit	**9,120**	**60,490**	**72,913**	**142,523**

Adjustments for Capital Purposes

This column adds in depreciation, impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

For the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

06. Segmental Income

Income received on a segmental basis has not been disclosed separately but further analysis can be seen in the Comprehensive Income and Expenditure Statement (CIES).

07. Expenditure and Income Analysed by Nature

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

2020/21 £000		2021/22 £000
	Income:	
(785,440)	Revenue Grants & Other Contributions	(815,824)
(30,598)	Capital Grants & Contributions	(27,264)
(229,774)	Income from Council Tax	(243,906)
(99,232)	Income from Non-domestic Rates	(106,164)
(621)	Interest and Investment Income	(648)
(8,401)	Sales	(7,307)
(116,560)	Fees and Charges	(117,500)
(120,053)	Recharges	(128,034)
(144,151)	Dwelling Rents	(145,871)
(93)	Donated Assets	0
(41,391)	Other Income	(48,619)
(1,576,314)		**(1,641,137)**
	Expenditure:	
466,747	Employee Expenditure	513,176
82,944	Premises Expenditure	92,605
15,701	Transport Expenditure	23,411
260,239	Supplies & Services	273,372
350,474	Third Party Payments	368,708
146,474	Transfer Payments	139,300
44,048	Support Services	41,610
99,900	Depreciation, Amortisation & Impairment	183,858
654	Precepts & levies	638
68,894	Interest payable & Similar Charges	70,889
3,324	Payment to the Housing Capital Receipts Pool	3,340
19,504	(Gain) / loss on the disposal of assets	146,712
21,466	Pension interest cost, administration expenses and return on plan assets	21,884
7,299	(Surplus) / deficit on Trading Operations	(717)
2,545	Other Expenses	4,918
1,590,213		**1,883,704**
13,899	**(Surplus) / Deficit on the Provision of Services**	**242,567**

08. 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 the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2021/22	Notes	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Un-applied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
							34	35	
Reversal of items debited or credited to the CI&ES:									
Depreciation of Non-current assets		(57,827)	0	(25,620)	0	0	(83,447)	83,447	**0**
Impairment losses charged to the CI&ES		0	0	0	0	0	0	0	**0**
Revaluation losses charged to the CI&ES		2,086	(82,943)	0	0	0	(80,857)	80,857	**0**
Movements in fair value of Investment Properties		(380)	0	0	0	0	(380)	380	**0**
Capital grants and contributions credited to the CI&ES		45,649	0	0	0	(7,230)	38,419	(38,419)	**0**
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve		0	0	0	0	3,574	3,574	(3,574)	**0**
Revenue expenditure funded from capital under statute		(19,173)	0	0	0	0	(19,173)	19,173	**0**
Costs of disposal funded from capital receipts		(164)	0	0	164	0	0	0	**0**
Net gain / (loss) on sale of non-current assets		(148,061)	1,349	0	(26,851)	0	(173,563)	173,563	**0**
Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance statutory requirements		1,250	0	0	0	0	1,250	(1,250)	**0**
Reversal of items relating to retirement benefits debited or credited to the CI&ES		(122,122)	0	0	0	0	(122,122)	122,122	**0**
Amount by which Council Tax and non-domestic rates income adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation		42,850	0	0	0	0	42,850	(42,850)	**0**
Amount by which officer remunerations costs calculated in accordance with the code are different from the amount of costs calculated in accordance with statutory requirements		(639)	0	0	0	0	(639)	639	**0**
Insertion of items not debited or credited to the CI&ES:									
Statutory provision for repayment of debt (MRP)		47,179	0	0	0	0	47,179	(47,179)	**0**
Voluntary provision for repayment of debt (VMRP)		0	27	0	0	0	27	(27)	**0**
Revenue Contribution to Major Repairs Reserve		0	0	0	0	0	0	0	**0**
Transfer of Capital Receipts (<£10k) to the General Fund and HRA		(90)	0	0	90	0	0	0	**0**
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(3,340)	0	0	3,340	0	0	0	**0**
Employer's contribution to pension scheme		49,538	0	0	0	0	49,538	(49,538)	**0**
Capital Financing:									
Use of Capital Receipts Reserve to finance new capital expenditure		0	0	0	10,021	0	10,021	(10,021)	**0**
Use of Major Repairs Reserve to finance new capital expenditure		0	0	39,869	0	0	39,869	(39,869)	**0**
Total		**(163,244)**	**(81,567)**	**14,249**	**(13,236)**	**(3,656)**	**(247,454)**	**247,454**	**0**

2020/21 – Comparative Information

	Notes	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Un-applied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
							34	35	
Reversal of items debited or credited to the CI&ES:									
Depreciation of Non-current assets		(56,980)	0	(23,740)	0	0	(80,720)	80,720	**0**
Impairment losses charged to the CI&ES		0	0	0	0	0	0	0	**0**
Revaluation losses charged to the CI&ES		(8,607)	5,251	0	0	0	(3,356)	3,356	**0**
Movements in fair value of Investment Properties		(3,400)	0	0	0	0	(3,400)	3,400	**0**
Capital grants and contributions credited to the CI&ES		38,966	0	0	0	(4,883)	34,083	(34,083)	**0**
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve		0	0	0	0	(2,417)	(2,417)	2,417	**0**
Revenue expenditure funded from capital under statute		(14,107)	0	0	0	0	(14,107)	14,107	**0**
Costs of disposal funded from capital receipts		(81)	0	0	81	0	0	0	**0**
Net gain / (loss) on sale of non-current assets		(17,804)	(1,702)	0	(20,666)	0	(40,172)	40,172	**0**
Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance statutory requirements		1,247	0	0	0	0	1,247	(1,247)	**0**
Reversal of items relating to retirement benefits debited or credited to the CI&ES		(106,520)	0	0	0	0	(106,520)	106,520	**0**
Amount by which Council Tax and non-domestic rates income adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation		(71,291)	0	0	0	0	(71,291)	71,291	**0**
Amount by which officer remunerations costs calculated in accordance with the code are different from the amount of costs calculated in accordance with statutory requirements		(1,330)	0	0	0	0	(1,330)	1,330	**0**
Insertion of items not debited or credited to the CI&ES:									
Statutory provision for repayment of debt (MRP)		52,809	0	0	0	0	52,809	(52,809)	**0**
Voluntary provision for repayment of debt (VMRP)		0	27	0	0	0	27	(27)	**0**
Revenue Contribution to Major Repairs Reserve		0	0	0	0	0	0	0	**0**
Transfer of Capital Receipts (<£10k) to the General Fund and HRA		(76)	0	0	76	0	0	0	**0**
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(3,324)	0	0	3,324	0	0	0	**0**
Employer's contribution to pension scheme		46,031	0	0	0	0	46,031	(46,031)	**0**
Capital Financing:									
Use of Capital Receipts Reserve to finance new capital expenditure		0	0	0	18,293	0	18,293	(18,293)	**0**
Use of Major Repairs Reserve to finance new capital expenditure		0	0	25,150	0	0	25,150	(25,150)	**0**
Total		**(144,467)**	**3,576**	**1,410**	**1,108**	**(7,300)**	**(145,673)**	**145,673**	**0**

09. Other Operating Expenditure

The following table provides a breakdown of Other Operating Expenditure:

2020/21		2021/22
£000		**£000**
654	Precepts (paid to non-principal authorities)	638
3,324	Payments to the housing capital receipts pool	3,340
19,504	(Gain) / loss on the disposal of non-current assets	146,712
1,158	Pension Administration Expenses	1,248
7	Miscellaneous	0
24,647	**Total**	**151,938**

10. Financing and Investment Income and Expenditure

The following table provides a breakdown of Financing and Investment Income and Expenditure:

2020/21		2021/22
£000		**£000**
68,894	Interest payable and similar charges	70,889
20,308	Pensions interest cost and expected return on pensions assets	20,636
(621)	Interest receivable and similar income	(648)
7,299	(Surplus) / Deficit on Trading Undertakings	(717)
2,651	Income and Expenditure in relation to Investment Properties and changes to their fair value	(763)
98,531	**Total**	**89,397**

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11. Taxation and Non Specific Grant Income

The following table provides a breakdown of Taxation and Non Specific Grant Income:

2020/21				2021/22	
£000	**£000**		**Note**	**£000**	**£000**
	(229,774)	Council Tax Income			(243,906)
	(99,232)	NNDR Distribution			(106,164)
		Non-ring fenced government grants:	12		
(37,494)		- Revenue Support Grant (RSG)		(37,701)	
(9,700)		- Sales, Fees & Charges		(485)	
(33,611)		- COVID-19 Support		(17,664)	
(43,222)		- Business Rates Top-up Grant		(43,222)	
(2,043)		- Council Tax Hardship Fund		0	
0		- Local Council Tax Support Scheme		(5,615)	
(5,929)		- New Homes Bonus		(4,844)	
(74,437)		- Private Finance Initiative Grant (PFI)		(74,437)	
(385)		- New Burden Grant		(614)	
(10,933)		- Small Business Rates Relief		(7,414)	
(4,186)		- Business Rates Multiplier Cap		(7,473)	
0		- Lower Tier Services Grant		(893)	
(22)		- Other		99	
	(221,962)				(200,263)
	(93)	Donated Assets			(0)
	(551,061)				**(550,333)**
	(30,598)	Capital Grants and Contributions	12		(27,264)
	(581,659)	**Total**			**(577,597)**

12. Grant Income

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

2020/21 £000		2021/22 £000
	Credited to Services:	
(27,149)	Clinical Commissioning Group	(32,080)
(69)	Department for Business, Energy and Industrial Strategy	(36)
(59,909)	Department of Levelling Up, Housing, Communities	(76,727)
(1,579)	Department for Digital, Culture, Media & Sport	(2,315)
(241,311)	Department for Education	(243,749)
(15,665)	Department for Environment, Food and Rural Affairs	(985)
(146,837)	Department for Work and Pensions	(145,010)
(51,219)	Department of Health & Social Care	(70,065)
(4,439)	English Local Government	(10,107)
(2,684)	Home Office	(2,388)
(888)	Ministry of Justice	(1,083)
(2,840)	Other	(1,688)
(554,589)	**Total**	**(586,233)**
	Credited to Taxation and Non Specific Grant Income:	
	Non-ring fenced Government Grants:	
(197,964)	Department for Levelling Up, Housing & Communities	(176,387)
(23,975)	Education Funding Agency	(23,975)
(23)	Other	99
(221,962)		**(200,263)**
(93)	**Donated Assets**	**0**
	Capital Grants and Contributions:	
(1,526)	Department for Levelling Up, Housing & Communities	(2,559)
(50)	Department for Digital, Culture, Media & Sport	0
(9,702)	Department for Education	(7,513)
(1,466)	Department for Environment, Food and Rural Affairs	(674)
0	Department of Health	(47)
0	Department of Energy & Climate Change	(119)
0	National Heritage Memorial Fund	(203)
0	Tees Valley Combined Authority	(76)
(1,281)	Department for Transport	(1,328)
(7,200)	South Yorkshire Mayoral Combined Authority	(4,369)
(9,373)	Other	(10,376)
(30,598)		**(27,264)**
(252,653)	**Total**	**(227,527)**

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

31 March 21		31 March 22
£000		£000
	Revenue Grants Receipts in Advance:	
(24,033)	Department for Business, Energy and Industrial Strategy	(19,994)
(65,371)	Department for Levelling Up, Housing & Communities	(72,400)
(3,651)	Department for Education	(3,160)
(67)	Department for Environment, Food and Rural Affairs	(12)
(16,316)	Department of Health and Social Care	(4,308)
(953)	Department for Work and Pensions	(1,647)
(330)	Home Office	(412)
(36)	Department for Transport	(7,167)
(4,246)	Other	(5,420)
(115,003)	**Total**	**(114,520)**

31 March 21		31 March 22
£000		£000
	Capital Grants Receipts in Advance:	
0	Department for Business, Energy and Industrial Strategy	(857)
(109)	Department for Digital, Culture, Media & Sport	(62)
(5,105)	Department for Levelling Up, Housing & Communities	(10,827)
(14,602)	Department for Education	(17,250)
(109)	Department for Environment, Food, and Rural Affairs	(90)
(11,731)	Department for Transport	(9,332)
(1,706)	Department of Health & Social Care	(2,114)
(9,957)	English Local Government	0
0	South Yorkshire Mayoral Combined Authority	(4,056)
0	Sport England	(10)
(28,997)	Other	(26,369)
(72,316)	**Total**	**(70,967)**

13. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped to by the Department to fund academy schools in the council's area.
DSG is ringfenced and can only be applied to meet expenditure properly included in the School's Budget, as defined in the School Finance and Early Years (England) Regulations 2011. The School's 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 2021/22 are as follows:

2021/22			
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2021/22 before Academy recoupment	38,360	463,467	**501,827**
Academy figure recouped for 2021/22	(2,094)	(283,143)	**(285,237)**
Total DSG after Academy recoupment for 2021/22	**36,266**	**180,324**	**216,590**
Brought forward from 2020/21	12,555	0	**12,555**
Carry forward to 2022/23 agreed in advance	0	0	**0**
Agreed initial budgeted DSG distribution in 2021/22	**48,821**	**180,324**	**229,145**
In year adjustments	0	(478)	**(478)**
Final budgeted distribution for 2021/22	**48,821**	**179,846**	**228,667**
Less Actual central expenditure	(40,343)	0	**(40,343)**
Less Actual ISB deployed to schools	0	(179,846)	**(179,846)**
Plus Local Authority contribution for 2021/22	**0**	**0**	**0**
Carry forward to 2022/23	**8,478**	**0**	**8,478**

2020/21 Comparative Information			
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2020/21 before Academy recoupment	32,911	430,891	**463,802**
Academy figure recouped for 2020/21	(1,936)	(255,435)	**(257,371)**
Total DSG after Academy recoupment for 2020/21	**30,975**	**175,456**	**206,431**
Brought forward from 2019/20	11,530	0	**11,530**
Carry forward to 2021/22 agreed in advance	0	0	**0**
Agreed initial budgeted DSG distribution in 2020/21	**42,505**	**175,456**	**217,961**
In year adjustments	0	109	**109**
Final budgeted distribution for 2020/21	**42,505**	**175,565**	**218,070**
Less Actual central expenditure	(29,950)	0	**(29,950)**
Less Actual ISB deployed to schools	0	(175,565)	**(175,565)**
Plus Local Authority contribution for 2020/21	**0**	**0**	**0**
Carry forward to 2021/22	**12,555**	**0**	**12,555**

14. Financial Instruments

Financial Instruments are recognised on the Balance Sheet as the Council becomes party to the contractual provisions of a financial instrument. They are initially measured at fair value and carried at their amortised cost.

Financial Liabilities

All the Council's borrowing is presented in the Balance Sheet at amortised cost and represents 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.

Financial Assets

Financial assets are classified based on a measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial asset i.e., those measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those assets whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

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Financial Instrument Balances

31 March 2021 Current £000	31 March 2021 Long Term £000		31 March 2022 Current £000	31 March 2022 Long Term £000
		Financial Assets		
120,000	0	- Investments	182,000	0
53	0	- Accrued Interest	92	0
120,053	**0**	**Total Investments (at amortised cost)**	**182,092**	**0**
144,601	0	- Short-term deposits	205,215	0
1	0	- Accrued Interest	72	0
144,602	**0**	**Total short-term deposits & accrued interest (at amortised cost)**	**205,287**	**0**
99,666	4,674	- Debtors (at amortised cost)	104,084	4,268
0	103,636	- Debtors (at FVPL)	0	103,636
99,666	**108,310**	**Total Debtors**	**104,084**	**107,904**
364,321	**108,310**	**Total Financial Assets**	**491,463**	**107,904**
		Financial liabilities (at amortised cost)		
(9,326)	(848,418)	- Borrowings	(8,000)	(890,418)
(7,651)	0	- Accrued Interest	(7,665)	0
0	(7,149)	- Accounting Adjustments	0	(7,071)
(16,977)	**(855,567)**	**Total borrowing**	**(15,665)**	**(897,489)**
(19,631)	(340,777)	PFI and finance lease liabilities	(20,657)	(320,120)
(36,608)	**(1,196,344)**	**Total other long-term liabilities**	**(36,322)**	**(1,217,609)**
(107,066)	**(43,605)**	**- Creditors**	**(124,566)**	**(40,783)**
(143,674)	**(1,239,949)**	**Total Financial Liabilities**	**(160,888)**	**(1,258,392)**
0	**96**	**Soft Loans Provided**	**0**	**78**

The borrowings and investments disclosed In the Balance Sheet are made up of the following categories of financial instruments:

Note 1 – Carrying amounts of financial instruments in the balance sheet include principal borrowed / lent, adjustments for breakage costs and accrued interest. For clarity accrued interest is identified separately.

Note 2 - The value of debtors and creditors reported in the table are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 26 and 27 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

Note 3 – Total Borrowing has Increased as £90m of new loans finance the Capital Programme and reduce the Under borrowed position.

Soft Loans

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (CIES), which is debited to the appropriate service, for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the third party, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year (the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement).

The Council made a £141k cash flow loan to Manor & Castle Development trust at 0% interest which was less than market rates of approximately 1.65%. The soft loan balance and movement in 2021/22 consists exclusively of this loan.

The detailed soft loans information is shown in the table below:

31 March 2021		31 March 2022
£000		**£000**
114	**Opening Balance**	**96**
0	New Loans	0
2	Increase /(Decrease) in the Discounted Amount	2
0	Fair Value Adjustment	0
(20)	Loan Repayment	(20)
96	**Balance Carried Forward**	**78**
101	**Nominal Value Carried Forward**	**81**

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Expected credit losses will be calculated on individual assets where reasonable to do so. Where the Authority cannot gather reasonable and supporting information without undue cost or effort to support expected credit losses on an individual basis, it will assess losses on a collective basis. The Adjustments made for Expected Credit losses are shown in the credit risk section below.

Capitalisation of Interest

We have chosen to apply IAS 32 Financial Instruments, by capitalising borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of those assets. This is in line with our accounting policy for Property, Plant & Equipment set out in the Accounting Policies.

In accordance with this policy, we have capitalised interest of £4.72m (£3.48m 2020/21) using a capitalisation rate of 3.55% (3.86% 2020/21) in relation to the on-going development of the Heart of the City II Project (formerly referred to as the Sheffield Retail Quarter).

Financial Instrument Gain / Losses

The Financial Instrument gains and losses recognised in the Comprehensive Income and Expenditure Statement are:

2020/21				2021/22		
Financial Liabilities	Financial Assets Loans and Receivable	Total		Financial Liabilities	Financial Assets Loans and Receivable	Total
£000	£000	£000		£000	£000	£000
(33,763)	0	(33,763)	Interest expense	(33,330)	0	(33,330)
(35,506)	0	(35,506)	Interest on PFI scheme liabilities	(37,975)	0	(37,975)
(96)	0	(96)	Expected credit loss impairment	(4)	0	(4)
(69,365)	**0**	**(69,365)**	**Interest payable and similar charges**	**(71,309)**	**0**	**(71,309)**
0	621	621	Interest income	0	648	648
0	**621**	**621**	**Interest and investment income**	**0**	**648**	**648**
(69,365)	**621**	**(68,744)**	**Net gain / (loss) for the year**	**(71,309)**	**648**	**(70,661)**

Fair Value of Assets and Liabilities Carried at Amortised Cost

The borrowings and investments disclosed in the Balance Sheet are shown at amortised cost. Their fair value can be assessed by calculating the net present value (NPV) of the cash flows that take place over the remaining life of the instruments which provides an estimate of the value of payments in the future in today's terms. The calculations have been made using the following assumptions:

- The discount rate used was the market rates as at 31st March 2022 (using bid prices where applicable) for instruments with the same duration (i.e. equal to the outstanding period from valuation date to maturity), loan structure and terms as that of the comparable instrument.
- For loans from the Public Works Loan Board (PWLB) payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.
- As the purpose of the fair value disclosure is to provide a comparison with the carrying value in the Balance Sheet, accrued interest has been included in the fair valuation calculation as this is also reflected in the carrying amount. The accrued interest figure is calculated up to and including the valuation date.
- For loans receivable, the prevailing benchmark market rates have been used to provide the fair value.
- Interest is calculated using the most common market convention ACT/365.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the carrying amount.
- For fixed term deposits it is assumed that interest is received on maturity, or annually if duration is > 1 year.

The fair values calculated are:

31 March 2021			31 March 2022	
Carrying Amount £000	**Fair Value £000**	**Fair Value of Liabilities**	**Carrying Amount £000**	**Fair Value £000**
(548,854)	(682,342)	PWLB debt	(596,570)	(671,133)
(316,541)	(510,154)	Non-PWLB debt	(309,513)	(457,166)
(360,408)	(360,408)	PFI / PPP Liabilities	(340,777)	(340,777)
(150,671)	(150,671)	Creditors	(165,349)	(165,349)
(1,376,474)	**(1,703,575)**	**Total Financial Liabilities**	**(1,412,209)**	**(1,634,425)**

The table above reflected the aggregate position of Sheffield City Council's loan portfolio as at the Balance Sheet date. The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates applicable to similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2022) arising from the commitment to pay interest to lenders above current market rates.

Because interest rates have fallen, and the rates payable on our PWLB borrowing are fixed at the time we take out the loan, the amount we would have to pay to redeem our debt is higher than its actual (carrying) value in our accounts. This redemption value (also known as the fair value of the debt) is £671.1m. However, if we sought to pay off our fixed rate debt and replace it with new debt at current interest rates, we would have to pay prohibitive redemption penalties.

31 March 2021			31 March 2022	
Carrying Amount £000	**Fair Value £000**	**Fair Value of Assets**	**Carrying Amount £000**	**Fair Value £000**
144,602	144,602	Short term deposits & Accrued Interest (at amortised cost)	205,287	205,287
120,053	120,101	Investments (at amortised cost)	182,092	181,370
104,340	104,340	Debtors (at amortised cost)	108,352	108,352
103,636	103,636	Debtors (at FVPL)	103,636	103,636
472,631	**472,679**	**Total Financial Assets**	**599,367**	**598,645**

The Council holds Investments of £102m in short term loans to Other Local Authorities and £80m across four different call and fixed deposits accounts with UK banks. As the assets mature within 1 year, the fair values of the assets are not materially different from the carrying amount.

Other deposits were held in instant access accounts and Money Market Funds (MMFs) and are classed as Cash or Cash Equivalents.

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15. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- *Credit Risk* - the possibility that other parties might fail to pay amounts due to the Council.
- *Liquidity Risk* - the possibility that the Council might not have funds available to meet its commitments to make payments.
- *Re-financing Risk* - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest or terms.
- *Market Risk* - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services.

The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code and CIPFA Code of Practice on Treasury Management in Public Services and investment guidance – issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Code of Practice on Treasury Management.
- By the adoption of a Treasury Policy Statement and treasury management clauses within the Council's Financial Regulations / Standing Orders / Constitution.
- By approving annually in advance prudential indicators for the following three years limiting:
    - The Council's overall borrowing.
    - The maximum and minimum exposure in regard to the maturity structure of debt.
    - Its management of interest rate exposure.
    - The maximum annual exposures to investments maturing beyond a year.
- By approving an Investment Strategy for the forthcoming year setting out the criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 02/03/2022 and is available on the Council website.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies (covering areas such as Interest rate risk, credit risk and investment of surplus balances).

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which is available on the Council's website.

Credit Risk Management Practices

The authority's credit risk management practices are set out in the Annual Investment Strategy, with particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies.
- CDS spreads to give early warning of likely changes in credit ratings.
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2021/22 was approved by Full Council and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £30m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all the Authority's deposits, but there was no evidence at the 31st March 2022 that this was likely to crystallise.

The changes in loss allowance for investments at amortised cost during the year are as follows:

Asset Class – Investments at Amortised Costs	12 Month Expected Credit Losses	Lifetime Expected Credit Losses - Not Credit Impaired	Lifetime Expected Credit Losses - Credit Impaired	Lifetime Expected Credit Losses - Simplified Approach	Total
	£000	£000	£000	£000	£000
Opening balance as at 1 April 2021	**0**	**0**	**0**	**4,047**	**4,047**
Adjustment - ECL	0	0	0	0	0
Adjusted opening balance as at 1 April 2021	**0**	**0**	**0**	**4,047**	**4,047**
Transfers:					
Individual financial assets transferred to 12 month ECL	0	0	0	0	0
Individual financial assets transferred to lifetime ECL	0	0	0	0	0
Individual financial assets transferred to lifetime ECL impaired	0	0	0	0	0
New financial assets originated or purchased	0	0	0	0	0
Amounts written off	0	0	0	0	0
Financial assets that have been de-recognised	0	0	0	0	0
Changes due to modifications that did not result in de-recognition	0	0	0	0	0
Changes in models/risk parameters	0	0	0	0	0
Other changes	0	0	0	(4)	(4)
As at 31 March 2022	**0**	**0**	**0**	**4,043**	**4,043**

The table below shows that the Council's outstanding investment balance as at 31st March 2022 was £182m, (£120m at 31st March 2021):

	31 March 2021 – Comparative Information				31 March 2022			
	Financial Institution	**Rating of Counterparty**	**Country**	**Gross Carrying Amount (£000)**	**Financial Institution**	**Rating of Counterparty**	**Country**	**Gross Carrying Amount (£000)**
12-month expected credit losses	Barclays Bank	A	UK	20,000	Barclays Bank	A	UK	20,000
	Bank of Scotland	A+	UK	20,000	Bank of Scotland	A+	UK	20,000
	Santander	A	UK	20,000	Santander	A	UK	20,000
					Standard Chartered	A+	UK	20,000
	Local Authorities	AA-	UK	60,000	Local Authorities	AA-	UK	102,000

As at 31st March 2022 the Council held £20m with Barclays Bank (default risk 0.012%), £20m with Bank of Scotland (default risk 0.012%), £20m with Santander (default risk 0.004%), £20m with Standard Chartered (default risk 0.01%) and £102m with Local Authorities. Whilst immaterial this adds up to an expected loss of £8k across these investments. Expected losses with other authorities are required to be excluded.

Other funds held at the year end (£205.3m) were deposited with AAA Money Market Funds (MMFs) and an instant access account. As these funds offer instant access these deposits have been classified as Cash and Cash Equivalents in the accounts.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to its deposits.

The Council does not allow credit for customers therefore the value of £29.8m (£26.4m for 2020/21) shown in the following table are all debtors which are past their due date for payment. The past due amounts can be analysed by age as follows:

31 March 2021		**31 March 2022**
£000		**£000**
10,198	Less than three months	12,361
1,368	Three to six months	2,579
4,586	Six months to one year	5,201
10,208	More than one year	9,675
26,360	**Total**	**29,816**

The Council's bad debt impairment at 31st March 2022 is £100.8m (£95.3m for 2020/21). Of this, £7.4m (£7.1m for 2020/21) relates to the above outstanding debt (please refer to Note 17 for further details).

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through comprehensive cash flow management system as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow needs and, whilst the PWLB provides access to longer term funds, the Council is also required to set a balanced budget in accordance with the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

All sums owing to the Council from funds deposited in MMFs and instant access account is £205.3m as at 31st March 2022 and offer instant repayment.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved Treasury and Investment strategies address the main risks and the Treasury Management team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is:

2020/21				2021/22		
Principal	**Accrued Interest**	**Principal plus Interest**		**Principal**	**Accrued Interest**	**Principal plus Interest**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
9,326	14,800	24,126	Less than 1 year	8,000	14,736*	22,736
8,000	0	8,000	Between 1 & 2 years	10,000	0	10,000
40,369	0	40,369	Between 2 & 5 years	42,068	0	42,068
79,921	0	79,921	Between 5 & 10 years	86,472	0	86,472
720,127	0	720,127	More than 10 years	751,878	0	751,878
857,743	**14,800**	**872,543**	**Total**	**898,418**	**14,736**	**913,154**

* This includes £7,665k of accrued interest, the remaining balance is for the effective interest rate adjustment which reduces over the life of the underlying loans.

The maturity analysis of financial assets is:

2020/21				2021/22		
Principal	**Accrued Interest**	**Principal plus Interest**		**Principal**	**Accrued Interest**	**Principal plus Interest**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
120,000	53	120,053	Less than 1 year	182,000	92	182,092
120,000	**53**	**120,053**	**Total**	**182,000**	**92**	**182,092**

Cash and Cash Equivalents are not shown in the above table.

All trade debtors and other payables are due to be paid in less than one year and are not shown in the above table.

Market Risk

Interest Rate Risk

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

- Borrowing at variable rates - the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowing at fixed rates - the fair value of the borrowing liability will fall (no impact on revenue balances).
- Investments at variable rates - the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- Investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, 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. Movements in the fair value of fixed rate instruments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has several strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposures. The Treasury Management team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns and the drawing of longer-term fixed rate borrowing would be postponed.

In order to minimise the Council's exposure to loan interest functions the Council's Treasury Management Strategy has set a limit of £120m worth of variable rate debt. At the 31st March 2022, the amount of variable rate debt was £120m.

If interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings *	1,450
Increase in interest receivable on variable rate investments **	(2,658)
Increase in government grant receivable for financing costs*	0
Impact on Surplus or Deficit on the Provision of Services	**(1,208)**
Share of overall impact debited to the HRA***	(458)
Decrease in fair value of fixed rate investment assets****	0
Impact on Other Comprehensive Income and Expenditure *****	**0**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**178,778**

Notes:

*All of the borrowing raised from the PWLB and £161m of Market loans were at fixed rates in 2021/22 and as a result a change in interest rate on these loans would have no actual effect on the interest actually payable, the amount of government grant received and on the Comprehensive I&E Statement or HRA. There are a number of LOBO loans (£145m) which are out of their "fixed" period and onto calls which are shown in the accounts as variable (although in reality they are fixed at each call period until the next call, so are only affected by a change of interest rates when the loan is "called" at which point the Council would have the option to repay the loan without any premiums being payable. There were no LOBOs called during 2021/22. For the purposes of this note the average rate of these loans (4.67%) has been inflated by 1% to show the impact this may have.
** Based on a 1% increase on the weighted average interest rate and investment balance for 2021/22.
*** HRA share is 37.90% of total interest payable which is charged to the HRA. Note that under Self Financing it is assumed that no investment balances are attributable to the HRA and therefore they do not benefit from an increase in interest receivable.
**** There were £102m fixed term investments held at the year end which were classified as fixed held with Local Authorities. There were four bank deposits totalling £80m, other investments held by the Council at the year end were in Money Market Funds (MMFs) or bank accounts which offer instant access to funds and therefore classified as Cash or Cash Equivalents on the Balance Sheet.
***** The 1% increase in the market rates, as provided in the Link Asset Services Fair Value sensitivity analysis, reduces the net market value of the deposits

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the note – Fair Value of Assets and Liabilities carried at Amortised Cost.

Foreign Exchange Risk

The Council has no material financial assets or liabilities denominated in foreign currencies and therefore no exposure to loss arising from movements in exchange rates. As at 31st March 2022 the Council has a euro denominated account although the balance was zero.

16. Long Term Debtors

The following is an analysis of Long Term Debtors:

31 March 2021 £000		31 March 2022 £000
3,990	Up Front Contributions for Private Finance Initiative (PFI) Schemes	3,551
31	Housing Advances	31
556	Charges Over Assets	556
28,930	Pension Prepayment (Note 45)	0
18,340	Sheffield City Trust Major Sporting Facilities Prepayment	9,170
103,636	Sheffield City Trust	108,519
2,212	Grosvenor - lease rental	1,748
	Loans to Third Parties:	
92	- Manor and Castle Development Trust	93
0	- Business Improvement District	56
1,783	- Sheffield Housing Company	1,783
	LEP Growing Places Fund:	
1,010	- Doncaster Council	0
1,178	- Gallium Finance	0
(2,188)	- Loan Provision for LEP Growing Places Fund	0
159,570	**Total**	**125,507**

Sheffield City Trust

There are two long term debtor balances relating to Sheffield City Trust, a prepayment and a debtor.

In 2013 the Council advanced Sheffield City Trust £101m to part fund the repayment of bank debt. Repaying the bank debt freed the Trust from the expensive leases that would have otherwise run to 2024, and which were funded by the Council via annual grant. This prepayment is being amortised over eleven years in line with the original lease arrangements. The total current value of the prepayment as at 31st March 2022 is £18.3m (£27.5m in 2020/21), £9.1m (£18.3m in 2020/21) is included above as a long term debtor and £9.1m (£9.1m in 2020/21) is shown as a short term debtor.

The debtor of £108.5m as at 31st March 2022 (£103.6m in 2020/21) represents the value of the Major Sporting Facilities property assets, which have been revalued in 2021/22 and which are currently held by Sheffield City Trust. The Major Sporting Facilities property assets are due to return to the Council in 2024 at which point they will be accounted for as Property, Plant and Equipment.

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17. Short Term Debtors

31 March 2021				31 March 2022		
Total Debtors Gross	**Less Impairments for Bad Debts**	**Net of Impairments**		**Total Debtors Gross**	**Less Impairments for Bad Debts**	**Net of Impairments**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
24,080	0	24,080	Central Government Bodies	28,319	0	28,319
3,054	0	3,054	Other Local Authorities	4,107	0	4,107
4,548	0	4,548	NHS Bodies	6,303	0	6,303
13,019	(10,476)	2,543	Housing Tenants	13,254	(10,519)	2,735
165,231	(62,070)	103,161	Local Taxpayers and NNDR	136,486	(69,738)	66,748
3,631	0	3,631	Capital Projects	3,521	0	3,521
9,170	0	9,170	Sheffield City Trust Prepayment	9,170	0	9,170
92,761	(22,722)	70,039	Other Entities and Individuals	106,806	(20,530)	86,276
315,494	**(95,268)**	**220,226**	**Total Debtors**	**307,966**	**(100,787)**	**207,179**

18. Cash and Cash Equivalents

The following is an analysis of Cash and Cash Equivalents shown on the Balance Sheet:

31 March 2021		31 March 2022
£000		**£000**
15,038	Cash at Bank	7,370
73	Petty Cash Floats	30
144,601	Short Term Deposits	205,215
1,085	Other	(79)
160,797	**Total**	**212,536**

In accordance with the accounting policy for Cash and Cash Equivalents detailed in Accounting Policies, we do not include third party balances which as at 31st March 2022 was £9.8m (£6.9 as at 31st March 2021).

19. Short Term Creditors

31 March 2021		31 March 2022
£000		£000
(122,730)	Central Government Bodies	(117,947)
(4,657)	Other Local Authorities	(4,454)
(437)	NHS Bodies	(2,895)
(8)	Public Corporations and Trading Funds	0
(4,489)	Housing Tenants	(4,734)
(56,371)	Local Taxpayers and NNDR	(51,184)
(10,203)	Capital Projects	(11,457)
(10,632)	Accumulated Absences	(11,271)
(91,931)	Other Entities and Individuals	(101,201)
(301,458)	**Total**	**(305,143)**

20. Provisions and Deferred Credits

The Council maintains the following provisions:

	Insurance	Business Rates Appeals	Termination Benefits	HRA - Week 53 Rent Deferred Credit	Other	Total
	£000	£000	£000	£000	£000	£000
Balance At 1 April 2021	(5,896)	(14,069)	(7)	(2,258)	(6,597)	(28,827)
Additional Provisions	0	(1,354)	(116)	0	(887)	(2,357)
Amounts Used	0	0	7	565	574	1,146
Unused Amounts Reversed	167	0		0	1,527	1,694
At 31 March 2022	**(5,729)**	**(15,423)**	**(116)**	**(1,693)**	**(5,383)**	**(28,344)**
Comprising of:						
Short Term	(3,950)	(5,141)	(116)	(564)	(2,336)	(12,107)
Long Term	(1,779)	(10,282)	0	(1,129)	(3,047)	(16,237)
	(5,729)	**(15,423)**	**(116)**	**(1,693)**	**(5,383)**	**(28,344)**

Insurance

The Council operates an Internal Insurance Account covering a variety of risks.

The Council does not in general insure against the theft of the contents of its buildings and other property, although it does provide theft cover for computers in schools and for Art and Museum exhibits on loan to the Council.

Business Rates Appeals

This provision covers Sheffield City Councils share of the national non-domestic rates appeals provision located within the Collection Fund. This is provided against outstanding appeals on the rateable value of properties within the city.

Termination Benefits

This provision is for individuals who the Chief Officer Panel have approved to leave the Council via voluntary early retirement and voluntary redundancy. However, as at 31st March 2022 they have not yet left the Council.

HRA - Week 53 Rent Deferred Credit

This account is used to annualise HRA rent. It is used to equalise out the 52 / 53 week years, giving greater stability to the HRA.

Other

This balance represents the Council's other provisions and includes provisions for equal pay claims, business rates appeals, grant claw back, risks relating to the waste contract and various other smaller provisions.

21. Other Long Term Liabilities

The Other Long Term Liabilities figure on the Balance Sheet is made up of:

31 March 2021		31 March 2022
£000		£000
(9,438)	Deferred liabilities – PFI deferred revenue	(15,598)
(34,167)	Deferred liabilities – Sheffield City Trust	(17,608)
(43,605)	**Total**	**(33,206)**

Deferred Liabilities

As at 31st March 2022 the Council has recognised deferred revenue of £8.9m that relates to the Council's Waste PPP scheme and £6.7m that relates to the Council's Highways PFI scheme.

The Council also has a Long Term Creditor for Sheffield City Trust, reflecting the obligation to provide £140.4m of funding between 2014 and 2024 for the repayments of the bond financing of the Major Sporting Facilities. The outstanding liability as at 31st March 2022 is £34.2m (£49.7m as at 31st March 2021) of which £17.6m (£34.2m in 2020/21) is shown in this note, and £16.6m (£15.5m in 2020/21) in Short Term Creditors Note as due within 12 months.

22. Contingent Liabilities

When it can estimate potential costs with some certainty, the Council accrues them into the financial statements. This note summarises contingent liabilities, which may result in future costs but cannot be estimated accurately or are considered sufficiently uncertain.

Sheffield Museums Trust

Museums Sheffield has merged with Sheffield Industrial Museums Trust to become Sheffield Museums Trust. In the event of a service determination notice the Council would have to pick up all of its assets and liabilities.

Academies

Before a school converts to an academy, its board of governors signs a Commercial Transfer Agreement with the Council. This agreement is intended to ensure that all information on the staff, assets and contracts that are transferring to the academy are recorded and transferred to the academy trust so that the appropriate arrangements for payment of salaries, pension contributions, etc can be made. In relation to certain recent academy conversions, the Council agrees to consider in good faith reasonable requests on an individual basis to indemnify the relevant academies against losses reasonably incurred in connection with various employment claims. At this stage, there is no indication that the Council is exposed to a specific liability.

Pensions

There are a number of organisations, such as Sheffield Museums Trust and Veolia, who have admitted body status with South Yorkshire Pension Authority (SYPA) for which the Council has guaranteed payments under the Local Government Superannuation Regulations 1995. This admitted body status is given, usually under TUPE (Transfer of Undertakings Protection of Employment) regulations, where the new employer of the staff transferred from the Council is not a Local Government Organisation and therefore not eligible to become an employing organisation within SYPA.

It is not possible to estimate the extent of the Council's liability under these agreements and in the normal course of events the Council believes that no calls on this contingent liability will arise. The indemnity is in place in case of unforeseen events happening whereby the new employing organisation cannot meet its obligation to the fund. The financial performance of the organisation having admitted body status and SYPA are monitored as a result.

Tax - Building Schools for the Future

The Council has indemnified Notre Dame Academy against the potential for Her Majesty's Revenue & Customs (HMRC) to challenge the basis under which the school issued a VAT zero-rate certificate to the Council in September 2013. As part of the Building Schools for the Future (BSF) programme the Council, via a contractor, supplied new-build construction works to the school. These works can be supplied by the Council at the zero-rate for VAT purposes if the recipient of the works agrees to only use the new-build elements of the work for educational or charitable purposes for at least ten years. In issuing the certificate the school agreed to these provisions.

By issuing the certificate the school was able to mitigate paying £900k to HMRC in VAT costs. Had the certificate not been issued, the Council would have been obliged to fund this cost on the school's behalf during the financial year 2013/14. HMRC have agreed the process by which the certificate was issued.

The contingent risk for the Council lies in the school's continued commitment to only use the newly constructed buildings for charitable or educational purposes over the next ten years. Should the school not fulfil these commitments HMRC would seek to recover some of these VAT costs from the school. The indemnity passes this risk onto the Council. The Council's contingent liability will decrease by 10% for every year the conditions of the certificate are complied with. At 31st March 2022 this risk could be valued at £260k.

Business Rates Appeals

The Council is required to provide an estimate of how much business rates income it will collect and therefore how much it will rely upon in setting the budget every year. This involves the Council's own assumptions about the levels of refunds that may be given and the levels of outstanding appeals. Both of these carry significant risk and will involve assumptions about performance in 2021/22 that will be based on experience of recent years and the most recent trends in how appeal cases have been settled over the last year.

The total Collection Fund provision for losses due to appeals amounted to £28.7m in 2020/21. In 2021/22 the total Collection Fund provision has been increased to £31.5m based on the currently outstanding cases.

It is extremely difficult to predict when new appeals may be lodged by ratepayers, and what the likely outcome and cost implications of these new appeals may be. Furthermore, the Council is affected by national issues outside of its control, for example due to case law or new legislation. It is not possible to estimate with certainty what the probable cost of these issues may be.

23. Property, Plant and Equipment (PPE)

Movements in 2021/22	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment (VPFE) £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	Total PFI Assets included in PPE £000
Cost or Valuation:								
At 1 April 2021	**1,488,278**	**500,619**	**93,282**	**3,227**	**244,765**	**146,432**	**2,476,603**	**85,613**
Additions - programmed investment	25,073	7,859	4,390	1,656	2,226	67,373	**108,577**	17
Revaluation increases / (decreases) recognised in the Revaluation Reserve	134,851	11,877	(397)	(6,295)	4,513	0	**144,549**	342
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	(104,373)	(690)	0	(3,012)	(2,421)	0	**(110,496)**	(109)
De-recognition – disposals	(17,780)	(9,235)	(1,911)	0	(3,758)	0	**(32,684)**	0
De-recognition – other	0	0	0	0	0	0	**0**	0
Reclassification and transfers	(1,297)	(453)	(41)	5,438	(3,587)	(3,519)	**(3,459)**	0
At 31 March 2022	**1,524,752**	**509,977**	**95,323**	**1,014**	**241,738**	**210,286**	**2,583,090**	**85,863**
Accumulated Depreciation and Impairment:								
At 1 April 2021	**0**	**(2,089)**	**(30,348)**	0	**(215)**	**0**	**(32,652)**	**0**
Depreciation charge	(25,024)	(13,205)	(5,612)	0	(3,960)	0	**(47,801)**	(3,681)
Depreciation written out to the Revaluation Reserve	7,598	8,451	2,687	117	2,295	0	**21,148**	3,509
Depreciation written out to the Surplus / Deficit on the Provision of Services	17,426	4,118	0	25	1,389	0	**22,958**	172
Impairment (losses) / reversals recognised in the Revaluation Reserve	(2,247)	0	0	0	0	0	**(2,247)**	0
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	2,247	0	0	0	0	0	**2,247**	0
De-recognition - disposals	0	14	1,911	0	27	0	**1,952**	0
De-recognition - other	0	0	0	0	0	0	**0**	0
Reclassification and Transfers	0	84	66	(142)	(8)	0	**0**	0
At 31 March 2022	**0**	**(2,627)**	**(31,296)**	**0**	**(472)**	**0**	**(34,395)**	**0**
Net book value:								
At 31 March 2022	**1,524,752**	**507,350**	**64,027**	**1,014**	**241,266**	**210,286**	**2,548,695**	**85,863**
At 31 March 2021	1,488,278	498,530	62,934	3,227	244,550	146,432	**2,443,951**	85,613

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Movements in 2020/21 – Comparative Information	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment (VPFE) £000	Community Assets £000	Surplus Assets £000	Assets Under Con-struction £000	Total PPE £000	Total PFI Assets included in PPE £000
Cost or Valuation:								
At 1 April 2020	**1,339,202**	**551,372**	**93,095**	**3,816**	**222,819**	**105,236**	**2,315,540**	**93,165**
Additions - programmed investment	16,486	10,942	5,055	729	6,122	47,661	**86,995**	**6,375**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	157,702	(38,218)	(2,504)	(453)	24,786	0	**141,313**	**(2,210)**
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	(24,224)	(5,807)	0	(745)	(9,873)	0	**(40,649)**	**(2,099)**
De-recognition – disposals	(8,185)	(16,749)	(2,364)	0	(13,206)	(1,604)	**(42,108)**	**(9,619)**
De-recognition – other	0	0	0	0	0	0	**0**	**0**
Reclassification and transfers	7,297	(921)	0	(120)	14,117	(4,861)	**15,512**	**0**
At 31 March 2021	**1,488,278**	**500,619**	**93,282**	**3,227**	**244,765**	**146,432**	**2,476,603**	**85,612**
Accumulated Depreciation and Impairment:								
At 1 April 2020	**0**	**(2,148)**	**(30,672)**	0	**(798)**	**0**	**(33,618)**	**(512)**
Depreciation charge	(23,043)	(13,848)	(4,804)	0	(4,286)	0	**(45,981)**	**(3,807)**
Depreciation written out to the Revaluation Reserve	5,351	11,833	2,801	0	3,108	0	**23,093**	**4,075**
Depreciation written out to the Surplus / Deficit on the Provision of Services	17,693	1,668	0	0	1,809	0	**21,170**	**146**
Impairment (losses) / reversals recognised in the Revaluation Reserve	(13,064)	(15)	0	0	(2)	0	**(13,081)**	**0**
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	13,064	15	0	0	2	0	**13,081**	**0**
De-recognition - disposals	0	264	2,327	0	93	0	**2,684**	**98**
De-recognition - other	0	0	0	0	0	0	**0**	**0**
Reclassification and Transfers	(1)	142	0	0	(141)	0	**0**	**0**
At 31 March 2021	**0**	**(2,089)**	**(30,348)**	**0**	**(215)**	**0**	**(32,652)**	**0**
Net book value:								
At 31 March 2021	1,488,278	498,530	62,934	3,227	244,550	146,432	**2,443,951**	**85,612**
At 31 March 2020	1,339,202	549,224	62,423	3,816	222,021	105,236	**2,281,922**	**92,653**

Depreciation

Depreciation is charged on a straight line basis over the useful life of the asset.

Depreciation is not charged in the year of acquisition. Likewise, depreciation on revaluations is only charged at the revised amount in the year following valuation.

Capital Commitments

At 31st March 2022 the Council has entered into a number of construction contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 onwards, plus it's committed costs towards long term assets. Future years committed costs are £194m. The major commitments are:

31 March 2021		Notes	31 March 2022
£000			£000
4,120	Schools Refurbishment / Education Provision	1	2,701
55,023	Council Housing Investment / Growth	2	75,594
49,737	Leisure *(includes MSF payments)*	3	37,033
15,876	Regeneration	4	64,234
1,674	Highways Infrastructure	5	4,741
4,864	Other Infrastructure		5,459
0	Social Care	6	1,548
131,294	**Total**		**191,310**

The main changes since 2020/21 are:

1. **Schools Refurbishment / Education Provision**

Reduction due to completion of major new school construction schemes.

2. **Council Housing Investment / Growth**

Increase in delivery of new council housing.

3. **Leisure**

Reduction relates to payment of 1 further year of MSF bond.

4. Regeneration

Increase in delivery of Heart of The City II Regeneration Scheme - Blocks H and A.

5. Highways Infrastructure

Increase due to progress on Transforming Cities Fund schemes and delivery of Clean Air Zone.

6. Social Care

New addition reflects new method of delivering backlog Disabled Facilities Grant works via principal contractors.

Revaluations

The Council carries out a rolling programme of valuations that ensures all Property, Plant and Equipment required to be measured at Fair Value is revalued at least every five years. All valuations were carried out by Sheffield City Council Property Services under the supervision of Angela Glentworth (MRICS / Registered Valuer – Land and Property Manager) who has overall responsibility. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices, with the exception of the waste incinerator which requires a specialist plant valuation, carried out by Charterfields International Asset Consultants.

Individual asset lives were assessed having regard to the structural condition of the building, age and state of repair, compliance with current legislation and suitability for existing use.

Council Dwellings are measured at Existing Use Value - Social Housing based on freehold vacant possession values by Beacon and adjusted by a regional adjustment factor of 41%, as determined by the Department for Levelling Up, Housing & Communities (DLUHC).

As part of the 5 year rolling programme, 20% of the beacons have been revalued this year, as at 31st March 2022. A general market adjustment of 4.274% has then been applied to all remaining Council dwellings to give a value as at 31st March 2022.

For those categories reported at Fair Value or Current Value, the Council re-values the assets at least every five years, on a rolling programme of valuations. The following statement splits the value of those asset categories, into the years the assets were most recently valued.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	0	4,773	15,038	1,864	**21,675**
Valued at Fair Value as at:					
31 March 2022	1,524,752	472,307	48,989	130,496	**2,176,544**
31 March 2021	0	319	0	48,024	**48,343**
31 March 2020	0	4,572	0	33,124	**37,696**
31 March 2019	0	6,814	0	14,880	**21,694**
31 March 2018	0	18,565	0	12,878	**31,443**
Total Cost or Valuation	**1,524,752**	**507,350**	**64,027**	**241,266**	**2,337,395**

Fair Value Hierarchy – Surplus Assets

Following the 2015/16 implementation of IFRS 13, Fair Value Measurement, the Council's surplus assets have been revalued to fair value as per the Council's 5 year rolling programme of valuations.

Details of the Council's Surplus Assets and information about the fair value hierarchy are as follows:

2021/22				
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1) £000**	**Other significant observable inputs (Level 2) £000**	**Significant unobservable inputs (Level 3) £000**	**Fair value as at 31 March 2022 £000**
Assets valued using Market Approach	0	114,514	1,807	**116,321**
Assets valued by Income Approach - Ground Rents	0	24,475	0	**24,475**
Assets valued by Income Approach - Other	0	27,019	73,451	**100,470**
Total	**0**	**166,008**	**75,258**	**241,266**

2020/21 - Comparative Information				
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1) £000**	**Other significant observable inputs (Level 2) £000**	**Significant unobservable inputs (Level 3) £000**	**Fair value as at 31 March 2021 £000**
Assets valued using Market Approach	0	138,296	102	**138,398**
Assets valued by Income Approach	0	29,221	75,000	**104,221**
De minimis Assets	0	1,740	191	**1,931**
Total	**0**	**169,257**	**75,293**	**244,550**

Prior to the implementation of the portfolio approach outlined in the section on valuation techniques below, some assets were considered to be de minimis for valuation purposes and therefore fell outside of the Council's 5 year rolling programme of valuations. All other Surplus Assets were held at fair value using either the market approach or the income approach. For 2021/22, the analysis of Surplus Assets into the fair value hierarchy and valuation basis was changed to reflect the current approach to the valuation of Surplus Assets, wherein there are no longer de minimis assets. The original presentation of the 2020/21 analysis has been retained above. If the net book value of Surplus Assets at 31 March 2021 was analysed in line with the new presentation, the analysis would be as follows:

2020/21 – Comparative Information - Restated				
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1) £000**	**Other significant observable inputs (Level 2) £000**	**Significant unobservable inputs (Level 3) £000**	**Fair value as at 31 March 2021 £000**
Assets valued using Market Approach	0	138,244	293	**138,537**
Assets valued by Income Approach – Ground Rents	0	15,789	0	**15,789**
Assets valued by Income Approach - Other	0	15,224	75,000	**90,224**
Total	**0**	**169,257**	**75,293**	**244,550**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year. The transfers between levels 2 and 3 are reconciled below.

Reconciliation of movements between Levels 2 and 3:

	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000
At 1 April 2021	**169,257**	**75,293**	**244,550**
Transfers between levels	(1,616)	1,616	**0**
Additions	1,647	579	**2,226**
Revaluation increases / (decreases)	4,680	1,096	**5,776**
De-recognition (disposals)	(3,724)	(7)	**(3,731)**
Transfers (to) / from other PPE categories	(3,613)	18	**(3,595)**
Depreciation charge	(623)	(3,337)	**(3,960)**
At 31 March 2022	**166,008**	**75,258**	**241,266**

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets

Significant Observable Inputs – Level 2

Valuations conducted using the market approach and the income approach take account of current market conditions, in that recent sales prices / rentals achieved and other relevant information for similar assets in Sheffield or comparable cities are used as significant inputs to the valuation. Market conditions for these assets are such that similar properties are actively purchased, sold and leased, meaning that the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Since 2018/19, the Council has adopted a portfolio approach to the valuation of its freehold reversionary interests in land leased out on long-term low value ground rents. These assets are measured using the income approach, by means of the discounted cash flow method, whereby the future rental income expected to flow to the Council from the assets is discounted (using a market-derived discount rate) to establish the present value of the net income stream. In most cases, the valuation will also incorporate the present value of the reversion to market value or market rent at the end of the lease term. This approach has been developed using the Council's own data as well as by reference to current market comparables, factoring in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

Significant Unobservable Inputs – Level 3

The majority of the value of assets categorised as Level 3 in the fair value hierarchy can be attributed to Grosvenor House, which forms part of the Heart of the City II regeneration programme. This asset is valued by external surveyors Cushman & Wakefield using an income approach, which relies on the Council's own data regarding annual rental figures, taking into account all information about market participant assumptions that is reasonably available, as opposed to direct market evidence which would be required to be classified as Level 2.

The remainder of the asset valuations categorised as Level 3 in the fair value hierarchy are historical, in that the assets were previously considered de minimis for valuation purposes, and are outside of the scope of the portfolio approach detailed above which has been adopted since 2018/19. As these valuations are not based on up-to-date market evidence and conditions, the inputs are considered to be unobservable. These asset valuations will be subject to ongoing review as part of asset register improvement projects with a view to being brought into the Council's 5 year rolling programme of valuations.

23A. Infrastructure Assets

Movements on balances

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 and records were not kept in the format now required. Until further guidance is available reporting a net position is appropriate and provides the asset position for users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

2020/21			2021/22	
Infrastructure Assets	PFI Assets included in Infrastructure		Infrastructure Assets	PFI Assets included in Infrastructure
£000	£000		£000	£000
		Net Book Value (modified historical cost)		
799,774	263,479	At 1 April	791,866	268,955
26,140	12,886	Additions - Programmed Investment	16,650	9,386
0	0	Derecognition - Other	(138,744)	0
(34,048)	(7,410)	Depreciation Charge	(34,955)	(7,732)
791,866	**268,955**	**Net book value at 31 March**	**634,817**	**270,609**

2020/21		2021/22
£000		£000
	Net Book Value at 31 March	
791,866	Infrastructure assets	634,817
2,443,951	Other PPE assets	2,548,695
3,235,817	**Total PPE assets**	**3,183,512**

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 when there is replacement expenditure is nil.

24. Service Concessions – Private Finance Initiatives (PFI) and Public Private Partnership Arrangements (PPP)

PFI and Similar Contracts

At 31st March 2022 the Council had seven long term contracts under Private Finance Initiative (PFI) arrangements. No new contracts were entered into in 2021/22. The financing models have the same methodology as set up in 2012/13.

The first PFI contract is for the provision of office accommodation at Howden House for a period of 30 years from February 2001. Payments will continue for the duration of the contract, subject to availability and performance related deductions and to contractually agreed inflation adjustments.

Five other PFI contracts are for the provision of schools. Schools Phase One PFI contract is for the provision of two primary schools and four secondary schools that opened during the financial year 2001/02. The contract is for 25 years. The Schools Phase Two PFI contract is for the provision of two secondary schools. The contract is for 25 years and became fully operational during the financial year 2005/06. The Schools Phase Three PFI contract for the provision of three secondary schools, which is for 25 years, became operational during the financial year 2006/07. The Building Schools for the Future (BSF) Wave One contract is for the provision of one secondary school for 25 years. It became operational in January 2009. The Bradfield School PFI contract, which is for 25 years, became operational during the financial year 2012/13.

The seventh PFI is the Highways PFI which is for 25 years and became operational during the financial year 2012/13. It covers the improvement and on-going maintenance of the city's roads, footways, highway trees, traffic signals, street lights, street furniture and street name plates. It also covers street cleaning, winter gritting and landscape maintenance.

The Council has another long term arrangement that is not PFI funded. This is for the collection and disposal of municipal waste and was entered into in August 2001, originally for 30 years but extended during 2004/05 to 35 years. The contract has now been extended to 37 years in 2017/18 resulting in the re-profiling of the principal and interest payments. In general, future payments are projected to increase in line with inflation, expected waste tonnages and increases in Landfill Tax. In addition the contractor has introduced improved disposal facilities in order to meet statutory recycling and recovery targets, which resulted in peaks in the payments between 2005 and 2010 which have flattened out. The payments may be reduced by any shares in growth in the contractor's third party income and are subject always to any deductions for poor performance. This model has also been restated in year.

In accordance with the accounting policy for Private Finance Initiatives and Similar Contracts detailed in Accounting Policies, the seven PFI contracts and the integrated waste management contract have been reviewed and accounted for in accordance with the provisions of IFRIC 12 Service Concession Arrangements and other relevant CIPFA guidance. The fixed assets relating to these contracts and the liability for these fixed assets have been recognised on the Council's Balance Sheet.

Payments made during the Year

The payments made during the year are summarised in the table below:

2020/21	2021/22					
Total	Repayment of Current Liability	Interest Charge	Service Charge	Contingent Rents	Lifecycle Costs	Total
£000	£000	£000	£000	£000	£000	£000
131,453	19,631	37,975	68,371	(4,482)	10,068	**131,563**

Note: Actual invoice payments totalled £132,087k. The difference of £524k reflects the deferred element during the year

PFI Assets

The assets held under PFI and similar contracts are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant and Equipment balance in Note 23.

PFI Finance Lease Liability

The value of liabilities resulting from PFI and similar contracts are as follows:

2020/21		2021/22
£000		£000
(372,667)	Value of the liability as at 1 April	(360,408)
(2,553)	Opening balance adjustment	0
14,812	Finance lease rental	19,631
(360,408)	**Value of liability as at 31 March**	**(340,777)**
	Comprising of:	

(19,631)	Short Term	(20,657)
(340,777)	Long Term	(320,120)
(360,408)		**(340,777)**

PFI Payments Due to be Made

Details of the payments due to be made under PFI and similar contracts are as follows:

2020/21	2021/22						
Total		**Repayment of Current Liability**	**Interest Charge**	**Service Charge**	**Contingent Rents**	**Lifecycle Costs**	**Total**
£000		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
147,494	Within one year	20,657	36,203	70,301	12,115	11,126	150,402
619,828	Between two and five years	77,082	127,089	301,757	47,753	71,358	625,039
783,825	Between six and ten years	106,004	119,197	376,959	62,866	113,044	778,070
741,905	Between eleven and fifteen years	123,455	65,692	349,319	76,686	104,715	719,867
197,541	Between sixteen and twenty years	13,579	4,411	25,497	16,995	9,239	69,721
2,490,593	**Total**	**340,777**	**352,592**	**1,123,833**	**216,415**	**309,482**	**2,343,099**

Note: Actual payments due total £2,352,013k. The difference of £8,914k reflects the deferred element over the life of the contracts.

The details of the payments due under PFI contracts above are shown based on an estimate of the cash amounts that will actually be paid. Figures for 2021/22 show the estimated payments due calculated by the models in 2021/22 for 2022/23 onwards to the end of the contract's life.

25. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council:

2021/22							
	Reported at Cost		**Reported at Valuation**				
	Museums and Galleries £000	**Civic Collections £000**	**Museums and Galleries £000**	**Civic Collections £000**	**Archives and Libraries £000**	**Public Realm £000**	**Total Assets £000**
Cost or Valuation:							
At 1 April 2021	**22**	**48**	**50,000**	**1,000**	**3,651**	**60**	**54,781**
Additions – programmed investment	0	0	1	0	12	436	**449**
Donated Assets	0	0	0	0	0	0	**0**
Revaluation increases / (decreases) in the Revaluation Reserve	0	0	0	0	110	0	**110**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	0	(1)	0	(12)	(436)	**(449)**
Reclassification and transfers	0	0	0	0	0	0	**0**
At 31 March 2022	**22**	**48**	**50,000**	**1,000**	**3,761**	**60**	**54,891**
Depreciation and Impairment:							
At 1 April 2021	**(6)**	**0**	**0**	**0**	**0**	**0**	**(6)**
Depreciation	(1)	0	0	0	0	0	**(1)**
At 31 March 2022	**(7)**	**0**	**0**	**0**	**0**	**0**	**(7)**
Net Book Value:							
At 31 March 2022	15	48	50,000	1,000	3,761	60	**54,884**
At 31 March 2021	16	48	50,000	1,000	3,651	60	**54,775**

2020/21 Comparative Information	Reported at Cost		Reported at Valuation				
	Museums and Galleries £000	Civic Collections £000	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	Total Assets £000
Cost or Valuation:							
At 1 April 2020	**22**	**48**	**50,000**	**1,000**	**3,511**	**60**	**54,641**
Additions – programmed investment	0	0	0	0	1	1	**2**
Donated Assets	93	0	0	0	0	0	**93**
Revaluation increases / (decreases) in the Revaluation Reserve	0	0	0	0	140	0	**140**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(93)	0	0	0	(1)	(1)	**(95)**
Reclassification and transfers	0	0	0	0	0	0	**0**
At 31 March 2021	**22**	**48**	**50,000**	**1,000**	**3,651**	**60**	**54,781**
Depreciation and Impairment:							
At 1 April 2020	**(5)**	**0**	**0**	**0**	**0**	**0**	**(5)**
Depreciation	(1)	0	0	0	0	0	**(1)**
At 31 March 2021	**(6)**	**0**	**0**	**0**	**0**	**0**	**(6)**
Net Book Value:							
At 31 March 2021	16	48	50,000	1,000	3,651	60	**54,775**
At 31 March 2020	17	48	50,000	1,000	3,511	60	**54,636**

Museums and Galleries

Sheffield Museums

Sheffield's collections are of local, regional and national importance and are used in research, displays, exhibitions and public programmes. Over one million items are stored at a purpose-built facility and displayed across Sheffield Museums' six sites comprising Abbeydale Industrial Hamlet, Graves Gallery, Kelham Island Museum, Millennium Gallery, Shepherd Wheel and Weston Park Museum and also at the volunteer run Bishops' House. The collections comprise:

- **Designated Metalwork Collection** – some 13,000 items and the most extensive grouping of finished Sheffield made cutlery, flatware and hollowware in existence. The collection has national significance reflected in its designation status and is a powerful illustration of the City's world leadership in metalwork design, production and innovation.

- **Decorative Art Collection** – including approximately 3,000 examples of art, craft and design, British ceramics, glass, horology and an outstanding collection of Chinese carved ivories.

- **Visual Art Collection** – comprises over 6,000 items of British and European Art dating from the 1500s to the present, of which the most significant area is the Modern British collection. This includes key acquisitions by artists including Marc Quinn, Sam Taylor-Johnson, Hew Locke, Sutapa Biswas and Czech artist Katerina Seda.

- **Social History Collection** – has strong family and community connections with the people of Sheffield and comprises around 25,000 objects including ephemera, personalia, costume, domestic items, furniture, and approximately 1,500 watercolours, drawings, prints and oil paintings documenting the changing city.

- **Coins, Medals and Token Collection** – number around 8,000 items and owe their origin to the Sheffield Literary and Philosophical Society. It dates from Roman and Greek pieces to 20th century coins from all over the world.

- **Arms and Armour Collection** – consists of Japanese and Indo-Iranian swords, shields and helmets alongside 200 European military, practical and sporting guns from the late 1600s onwards.

- **Archaeology Collection** – is of regional and national importance and comprises material dating from pre-history to the 20th century and includes the Anglo Saxon Benty Grange Helmet.

- **Natural Sciences Collection** – is of major regional significance and comprises: Botany, Entomology, Geology, Osteology, Zoology and extensive data relating to collectors, field recording and meteorology comprising over 60,000 biological and geological records.

- **World Cultures Collection** – was acquired by nineteenth century Sheffield travellers and contains 2,000 items from across the globe.

- **Heavy Industries Collections** – cover the Iron and Steel Industry, the Armaments Industry, the Transport Collection, Scientific and Technological Research, Extraction and Refractory Industries and engineering. The museum holds a comprehensive collection of about 6,000 items which relate to the general production of steel and other metals and the manufacture of metal, particularly steel, products.

- **Light Trades Industries Collections** – are represented by items relating to cutlery manufacture, hollowware and tool making industries.

- **General Trades Collection** – covers a range of non-metal working industries, such as brewing, retail and food production. The collection numbering about 550 items represents Sheffield's other manufacturing industries, including, button making, bookbinding and printing, snuff making, watch and clock making, shoemaking and needle and pin manufacture.

- **Library, Archive and Ephemera Collections** – include the historic documents and plans, the historic photographs, paintings and films, published books and journals and the personal and ephemera of local peoples and companies.

Abbeydale Industrial Hamlet

The Hamlet is a collection of buildings, associated machinery and objects relating to the manufacture of edge tools, especially scythes. The site is a Grade I Listed building and a Scheduled Ancient Monument. The buildings and machinery include a crucible shop, water powered tilt hammers, grinding hull, scythe riveting shop, blacking shop along with workers cottages and a manager's cottage.

Shepherd Wheel

Shepherd Wheel is a restored example of a waterwheel that powered grinding workshops for table, domestic, pocket and pen knives. The wheel is 5.5 metres high by 2 meters wide and made of cast and wrought iron, elm and oak and bronze. The water to turn the wheel comes from the large dam where water is diverted from the River Porter. The waterwheel turned twenty grindstones and several 'glazing' stones. The grindstones were used to create a fine, sharp cutting edge on the blade. The final smoothing of the blade was done on the glazing stones, before they left Shepherd Wheel for polishing.

Bishops' House

Bishops' House is a surviving example of a timber-framed house from the fifteenth century, typical of a large farmhouse or small manor house and is a Grade II listed building. Located at the top of Meersbrook Park, ownership passed to Sheffield City Council in 1886 and was used by the Parks authority until 1974. The house was then restored and has been open as a museum since 1976. It is run by the Friends of Bishops' House voluntary group.

Civic Collections

The Civic Collections include commemorative items and gifts of silverware and paintings given to the city. There are also examples of products manufactured by Sheffield's industries. The artefacts are displayed throughout the Town Hall and include the statue of the first Lord Mayor of Sheffield, the 15th Duke of Norfolk and a marble bust of Queen Victoria located on the main staircase**.**

Archives and Libraries

Sheffield Archives acts as the archive repository for the City Council and its predecessors from the 13th century to date. It is also an appointed Place of Deposit (POD) by the Ministry of Justice for the storage and management of archives from central government including the NHS, HM Courts and HM Coroner. In addition it is the repository for historical records of South Yorkshire Police, the Diocese of Sheffield and the Roman Catholic Diocese of Hallam. Also stored are the records of the South Yorkshire Archive Service which is funded by all four local authorities. Under the Local Government Act 1972 it also stores private records on loan or gifted to the City Council. Three collections are held on behalf of the Department for Digital, Culture, Media & Sport (DCMS) under the Treasury's Acceptance in Lieu of Inheritance tax scheme. There are also significant collections of printed material from the 17th century onwards within the Central Library collections.

Public Realm

The city's historic parks, grounds, woodlands and cemeteries are categorised as community assets for the purposes of these accounts but the many statues, monuments and archaeological features within, and throughout the city, are classed as Heritage Assets.

There are several Grade II listed monuments. Examples include the 1832 Cholera Monument in the Cholera Monument Grounds and the Jubilee Monument and Obelisk, and statue of Queen Victoria in Endcliffe Park. There are also many listed buildings, lodges, monuments and structures in Hillsborough Park, Firth Park, Graves Park, Weston Park (Trust), Norfolk Heritage Park, Sheffield General Cemetery and the Botanical Gardens (Trust).

There are many war memorials and plaques located around the city, including the cenotaph in the city centre and the Sheffield Battalion Memorial and Sheffield Memorial Park in the village of Serre in Western France.

Wincobank Hill and woods includes the site of an iron-age hill fort, with many other archaeological features recorded in the woodland and the Roman Ridge. Ecclesall Woods, as well as a local designated nature reserve for wildlife, contains a number of prehistoric and early historic monuments. Wheata Woods are also of archaeological importance, with sites ranging from bronze-age field systems, Romano-British settlements, post medieval quarry pits and bomb craters.

There are many contemporary pieces of public art in the city centre resulting from the on-going regeneration projects. The 'Cutting Edge' sculpture is an 81 metre long blade of polished stainless steel and art glass. Located in Sheaf Square, the station gateway, it is one of the largest stainless steel sculptures in the UK and was fabricated using Sheffield steel. Other important water features include the Barkers Pool fountain and 'Rain', nine stainless steel spheres, coated with a constant thin film of water which was commissioned in 2003 for Millennium Square. The prominent 'Goodwin Fountain' outside the Town Hall is dedicated to the philanthropists Sir Stuart and Lady Goodwin and has 89 individual jets of adjustable heights. There are many other examples of public art in the public realm, including sculptures, murals, decorative gates and railings.

26. Investment Properties

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

2020/21		2021/22
£000		**£000**
(750)	Rental income from investment property	(1,143)
(750)	**Net (gain)/loss**	**(1,143)**

The assets held as Investment Properties are known as the small and large format advertising hoardings contract. The Council are under separate Contracts for each format both of which derive a rental income and places responsibility on the company to pay the rates liability in respect of each site. The small format contract also affords the Council space to utilise the advertising space to promote City base events and activities.

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

2020/21		2021/22
£000	**Cost or Valuation**	**£000**
22,560	Balance at 1 April	19,160
(3,400)	Revaluations	(380)
19,160	**Balance at 31 March**	**18,780**

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Fair Value Hierarchy

To conform to the requirements of IFRS 13 Fair Value Measurement, details of the Council's investment properties and information about the fair value hierarchy as at 31st March 2022 are as follows:

2021/22				
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1) £000**	**Other significant observable inputs (Level 2) £000**	**Significant unobservable inputs (Level 3) £000**	**Fair value as at 31 March 2022 £000**
Advertising Hoardings	0	18,780	0	18,780
Total	**0**	**18.780**	**0**	**18,780**

2020/21 Comparative Information				
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1) £000**	**Other significant observable inputs (Level 2) £000**	**Significant unobservable inputs (Level 3) £000**	**Fair value as at 31 March 2021 £000**
Advertising Hoardings	0	19,160	0	19,160
Total	**0**	**19,160**	**0**	**19,160**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year.

Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value for the investment properties, i.e. the small and large advertising hoarding contracts, has been measured using the income approach. It has been established by taking the net direct revenue payable under the contract for the unexpired term of each Contract multiplied by a yield determined by market conditions, contractual terms and the covenant strength of the contracted party. They have been categorised at Level 2 in the fair value hierarchy as both Contracts have been subject to individual competitive tender exercises and the resulting revenues are the rate at which the specific sector assesses to be 'market value'.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations were carried out by Sheffield City Council Property Services under the supervision of Angela Glentworth (MRICS / Registered Valuer – Land and Property Manager) who has overall responsibility. Valuations 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.

27. Intangible Assets

The Council began to implement a new social care case management system from 2017/18. This has been accounted for as an intangible asset.

The intangible asset is amortised on a straight line basis over its useful life, as determined by the term of the software licence. Amortisation was not charged in the year of acquisition. The movement on intangible asset balances during the year is as follows:

2020/21		2021/22
£000		**£000**
	Net Carrying Amount:	
2,070	At 1 April	1,382
2	Additions	1
(690)	Amortisation charge	(691)
1,382	**At 31 March**	**692**

28. Assets Held for Sale

2020/21		2021/22
£000		**£000**
24,572	Balance at 1 April	8,312
(1,449)	Assets newly classified as Held for Sale from Property, Plant and Equipment	7,469
(14,063)	Assets declassified as held for sale	(4,010)
(748)	Assets sold	(4,087)
8,312	**Balance at 31 March**	**7,684**

29. Capital Expenditure and Capital Financing

The total amount of capital expenditure Incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI / PPP contracts), together with the resources that have been used to finance it. Where capital expenditure cannot be paid for immediately and is to be financed in future years by charges to revenue as the assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2020/21		2021/22
£000		**£000**
	Capital Investment	
113,135	Property, Plant and Equipment*	125,227
2	Intangible Assets*	1
2	Heritage Assets*	449
14,641	Sheffield City Trust	15,570
14,107	Revenue Expenditure Funded from Capital Under Statute	19,173
141,887		**160,420**
	Sources of Finance	
31,665	Government Grants and Other Contributions	41,994
19,245	PFI Lease Liability	9,386
25,150	Major Repairs Reserve	39,869
18,293	Capital Receipts Reserve	10,021
47,534	Borrowing	59,150
141,887		**160,420**
	Capital Financing Requirement	
1,536,014	Opening Balance	1,549,957
47,534	Borrowing in Year	59,150
(52,836)	Statutory / Voluntary provision for repayment of debt (MRP / VMRP)	(47,206)
19,245	PFI Liabilities recognised in year	9,386
1,549,957	**Closing Balance**	**1,571,287**

* These figures match to the additions lines in Notes 23, 27 and 25 detailing movements on the non-current assets balances.

30. Leases and Lease Type Arrangements

Council as Lessee

Finance Leases
The Council has not classified any leases as Finance Leases excluding the PFI leases which are covered in note 24.

Operating Leases
The future minimum lease payments due under non-cancellable leases in future years are:

2020/21		2021/22
£000		£000
432	Not later than one year	403
734	Later than one year and not later than five years	429
4,246	Later than five years	4,854
5,412	**Total**	**5,686**

The above principally consists of Council office accommodation leases.

Council as Lessor

Finance Leases
The Council has not classified any leases as Finance Leases.

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

2020/21		2021/22
£000		£000
5,865	Not later than one year	5,898
22,553	Later than one year and not later than five years	22,736
62,320	Later than five years	57,117
90,738	**Total**	**85,751**

The above mainly consists of a large number of small value long term leases, principally for the lease of land and also Grosvenor House, the Heart of the City II property, offering mixed use multi-storey office, leisure and retail development.

31. Long Term Contracts

In addition to the PFI and similar contracts disclosed in Note 24, the Council has other Long Term Contracts in place.

In previous years the Council had an agreement with Sheffield City Trust (SCT) to meet the cost of arrangements that they had entered into with certain leasing banks in respect of the provision of funding for sporting facilities in the city. During 2013/14 the Council made prepayments of £101m to SCT in respect of this commitment with the objective of removing the bank from the revised arrangements. In addition the revised arrangements comprise annual payments from the Council to SCT, which will continue until 2024. Payments to SCT in year are detailed in Note 41, Related Party Transactions.

32. Impairment Losses

There were no impairment charges in 2021/22. However, there were reversals of previous impairments of £46m (£129m in 2020/21), mainly relating to an improvement to previous impairments on Council Dwellings.

33. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

	Note	1 April 2020	Transfer Out 2020/21	Transfer In 2020/21	31 March 2021	Transfer Out 2021/22	Transfer In 2021/22	31 March 2022
		£000	£000	£000	£000	£000	£000	£000
Earmarked General Fund Reserves:								
Schools Reserves	34	**(26,304)**	0	(3,241)	**(29,545)**	3,322	0	**(26,223)**
Revenue Grants and Contributions	34	**(2,588)**	0	(16,552)	**(19,140)**	1,265	0	**(17,875)**
Other Earmarked Revenue Reserves:	34							
- Insurance Fund		**(10,352)**	1,383	0	**(8,969)**	0	(1,970)	**(10,939)**
- New Homes Bonus (NHB)		**(17,096)**	0	(1,788)	**(18,884)**	0	(2,250)	**(21,134)**
- Major Sporting Facilities		**(28,632)**	0	(4,193)	**(32,825)**	0	(10,403)	**(43,228)**
- Invest to Save		**(7,046)**	0	(1,244)	**(8,290)**	7,415	0	**(875)**
- PFI Future Expenditure		**(36,440)**	3,507	0	**(32,933)**	4,083	0	**(28,850)**
- Public Health		**(220)**	0	(1,831)	**(2,051)**	0	(4,079)	**(6,130)**
- Service Area Reserves		**(16,023)**	0	(5,055)	**(21,078)**	0	(3,275)	**(24,353)**
- Children’s and Adult Social Care		**(3,454)**	0	(966)	**(4,420)**	0	(1,417)	**(5,837)**
- Collection Fund		**(19,560)**	0	(62,165)	**(81,725)**	31,891	0	**(49,834)**
- Capital Charges		**(10,885)**	0	(3,000)	**(13,885)**	0	(1,500)	**(15,385)**
- Heart of the City II		**0**	0	0	**0**	0	(5,980)	**(5,980)**
- COVID-19 Grants		**(17,418)**	17,418	0	**0**	0	0	**0**
- Other Reserves		**(62,587)**	0	(25,350)	**(87,937)**	0	(7,770)	**(95,707)**
Total		**(258,605)**	**22,308**	(125,385)	**(361,682)**	**47,976**	(38,644)	**(352,350)**

34. Usable Reserves

The following table summarises the Usable Reserves balances:

31 March 2021		31 March 2022
£000		£000
	Capital Reserves:	
(65,564)	Capital Receipts Reserve	(78,652)
(98,837)	Major Repairs Reserve	(98,141)
(33,729)	Capital Grants Unapplied Reserve	(37,385)
(198,130)		(214,178)
	Revenue Reserves:	
(12,851)	General Fund	(12,851)
	Earmarked General Fund Reserves:	
(29,545)	Schools Reserves	(26,223)
(19,140)	Revenue Grants and Contributions	(17,875)
(312,997)	Other Earmarked Revenue Reserves	(308,252)
(7,782)	Housing Revenue Account Balance	(8,023)
(4,171)	Earmarked Housing Revenue Account Reserve	(1,953)
(386,486)		(375,177)
(584,616)	**Total**	**(589,355)**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 33.

General Fund Balance

The General Fund is the 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, which is not necessarily in accordance with general accounting practice. The General Fund therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to fund HRA services.

The table below provides a breakdown of the General Fund:

31 March 2021		31 March 2022
£000		**£000**
(12,851)	General Balances Available	(12,851)
(12,851)	**Total**	**(12,851)**

The General Fund Balance was £12.9m at 31st March 2022, representing 3.5% of the 2021/22 net budget requirement of £365.8m. This is in line with the minimum prudent level recommended by the Director of Finance and Commercial Services. If the reserve is used, it will be replenished to the stated minimum level as soon as practically possible; the Council will always need a minimum level of emergency reserves.

External risks will be constantly assessed to ensure the minimum level of General Fund reserves remain appropriate. Sheffield incorporates risks such as revisions to the Fair Funding Formula and wider economic developments in establishing the above reserve level.

Earmarked General Fund Reserves

The table below provides a breakdown of the earmarked reserves balance:

31 March 2021		31 March 2022
£000		£000
(29,545)	Schools Reserves	(26,223)
(19,140)	Revenue Grants and Contributions	(17,875)
	Other Earmarked Revenue Reserves:	
(81,725)	- Collection Fund	(49,834)
(32,825)	- Major Sporting Facilities	(43,228)
(32,933)	- PFI Future Expenditure	(28,850)
(21,078)	- Service Area Reserves	(24,353)
(18,884)	- New Homes Bonus	(21,134)
(13,885)	- Capital Charges	(15,385)
(8,969)	- Insurance Fund	(10,939)
(2,051)	- Public Health	(6,130)
0	- Heart of the City II	(5,980)
(4,420)	- Children's and Adult Social Care	(5,837)
(8,290)	- Invest to Save	(875)
(87,937)	- Other Reserves	(95,707)
(361,682)	**Total**	**(352,350)**

Earmarked reserves are set aside to meet known or predicted future liabilities. These liabilities mean that the earmarked reserves are not normally available to fund the budget or other measures.

Earmarked reserves are available to fund capital or revenue expenditure following approval by Cabinet. Expenditure is charged to the revenue or capital account when it is incurred and is financed by an appropriation from the reserve through the Movement in Reserves Statement.

A list of earmarked reserves, their purpose and proposed use are set out below.

- Schools Reserves: Schools' Earmarked Reserve consists of money that has been allocated under Local Management of Schools legislation, and which remains unspent at the year end. This reserve is not available to support General Fund expenditure.

- Revenue Grants and Contributions: Where a revenue grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution has been transferred to the Revenue Grants and Contributions reserve to support future spend.

- Collection Fund: This reserve has traditionally been required to cover potential reductions in Business Rate income following future successful appeals. This has decreased significantly in 2021/22 due to a £34.7m reduction in the retail relief funding from Government to be carried forward at year-end. £22.3m of the remaining balance relates to 2022/23 relief to be passed on to businesses. Due to the accounting arrangements involved it is required to carry this forward in earmarked reserves.

- Major Sporting Facilities: The Major Sporting Facilities (MSF) reserve exists because of the need to smooth the future significant payments due for the MSF debt (re: Ponds Forge, the Arena, Don Valley Stadium and Hillsborough Leisure Centre). Some money has also been set aside for the city's future leisure strategy.

- PFI Future Expenditure: The PFI reserve exists due to Government funding being received in advance to pay future years' liabilities. This income is set aside in a reserve until needed to ensure sufficient funds are available to cover the cost of contracts in future years.

- Service Area Reserves: These are a variety of service specific reserves agreed by Cabinet in previous years set aside for long term projects / plans, examples include the Workplace Accommodation Strategy and the Flexible Development Fund.

- New Homes Bonus (NHB): The Government pays all Councils NHB to incentivise them to bring empty properties back into use or encourage new housing to be built. The Council intends to use the payments to promote housing development and to fund economic growth projects. This reserve sets aside the payments until required for agreed projects, which now form part of the wider Community Investment Fund.

- Capital Financing Charges: Funds required to support borrowing, Minimum Revenue Provisions (MRP) and other associated costs for capital programmes including the major sporting facilities, Heart of the City 2 project and Highways PFI.

- Insurance Fund: This reserve contains funds required to cover the Council against potential litigation claims, for which, there is not enough certainty to create a provision in the accounts.

- Public Health: Public Health grant funding is given to the Council on a yearly basis and is restricted to spending on public health functions. The conditions of the grant specify that any surpluses must be carried to a reserve for use in future years – and any eventual use of these funds is restricted also to public health functions. The balance on this reserve therefore represents underspends in prior years.

- Heart of the City II: Funds set aside for future in costs in relation to the city's Heart of the City regeneration scheme.

- Children's and Adult Social Care: Social Care reserves are held to deal with transforming Social Care in Sheffield to better meet the much-publicised challenges facing the sector and to deal with unforeseen costs.

- Other Earmarked Reserves: Other Earmarked reserves include funds which are set aside to cover predicted liabilities such as redundancies, IT upgrades and to cover the risk of budget over spends.

Housing Revenue Account Reserves

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

The table below shows the balance of the Housing Revenue Account Reserves:

31 March 2021		31 March 2022
£000		**£000**
(7,782)	Housing Revenue Account Balance	(8,023)
(4,171)	Earmarked Housing Revenue Account Reserve	(1,953)
(11,953)	**Total**	**(9,976)**

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.

The table below shows the balance of the Capital Receipts Reserve:

31 March 2021		31 March 2022
£000		**£000**
(65,564)	Capital Receipts Reserve	(78,652)
(65,564)	**Total**	**(78,652)**

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources required to be used on HRA assets or for capital financing purposes. The balance on the reserve shows the resources that have yet to be applied at the year end.

The table below shows the balance of the Major Repairs Reserve:

31 March 2021		31 March 2022
£000		**£000**
(98,837)	Major Repairs Reserve	(98,141)
(98,837)	**Total**	**(98,141)**

Capital Grants Unapplied Reserve

The Capital Grants Unapplied 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.

The table below shows the balance of the Capital Grants Unapplied Reserve:

31 March 2021		31 March 2022
£000		**£000**
(33,729)	Capital Grants Unapplied Reserve	(37,385)
(33,729)	**Total**	**(37,385)**

35. Unusable Reserves

The following table summarises the Unusable Reserves balances:

31 March 2021 £000		31 March 2022 £000
	Capital Reserves:	
(738,042)	Revaluation Reserve	(882,018)
(1,085,295)	Capital Adjustment Account	(886,548)
(53)	Deferred Capital Receipts Reserve	(53)
(1,823,390)		**(1,768,619)**
	Revenue Reserves:	
42,194	Financial Instruments Adjustment Account	40,944
1,001,114	Pensions Reserve	744,427
52,933	Collection Fund Adjustment Account	10,083
10,632	Accumulated Absences Account	11,271
1,106,873		**806,725**
(716,517)	**Total**	**(961,894)**

Capital Reserves

Capital Reserves are not available for revenue purposes and certain ones can only be used for specific statutory purposes.

Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost,
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

2020/21 £000		2021/22 £000
(610,103)	**Balance at 1 April**	**(738,042)**
(231,955)	Upward revaluation of assets	(193,990)
80,490	Downward revaluation of assets and impairment losses	30,430
(151,465)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(163,560)**
9,930	Difference between fair value depreciation and historical cost depreciation	11,364
13,513	Accumulated gains on assets sold or scrapped	8,220
83	Other	0
23,526	**Amount written off to the Capital Adjustment Account**	**19,584**
(738,042)	**Balance at 31 March**	**(882,018)**

Capital Adjustment Account

2020/21		2021/22
£000		**£000**
(1,075,578)	**Balance at 1 April**	**(1,085,295)**
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:	
80,720	Depreciation of non-current assets	83,447
3,356	Revaluation losses of non-current assets	80,857
3,400	Movement in fair value of Investment Properties	380
14,107	Revenue expenditure funded from capital under statute	19,173
40,171	Non-current assets written off on disposal	173,563
141,754		357,420
	Adjusting amounts written out of the Revaluation Reserve:	
(9,930)	Difference between fair value depreciation and historical cost depreciation	(11,364)
(13,513)	Accumulated gains on assets sold or scrapped	(8,220)
(83)	Other	0
(23,526)		(19,584)
(957,350)	**Net written out amount of the cost of non-current assets consumed in the year**	**(747,459)**
	Capital financing applied in the year:	
(18,293)	Use of the Capital Receipts Reserve to finance new capital expenditure	(10,021)
(25,150)	Use of the Major Repairs Reserve to finance new capital expenditure	(39,869)
(34,083)	Capital grants and contributions credited to the CI&ES	(38,419)
2,417	Application of grants and contributions from the Capital Grants Unapplied Reserve	(3,574)
(52,809)	Statutory provision for the repayment of debt	(47,179)
(27)	Voluntary provision for the repayment of debt	(27)
(127,945)		(139,089)
(1,085,295)	**Balance at 31 March**	**(886,548)**

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 Council 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 Council.

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 23 (PPE) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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.

2020/21		2021/22
£000		£000
(53)	**Balance at 1 April**	(53)
0	Transfer to the Capital Adjustment Account	0
(53)	**Balance at 31 March**	**(53)**

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. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council’s case, this period is either the unexpired term that was outstanding on the loans when they were redeemed or the term of the replacement loan.

2020/21		2021/22
£000		**£000**
43,441	**Balance at 1 April**	**42,194**
(1,247)	Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	(1,250)
(1,247)	**Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements**	**(1,250)**
42,194	**Balance at 31 March**	**40,944**

Pensions 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 Council 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 Council 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 Council 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.

2020/21		2021/22
£000		**£000**
941,074	**Balance at 1 April**	**1,001,114**
(449)	Actuarial (gains) or losses on pensions assets and liabilities	(329,271)
106,520	Reversal of items relating to retirement benefits debited or credited to the CI&ES	122,122
(46,031)	Employer's pensions contributions and direct payments to pensioners payable in the year	(49,538)
1,001,114	**Balance at 31 March**	**744,427**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2020/21		2021/22
£000		**£000**
(18,358)	**Balance at 1 April**	**52,933**
71,291	Amount by which Council Tax and Non-domestic Rate income credited to the CI&ES is different from Council Tax and Non-domestic Rates income calculated for the year in accordance with statutory requirements	(42,850)
52,933	**Balance at 31 March**	**10,083**

Accumulated Absences Account

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

2020/21		2021/22
£000		**£000**
9,302	**Balance at 1 April**	**10,632**
1,330	Amount by which officer remuneration charged to the CI&ES is different from remuneration chargeable in the year in accordance with statutory requirements	639
10,632	**Balance at 31 March**	**11,271**

36. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2020/21		2021/22
£000		**£000**
728	Interest Received	538
(89,300)	Interest Paid	(91,507)

Adjustment for items in the net surplus / (deficit) on the provision of services for Non-Cash Movements

The following table provides a breakdown of the adjustment for non-cash movements figure shown in the Cash Flow Statement:

2020/21		2021/22
£000		**£000**
80,030	Depreciation	82,756
3,448	Impairment and downward valuations	80,857
690	Amortisation	691
524	Deferred revenue / deferred payment agreements	524
99,987	Increase / (Decrease) in creditors	17,570
(18,921)	(Increase) / Decrease in debtors	(25,954)
(190)	(Increase) / Decrease in inventories	(258)
60,489	Movement in pension liability	72,584
40,171	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	173,564
4,981	Other non-cash items charged to the net surplus or deficit on the provision of services	1,351
271,209	**Total**	**403,685**

Adjustment for items in the net surplus / (deficit) on the provision of services that are investing or financing activities

The following table provides a breakdown of the adjustment for items that are investing or financing activities figure shown in the Cash Flow Statement:

2020/21		2021/22
£000		**£000**
(20,667)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(26,597)
(38,966)	Any other items for which cash effects are investing or financing cash flows	(45,649)
(59,633)	**Total**	**(72,246)**

37. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2020/21 £000		2021/22 £000
(109,271)	Purchase of property, plant and equipment, investment property and intangible assets	(124,422)
(169,500)	Purchase of short and long term investments	(122,000)
(826)	Other payments for investing activities	(58)
20,667	Proceeds from the sale of property, plant and equipment, investment property, intangible assets and deferred capital receipts	26,597
95,000	Proceeds from short term and long term investments	60,000
100,877	Other receipts from investing activities	79,966
(63,053)	**Net cash flow from investing activities**	**(79,917)**

38. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2020/21 £000		2021/22 £000
0	Cash receipts of short and long term borrowing	50,000
(18,785)	Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	(19,631)
(20,391)	Repayment of short and long term borrowing	(18,737)
(68,796)	Other payments for financing activities	31,152
(107,972)	**Net cash flow from financing activities**	**42,784**

39. Pooled Budget Arrangements

Section 75 of the National Health Services Act 2006 allows partnership arrangements between NHS bodies, Local Authorities and other agencies in order to improve and co-ordinate services. Generally each partner makes a contribution to a pooled budget, with the aim of focussing services and activities for a client group. Funds contributed are those normally used for the services represented in the pooled budget and allow the organisations involved to act in a more cohesive way.

NHS Sheffield Clinical Commissioning Group and Sheffield City Council entered into a Section 75 agreement covering the Better Care Fund with effect from 1st April 2015. This pool is hosted by Sheffield City Council.

The Better Care Fund was announced by the Government in the June 2013 spending round, to ensure a transformation in integrated health and social care. It creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their wellbeing as the focus of health and care services, and shifting resources into social care and community services for the benefit of the people, communities and health and care systems. The Sheffield Better Care Fund pool was constructed around seven themes focussed around the different areas of integration.

The 2021/22 Sheffield City Council value has had £82m of income added back to the position reported in year. This adjustment more accurately shows the gross resources of the pooled budget.

The following table summarises the contributions made by Sheffield City Council and the NHS Sheffield Clinical Commissioning Group into pooled budget arrangements, along with details of previous year's comparatives:

Service Area	**2021/22**			***2020/21***		
	NHS Sheffield CCG	**Sheffield City Council**	**Total**	**NHS Sheffield CCG**	**Sheffield City Council**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
The Better Care Fund	300,888	237,845	538,733	280,844	214,938	495,782
Total	**300,888**	**237,845**	**538,733**	**280,844**	**214,938**	**495,782**

The memorandum account for the pooled budget is:

The Better Care Fund

	2021/22 £000	2020/21 £000
Income		
NHS Clinical Commissioning Group	300,888	280,844
Sheffield City Council	237,845	214,938
Total	**538,733**	**495,782**
Allocation of expenditure		
Theme 1 - People Keeping Well in their Local Community	(13,049)	(14,886)
Theme 2 - Active Support and Recovery	(57,112)	(56,517)
Theme 3 - Independent Living Solutions	(10,095)	(9,632)
Theme 4 - Ongoing Care	(247,379)	(216,626)
Theme 5 - Adult inpatient Medical Emergency Admissions	(70,927)	(69,569)
Theme 6 - Mental Health	(133,721)	(124,448)
Theme 7 - Capital Grants	(6,450)	(4,104)
Total	**(538,733)**	**(495,782)**

40. External Audit Fees and Additional Audit Fees (Non Statutory)

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2020/21 £000		2021/22 £000
144	Fees payable with regard to external audit services carried out by the appointed auditor	144
47	Fees payable for the certification of grant claims and returns	54
3	Fees payable in respect of any other services provided over and above those listed above	3
194	**Total**	**201**

41. Related Party Transactions

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

For Sheffield City Council, the main categories of related parties are other public bodies, or those organisations over which a Sheffield City Council Member or Chief Officer holds a position of general control or management. Sheffield City Council's material related party transactions in year 2021/22 amounted to net payments of £186m (£208m for 2020/21). All such material related party transactions are disclosed either individually or in aggregate below.

Council Members

In respect of financial year 2021/22 a number of Council Members had a position of general control or management in organisations which generated related party transactions with the Council. Positions of general control or management can arise by way of ownership, or by acting as a director, trustee, board member, or partner of an organisation.

It may be noted that all members' pecuniary and non-financial interests which could conflict with those of the Council are open to public inspection as required by the Local Authority (Members Interests) Regulations 1992 (SI 1992/618) laid under section 19 of the Local Government Housing Act 1989. In addition, all contracts are required to fully comply with the Council's Standing Orders.

Chief Officers

For the purpose of this disclosure the term 'chief officer' is defined as the Chief Executive, and the Executive Directors. The note also covers members of those officers' close families or households. One of the Council's chief officers declared a position of general control or management in a third-party organisation during the financial year as a Director for Learn Sheffield Ltd.

	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
Related Party	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Total Related Parties	(27,865)	214,048	186,183	(3,435)	513	(2,922)

2021/22	Notes	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
Related Party		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Aspiring Communities Together	**1**	(14)	203	189	1	0	1
Autism Plus	**2**	(1)	417	416	(1)	0	(1)
City of Sanctuary Sheffield	**3**	(1)	114	113	(1)	0	(1)
Disability Sheffield Centre	**4**	(2)	108	106	(1)	0	(1)
Fir Vale Children Centre	**5**	0	110	110	0	0	0
Heeley City Farm	**6**	(3)	560	557	0	0	0
Learn Sheffield	**7**	(67)	816	749	(8)	0	(8)
Manor and Castle Development Trust	**8**	(1)	1,340	1,339	0	1	1
Sheffield City Trust	**9**	(27)	26,291	26,264	(11)	0	(11)
Seven Hills Leisure Trust	**10**	0	356	356	0	0	0
Sheffield City Centre Bid	**11**	(71)	1,064	993	0	498	498
Sheffield Credit Union	**12**	0	261	261	0	0	0
Sheffield Futures	**13**	(1)	457	456	29	0	29
Sheffield Galleries & Museum	**14**	(80)	2,252	2,172	(7)	0	(7)
Sheffield Hallam University	**15**	(231)	414	183	(48)	0	(48)
Sheffield Housing Company	**16**	(709)	3,219	2,510	(113)	0	(113)
Sheffield International Venues	**17**	0	1,251	1,251	0	0	0
Sheffield United Community Foundation	**18**	0	79	79	0	(1)	(1)
Sheffield Wednesday Football Club Community Programme	**19**	0	186	186	0	0	0
SOAR	**20**	(2)	1,421	1,419	0	0	0
Tinsley Forum	**21**	0	71	71	0	0	0
University of Sheffield	**22**	(178)	541	363	(50)	2	(48)
Voluntary Action Sheffield	**23**	(1)	744	743	0	0	0

Notes - relating to significant transactions

1. £32k on Adult Education Budget; £28.5k on transitional funding - learning; £20k SCC recovery fund; (£17k) adult education budget clawback.
2. £403k day care support payments; £12k COVID-19 support payments.
3. £45k SCC recovery fund; £37k total 1st and 2nd core grant; £20k COVID-19 response funding round 2 and 3.
4. £15k SCC recovery fund; £20k COVID-19 response funding; £15k E&F grants.
5. £107k Funded Early Learning (FEL) payments; £2k other childcare costs; £1k Early Years Professional Development training
6. £119k for HAF summer delivery; £77k for winter HAF locality; £51k CWP payment to Heeley Trust.
7. £349k education strategy payment; £123k Whole School contract payments; £52k trauma informed training; £65k Albion house costs; (£43k) PAS traded data service.
8. £822k regeneration grants; £15k for operations; £211k Signpost Project; £292k Sunshine Pre-school
9. £15.6m SCT Bond principal; £4.2m repairs to SIV venues; £2.9m SCT Bond interest; £2.4m SIV funding.
10. £222k Golf courses & Concord; £67k SIV trust payment; £67k Seven Hills Leisure Trust payment.
11. £582k Sheffield Business Improvement; £213k first 60% of NCD; £70k bid loan amount; (£66k) Winter Gardens monthly rent; (£20k) charge for bid billing and collection service.

12. £259k employee loan repayments via payroll deductions; £2k debt management services
13. £174k Star House license; £100k vulnerable young people funding grant; £71k Amber Project grant; £1121k Star House rent.
14. £1.4m Sheffield Museums trust payments; £339k Galleries & museums trust payment; £200k Sheffield museums trust lifecycle payment; (£25k) Acres Hill accommodation service charge; (£16k) services to Graves Art Gallery.
15. (£87k) secondment fees; (£49k) social work placements; (£39k) BID Levy; (£34k) RISE match funding; (£6k) lease income; £172k Funded Early Learning (FEL) payments; £120k Apprenticeship Levy payments; £53k behavioural research project funding; £30k RISE funding; £5k tuition fees
16. £3.2m HIF margin viability, Manor Cluster; (£646k) demand notice; (£20k) SHC services undertaken by SCC.
17. £1.2m Sheffield International Venues trust payments; £24k costs for hire of Ponds Forge for Council AGM.
18. £69k Healthy Activities with Food funding, £9k Active Through Football Consultation
19. £104k Healthy Activities with Food funding, £19k Alternative Provision funding
20. £295k summer HAF delivery in localities; £71k Burngreave Summer partner payments; £119k payments to CWP; £50k payment to SOAR for Resilient; £50k first half of PKW Payment.
21. £43k COVID-19 Recovery & Response Funding
22. (£38k) social work placements; (£37k) BID Levy; (£34k) RISE match funding; (£25k) contribution to Castlegate project; (£25k) contribution towards other project costs; (£10k) contribution to Sheffield City Partnership; (£3k) for transport services; (£1k) lease income; £177k Apprenticeship Levy payments
23. £192k Healthwatch VAS; £150k Community Champions grant payment; £132k INFRA grant; £155k payment to VAS for HAF NextGen Youth.

2020/21 Comparative information	Notes	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
Related Party		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Amy's House ltd	**1**	(4)	181	**177**	(3)	0	**(3)**
Aspiring Communities Together Ltd (ACT)	**2**	(1)	144	**143**	(1)	0	**(1)**
Ben's Centre for Vulnerable People	**3**	0	65	**65**	0	0	**0**
City of Sanctuary Sheffield	**4**	(1)	85	**84**	0	0	**0**
Disability Sheffield Centre	**5**	0	51	**51**	0	0	**0**
Great Places Housing Association	**6**	(76)	920	**844**	(29)	0	**(29)**
Heeley City Farm	**7**	(2)	289	**287**	0	0	**0**
Learn Sheffield	**8**	(179)	744	**565**	(9)	79	**70**
Sheffield Bid Company Ltd	**9**	(43)	566	**523**	(21)	49	**28**
Sheffield City Trust	**10**	(29)	27,701	**27,672**	(13)	0	**(13)**
Sheffield Futures	**11**	(8)	2,355	**2,347**	30	1	**31**
Sheffield Galleries & Museums Trust	**12**	(114)	1,762	**1,648**	(63)	0	**(63)**
Sheffield Industrial Museums Trust Ltd	**13**	(12)	502	**490**	(9)	0	**(9)**
Sheffield International Venues Ltd	**14**	(8)	1,285	**1,277**	(3)	0	**(3)**
Sheffield Theatres Trust	**15**	(12)	295	**283**	(14)	292	**278**
SOAR	**16**	(1)	665	**664**	0	0	**0**
The Adsetts Partnership c/o Autism Plus	**17**	(2)	238	**236**	0	0	**0**
Tinsley Forum	**18**	0	54	**54**	0	0	**0**

Notes - relating to significant transactions

1. £95k COVID-19 support, £72k SNIPS short break contract payments and uplift.
2. £35k Payment for adult education course delivery, £29k various ACT course fees.
3. £65k Core service grant.
4. £37k Core service grant, £23k top up grants.
5. £16k COVID-19 support and policy work, £15k E&F grant funding.
6. £590k Phase 5 loan draw down & £330k Phase 4 loan draw down payments. Income: £50k Sheffield Housing Company services undertaken by SCC.
7. £74k COVID-19 support payment.
8. £320k Commission payment for school improvement services, £148k whole school contract payment for 20/21. Income: £100k PAS data support, £36k annual crisis communication service provided to schools & £30k e-learning subscription.
9. £511k Year 6 levy fees for Sheffield Business Improvement District.
10. £18.44m Bond principal payment, £1.58million repairs to SIV venues.
11. £1.63m Core contract charges, £238k STAR house rent & charges.
12. £1.75m Grant payments. Income: £51k received for insurance costs, £33k services provided at Graves Park & £25k for Acres Hill accommodation charge.
13. £853k Grant payments.
14. £517k SIV funding, £516k SIV trust payment, £251k remodelling of EISS.
15. £292k Trust funding.
16. £123k SOAR Firth Park & Southey, £60k PKW dementia ITT, £50k Resilient Communities payment.

17. £158k COVID-19 support payments.
18. £54k Grant Payment.

Transactions with Other Public Bodies

The UK Government exerts significant influence over Sheffield City Council through legislation and grant funding. Transactions with central government and precepts and levies raised on behalf of other public bodies are detailed in notes to the Consolidated Income and Expenditure Account and Collection Fund. However, the following table shows the significant transactions with public bodies in the area:

2021/22	Notes	Receipts	Payments	Net Payments	Receivable	Payable	Net Assets
Related Party		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
NHS	**1**	(13,717)	22,149	8,432	(1,865)	5	(1,860)
Other Local Authorities	**2**	(4,863)	59,381	54,518	(539)	7	(532)
South Yorkshire Mayoral Combined Authority	**3**	(4,563)	35,840	31,277	(629)	0	(629)
South Yorkshire Fire & Rescue Authority	**4**	(4)	11,367	11,363	(5)	0	(5)
South Yorkshire Pensions Authority	**5**	(3)	8,256	8,253	0	0	0
South Yorkshire Police and Crime	**6**	(1,547)	29,124	27,577	(188)	0	(188)
SYPTE	**7**	(1,781)	5,656	3,875	0	0	0

Notes - relating to significant transactions

1. £3.8m reversal of a prior credit note; £630k Smokefree adults contract payment; £3.9m Sheffield Teaching Hospital costs; (£128k) Moorfoot Level 6 rent; (£4.6m HDP and Silver non-recurrent funding.
2. £530k One Adoption fees; £453k P2S ESF grants; £450k P2P Ambition grants; £50k perpetrator contribution; £113k DBS checks; £64k out of city transport; £271k contribution to Emergency Planning Shared Service; (£386k) income from Wellington House; (£357k) from Coroner's service; (£441k) PPE stock settlement; (£819k) local authority accommodation short term care; (£1.01m) provision of furnished goods to RMBC; (£182k) provision of creative services; (£105k) TCP grant; (£71k) contribution to reparation & victim contract; (£62k) child school disability support; (£253k) mortuary services; (£226k) YORBUILD major work.
3. £22.6m ITA levy; £4.3m repayment of SCR loan; £678k EZ Growth; £413k transport hub subscription; £377k repayment of SCR grant overclaim; £75k BASE subscription; (£1.8m) LTP grant income; (£314k) enterprise adviser network grant.
4. £10.3m precept net of council tax deficit; £1.08m retained rates less NDDR deficit.
5. £5.8m rechargeable pensions; £140k SYPA levy; £54k AFR costs.
6. £28.8m precept net of council tax deficit; £130k IOM police contract; £68k Sheffield Community safety partnership.
7. £597k zero fare bus passes; £144k annual contribution to the South; (£687k) COVID-19 related school travel; (£113k) permit charges, (£112k) SRP grant.

2020/21 Comparative information	Notes	Receipts	Payments	Net Payments	Receivable	Payable	Net Assets
Related Party		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
NHS	**1**	(15,235)	24,630	**9,395**	(1,902)	39	**(1,863)**
Other Local Authorities	**2**	(4,549)	92,477	**87,928**	(575)	102	**(473)**
South Yorkshire Mayoral Combined Authority	**3**	(10,194)	30,983	**20,789**	45	0	**45**
South Yorkshire Fire & Rescue Authority	**4**	(9)	12,875	**12,866**	(3)	0	**(3)**
South Yorkshire Pensions Authority	**5**	(3)	9,805	**9,802**	(3)	0	**(3)**
South Yorkshire Police and Crime	**6**	(1,194)	28,430	**27,236**	33	0	**33**
SYPTE	7	(2,845)	5,732	**2,887**	(123)	0	**(123)**

Notes - relating to significant transactions

1. £8.75m Sheffield Children's Hospital NHS contract, £5.28m Substance misuse contract, £4.13m Sexual/oral health services. Income: £8.73m Independent living fund, £1.21m secure beds at Aldine house, £1m Adult social care purchasing
2. £30m loan payments to local authorities, £30m Deal payments to local authorities, £4.5m MET debt, £2.8m CAZ IF grant, £1.5m Superfast Sy phase 2. Income: 2.4m LTP grant funding, £1.4m Short term care - local authority accommodation, £568k Coroners service charges, £382k LRF PPE charges, £296k YORHUB related charges
3. £24.45m ITA Levy, £5.4m Deal 241&242 loan repayment costs. Income: £3.6m SCRIF grant funding, £2.6m Transforming cities fund, £2.3m LTP grant income, £325k active travel fund, £147k TIIF potholes challenge.
4. £10.46m Council tax receipt, £2.16m business rates surplus, £178k council tax surplus
5. £9.8m pensions, £26k levy
6. £27.7m Council tax precept
7. £3.5m SYPTE drawdown, £ 835k COVID-19 Bus services support grant, £520k Zero fare bus passes (schools & low income), £508k DFT funding, £144k contribution to safety camera partnership, £125k BBA grant repayment Income: £2.4m LTP grant, £278k SRP grant, £100k Better Buses grant, £83k Maintenance contribution (anti-skid & tram upgrades).

42. Members' Allowances

The Council paid the following amounts to Council Members and Co-optees during 2021/22:

2020/21		2021/22
£000		£000
	Councillors:	
1,023	Basic Allowance	1,073
261	Special Responsibility Allowance	318
5	Expenses	13
1,289		**1,404**
	Co-optees:	
3	Basic Allowance	0
1,292	**Total**	**1,404**

Further details of this, including the amount paid to each Member, will be published separately as required by Government Regulations.

43. Officers' Remuneration

Under the Accounts and Audit Regulations 2015, Local Authorities are required to disclose information on their employees' remuneration in two sections.

The first section must contain the details of those officers defined in the Regulations as senior employees whose salary is above £50,000 per annum. Senior employees are typically categorised as statutory chief officers or non-statutory chief officers. The latter category typically includes those officers who report directly to the Chief Executive (excluding those whose duties are solely secretarial). In addition, those senior officers whose salary is above £150,000 are required to be named in this section.

The second section must include a disclosure of the numbers of other staff whose total remuneration (i.e. salary plus overtime and allowances, etc.) is above £50,000.

The remuneration paid to the Council's senior employees is shown in the table below:

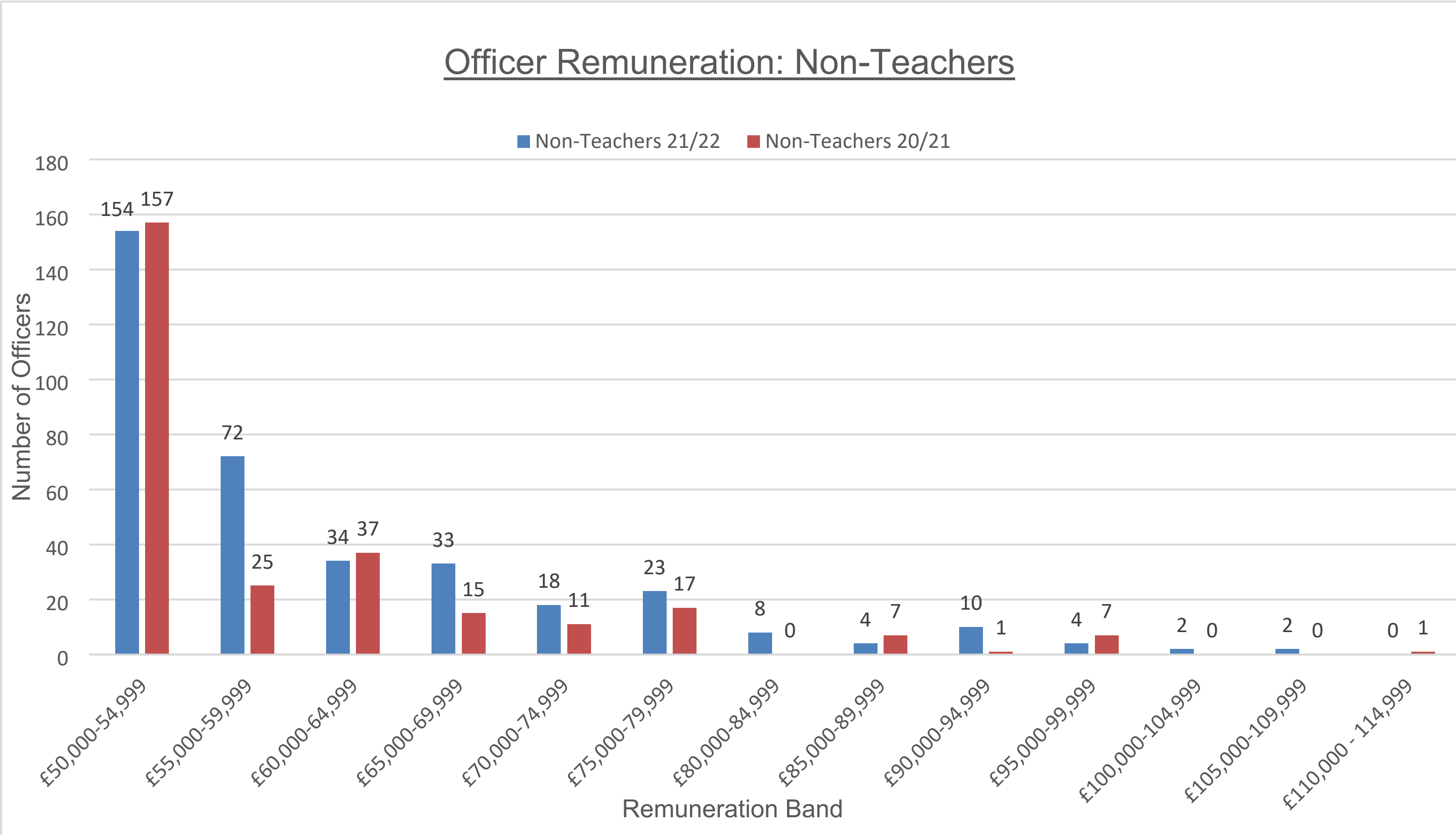
2021/22						
Post Holder Information	**Note**	**Salary – including Fees and Allowances £**	**Expenses Allowances £**	**Total Remuneration exc Pension Contributions £**	**Pension Contributions £**	**Total Remuneration inc Pension Contributions £**
Chief Executive – Kate Josephs		204,311	0	204,311	38,819	243,130
Executive Director – Resources – Eugene Walker	**1**	158,051	0	158,051	30,294	188,345
Executive Director – People – John Macilwraith		156,637	0	156,637	29,761	186,398
Interim Executive Director – Place		134,420	0	134,420	25,540	159,960
Executive Director – Place (City Futures)	**2**	10,069	0	10,069	1,913	11,982
Director of Public Health		128,411	0	128,411	18,233	146,644
Director of Legal and Governance	**3**	98,301	0	98,301	18,464	116,765
Director of Policy and Performance	**4**	92,561	0	92,561	17,514	110,075
Total		**982,761**	**0**	**982,761**	**180,538**	**1,163,299**

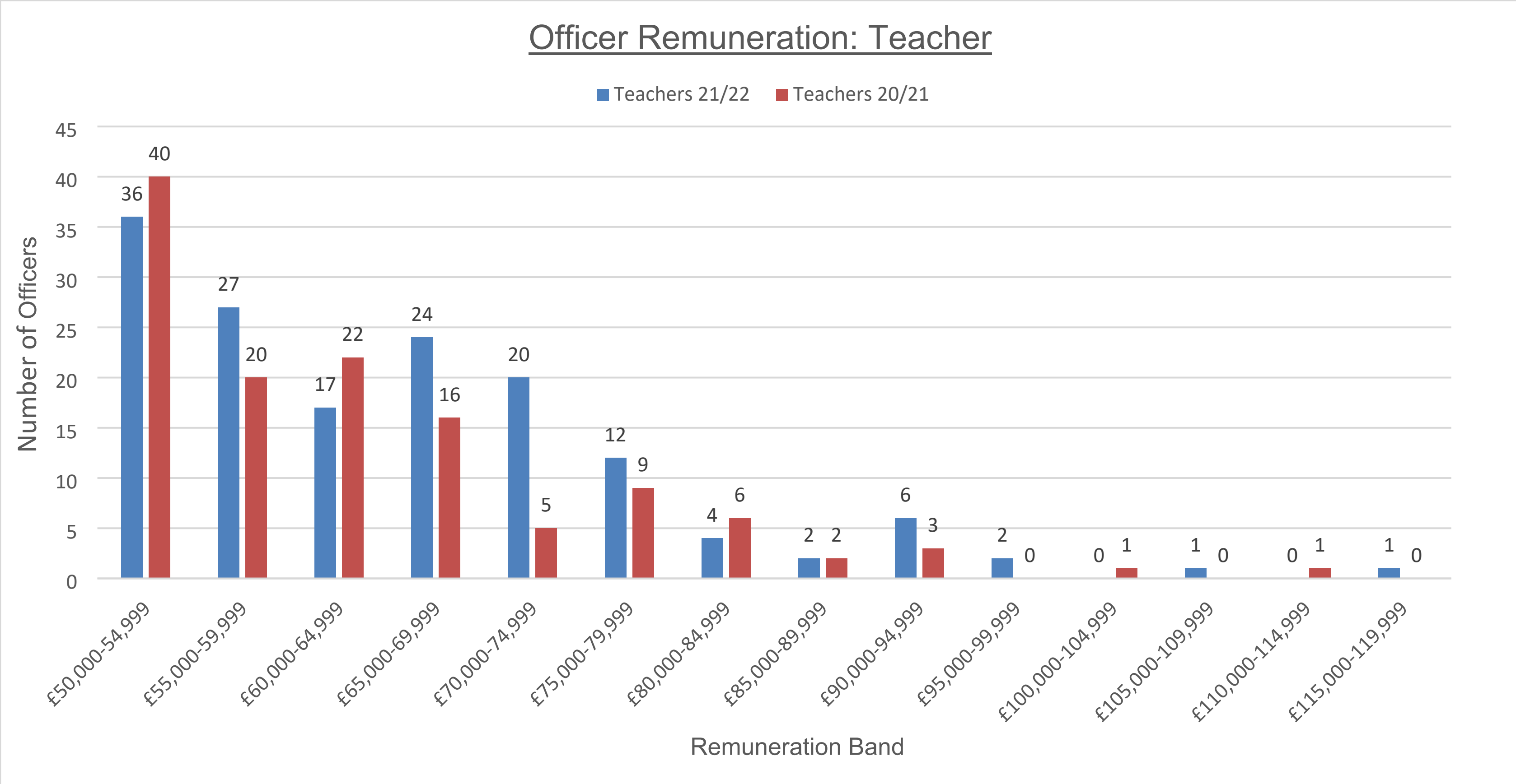
Notes:
1. The Executive Director of Resources took up the role of acting Chief Executive on 16th February 2022.
2. The Executive Director of Place (City Futures portfolio) took up position with effect from 7th March 2022.
3. The Director of Legal and Governance in addition took up the role of Interim Executive Director of Resource on a job share basis from 16th February 2022.
4. The Director of Policy and Performance in addition took up the role of Interim Executive Director of Resource on a job share basis from 16th February 2022.

2020/21						
Post Holder Information	**Note**	**Salary – including Fees and Allowances £**	**Expenses Allowances £**	**Total Remuneration exc Pension Contributions £**	**Pension Contributions £**	**Total Remuneration inc Pension Contributions £**
Interim Chief Executive	**1**	134,069	0	134,069	0	134,069
Chief Executive – Kate Josephs	**2**	47,076	0	47,076	8,945	56,021
Executive Director – People – John Macilwraith		154,322	19	154,341	29,321	183,662
Executive Director – Place	**3**	113,516	0	113,516	21,568	135,084
Interim Executive Director – Place	**4**	30,157	0	30,157	5,730	35,887
Executive Director – Resources – Eugene Walker		149,295	0	149,295	28,419	177,714
Director of Public Health		125,261	55	125,316	18,007	143,323
Director of Policy and Performance		89,327	0	89,327	17,255	106,582
Total		**843,023**	**74**	**843,097**	**129,245**	**972,343**

Notes:
1. The Interim Chief Executive took up office on 6th January 2020 (with a prior three-day handover period in December 2019) and stepped down at the full Council meeting on 7th October 2020. During the period between the Interim Chief Executive leaving and Kate Josephs starting position as the Chief Executive on 7th January 2021, the Chief Executive responsibilities were taken on jointly by The Executive Director - People and The Executive Director - Resources, neither of whom received additional remuneration for this role during the interim period.
2. The Chief Executive, Kate Josephs, took up office on 7th January 2021.
3. The Executive Director - Place left the position as of 31st December 2020.
4. The Interim Executive Director - Place took up position with effect from 6th January 2021.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:


Officer Remuneration: Non-Teachers
Non-Teachers 21/22
Non-Teachers 20/21
Number of Officers
Remuneration Band
0
20
40
60
80
100
120
140
160
180
154
157
72
25
34
37
33
15
18
11
23
17
8
0
4
7
10
1
4
7
2
0
2
0
0
1
£50,000-54,999
£55,000-59,999
£60,000-64,999
£65,000-69,999
£70,000-74,999
£75,000-79,999
£80,000-84,999
£85,000-89,999
£90,000-94,999
£95,000-99,999
£100,000-104,999
£105,000-109,999
£110,000 - 114,999


Officer Remuneration: Teacher
Teachers 21/22
Teachers 20/21
Number of Officers
45
40
35
30
25
20
15
10
5
0
36
40
27
20
17
22
24
16
20
5
12
9
4
6
2
2
6
3
2
0
0
1
1
0
0
1
1
0
£50,000-54,999
£55,000-59,999
£60,000-64,999
£65,000-69,999
£70,000-74,999
£75,000-79,999
£80,000-84,999
£85,000-89,999
£90,000-94,999
£95,000-99,999
£100,000-104,999
£105,000-109,999
£110,000-114,999
£115,000-119,999
Remuneration Band

44. Termination Benefits

The Council terminated the contracts of a number of employees in 2021/22 incurring liabilities of £6.1m (£0.08m in 2020/21). This includes redundancy and pension payments.

This amount was payable to 172 people (4 people in 2020/21) from across the Council, who were made redundant as part of its strategy to reduce the workforce to achieve budget savings.

The numbers of exit packages with total cost per band are set out in the table below:

2020/21			2021/22	
Total number of exit packages by cost band	**Total cost of exit packages in each band**	**Exit package cost band (including special payments)**	**Total number of exit packages by cost band**	**Total cost of exit packages in each band**
	£000			**£000**
4	78	£0 - £60,000	135	2,751
0	0	£60,001 - £80,000	19	1,367
0	0	£80,001 - £100,000	7	642
0	0	£100,001 - £120,000	6	661
0	0	£120,001 - £180,000	5	692
4	**78**	**Total**	**172**	**6,113**

In 2021/22 £0 contributions for the termination costs under contract / partnership obligations were incurred. In 2020/21 the equivalent cost was £0k.

45. Post-Employment Benefits

As part of the terms and conditions of employment of its employees, the Council offers post-employment benefits in the form of three pension schemes, which provide members with defined benefits related to pay and service. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. As outlined in the Statement of Accounting Policies (Note 1 viii) the City Council makes contributions to the following pension schemes in respect of its employees.

Teachers' Pension Scheme

In 2021/22 the City Council paid £13.8m (£13.4m 2020/21) to the Department for Education (DfE) in respect of Teachers' pension costs, which represented 23.68% of Teachers' pensionable pay over the year (23.68% 2020/21).

In addition, the City Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2021/22 these amounted to £3.8m (£3.5m 2020/21), representing 6.46% (6.21% 2020/21) of pensionable pay.

The teachers' pension scheme is not the direct responsibility of the Local Education Authority. The teachers' pension scheme is an unfunded scheme with pension costs charged to the accounts based on a rate set by the DfE, supported by a five-year actuarial review. It is not possible to identify liabilities consistently and reliably between participant authorities.

NHS Pension Scheme

During 2013/14 public health staff were transferred from Primary Care Trusts (PCTs) to Local Authorities. These staff have maintained their membership in the NHS pension scheme. In 2021/22 the City Council paid £139k (£146k 2020/21) to NHS pensions in respect of NHS pension costs, which represented 14.38% (14.38% 2020/21) of NHS pensionable pay.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying scheme assets and liabilities with sufficient reliability. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

Local Government Pension Scheme

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

2020/21		2021/22
£000		£000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
84,630	Current service cost	98,308
424	Past service cost including curtailments	1,930
85,054	**Charge to (Surplus) / Deficit on Continuing Operations**	**100,238**
	Other Operating Expenditure:	
1,158	Administration expenses	1,248
1,158		1,248
	Financing and Investment Income and Expenditure:	
70,799	Interest cost on pension liabilities	81,657
(50,491)	Interest on plan assets	(61,021)
20,308		20,636
21,466	**Charge to the (Surplus) / Deficit on the Provision of Services**	**21,884**
	Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:	
(14,249)	Re-measurements of the net defined benefit liability	(341,019)
13,800	Business Combinations	11,748
(449)		**(329,271)**
106,071	**Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement**	**(207,149)**

On 31 March 2022, the historic assets and liabilities of the Sheffield City Trust's South Yorkshire Pension Scheme were subsumed by the Council's South Yorkshire Pension Scheme and the Trust has been discharged of its net pension liability.

2020/21		2021/22
£000		£000
	Movement in Reserves Statement	
(106,520)	Reversal of net charges made to the (Surplus) / Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(122,122)
	Actual amount charged against the General Fund Balance for pensions in the year:	
46,031	Employer's contributions payable to scheme	49,538

The cumulative amount of actuarial (gains) and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2022 is a loss of £78.1m (£407.3m loss in 2020/21).

The employers' contributions payable to the scheme increased from £46m in 2020/21 to £49.5m in 2021/22.

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2020/21 £000		2021/22 £000
(3,305,385)	Opening Balance at 1 April	(3,883,967)
(84,630)	Current service cost	(99,556)
(70,799)	Interest cost	(81,657)
(15,006)	Contributions by scheme participants	(16,250)
(449,041)	Re-measurements	105,681
94,297	Benefits Paid	103,328
(424)	Curtailments	(1,930)
(52,979)	Business Combinations	(65,710)
(3,883,967)	**Closing Balance at 31 March**	**(3,940,061)**

Reconciliation of fair value of the scheme (plan) assets:

2020/21 £000		2021/22 £000
2,364,311	Opening Balance at 1 April	2,882,853
50,491	Interest on plan assets	61,021
463,290	Re-measurements	235,338
(1,158)	Administration expenses	0
46,031	Contributions by Employer	49,538
15,006	Contributions by scheme (plan) participants	16,250
(94,297)	Benefits paid	(103,328)
39,179	Business Combinations	53,962
2,882,853	**Closing Balance at 31 March**	**3,195,634**

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

The actual return on scheme assets in the year was a gain of £296.4m (£513.8m gain in 2020/21).

Local Government Pension Scheme assets comprised:

	31 March 2021	31 March 2022
Equity Securities:	**£000**	**£000**
Other - Quoted	16,127	7,673
Other - Unquoted	0	16
Debt Securities:		
Corporate Bonds (investment grade)	0	0
Corporate Bonds (non-investment grade) - Not Quoted	157,034	346
UK Government - Not Quoted	56,488	19,068
Other - Quoted	8,380	9,075
Other - Not Quoted	133,325	150,356
Private Equity:		
All - Quoted	15,595	6,874
All - Not Quoted	242,137	306,356
Real Estate:		
UK Property - Quoted	6,007	5,294
UK Property - Not Quoted	242,486	264,042
Overseas Property - Not Quoted	3,971	4,304
Investment Funds and Unit Trusts:		
Equities - Not Quoted	1,390,880	1,488,995
Bonds - Not Quoted	387,943	573,993
Hedge Funds	0	0
Commodities	0	0
Infrastructure - Quoted	52,812	41,034
Infrastructure - Not Quoted	132,792	222,965
Other	0	59,604
Cash and Cash Equivalents:		
All - Quoted	36,876	35,639

Scheme History

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Present value of liabilities	(2,867,131)	(3,099,421)	(3,305,385)	(3,883,967)	(3,940,061)
Fair value of scheme assets	2,090,557	2,168,758	2,364,311	2,882,853	3,195,634
Surplus / (deficit) in the scheme	**(776,574)**	**(930,663)**	**(941,074)**	**(1,001,114)**	**(744,427)**

The liabilities show the underlying commitments that the Council has, in the long run, to pay post-employment benefits. The total liability of £744m (£1,001m 2020/21) has a substantial impact on the net worth of the Council as recorded on the Balance Sheet, reducing the balance from £2.3bn to £1.6bn (£2.3bn to £1.3bn 2020/21). The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Basis for Estimating Assets and Liabilities

The pension fund liabilities have been assessed by the actuaries Hymans Robertson using the projected unit method. This involved making an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The main assumptions used in their calculations are as follows:

2020/21		2021/22
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.5 years	Men	21 years
25.3 years	Women	24 years
	Longevity at 65 for future pensioners:	
24.0 years	Men	22 years
27.2 years	Women	25.5 years
	Financial assumptions:	
2.7%	Rate of CPI inflation	3.2%
3.95%	Rate of increase in salaries	3.8%
2.8%	Rate of increase in pensions	3.2%
2.1%	Rate for discounting scheme liabilities	2.7%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2020/21.

Change in Assumptions at 31 March 2022	**£000**
Increase in life expectancy (1 year increase)	157,602
Rate of inflation (0.1% increase)	58,125
Rate of increase in salaries (0.1% increase)	8,355
Rate of discount (0.1% increase)	67,012

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserves in 2021/22 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2022:

	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	%	**%**	**%**	**%**	**%**
Differences between the expected and actual return on assets			8.1	16.1	6.9
	1.6	3.1			
Experience gains and losses on liabilities	-4.6	4.9	-1.6	13.4	-4.6

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Housing Revenue Account (HRA)

The HRA Income and Expenditure Statement shows the economic cost in year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations, this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Housing Revenue Account Income and Expenditure Statement:

2020/21			2021/22
£000		Note	£000
	Expenditure:		
38,149	Repairs and maintenance		44,474
47,282	Supervision and management		54,450
2,587	Rents, rates, taxes and other charges		2,828
18,489	Depreciation, impairment and revaluation losses / (gains) of non-current assets	8 / 9	108,563
193	Debt management costs		223
2,145	Movement in the allowance for Bad or Doubtful Debts		1,304
108,845	**Total Expenditure**		**211,842**
	Income:		
(144,151)	Dwelling rents	11	(145,871)
(1,300)	Non-dwelling rents - garages, garage sites, shops	11	(1,310)
(6,154)	Charges for services and facilities		(6,406)
(369)	Contributions towards expenditure		(467)
(151,974)	**Total Income**		**(154,054)**
(43,129)	Net (Income) / Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement		**57,788**
843	HRA share of Corporate and Democratic Core		798
(42,286)	**Net (Income) / Cost of HRA Services**		**58,586**
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:		
1,702	(Gain) or loss on sale of HRA non-current assets		(1,349)
12,959	Interest payable and similar charges		12,862
(171)	Interest and investment income		(108)
(27,796)	**(Surplus) / Deficit for the year on HRA services**		**69,991**

Movement on the Housing Revenue Account Statement:

2020/21			2021/22
£000		Note	£000
(7,646)	**Balance as at 1 April**		**(7,782)**
(5)	Opening balance adjustment		0
(27,796)	(Surplus) / Deficit on the HRA Income and Expenditure Statement		69,991
0	Other Comprehensive Income and Expenditure	1	0
3,576	Adjustments between accounting basis and funding basis under regulation	2	(81,567)
(24,220)	**Net (increase) / decrease before transfers to reserves**		**(11,576)**
24,089	Transfer to / from reserves	3	11,335
(131)	**(Increase) / decrease in year on the HRA**		**(241)**
(7,782)	**Balance as at 31 March**		**(8,023)**

Notes to the Housing Revenue Account

01. Other Comprehensive Income and Expenditure

In 2021/22 and 2020/21 there were no other items.

02. Adjustments Between Accounting Basis and Funding Basis Under Regulation

2020/21		2021/22
£000		£000
5,251	Net Impairment and revaluation gains / (losses) on HRA non-current assets	(82,943)
(1,702)	Net gain / (loss) on sale of HRA non-current assets	1,349
0	Difference between interest payable and similar charges (including amortisation of premiums and discounts determined in accordance with Statute)	0
0	Revenue Contribution to Major Repairs Reserve	0
27	Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statutory HRA requirements	27
3,576	**Total**	**(81,567)**

03. Transfer to / (from) Reserves

This note sets out the amounts set aside from the HRA balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to the HRA to meet expenditure in 2021/22.

2020/21		2021/22
£000		£000
23,396	Transfer to / (from) the Major Repairs Reserve	13,553
693	Transfer to / (from) the HRA Earmarked Reserve	(2,218)
24,089	**Total**	**11,335**

04. Housing Stock

The Council was responsible for managing, on average 38,715 dwellings during 2021/22 (38,933 for 2020/21). The movement in stock can be summarised as follows:

2020/21		2021/22
38,989	Housing Stock as at 1 April	38,877
(215)	Less: Sales	(413)
0	Less: Demolitions and other deductions	0
103	Add: New build and acquisitions	89
38,877	**Housing Stock as at 31 March**	**38,553**

The housing stock can be analysed by type as follows:

2021/22			
	Flats and Maisonettes	**Houses and Bungalows**	**Total**
1 Bedroom	11,850	1,694	13,544
2 Bedrooms	5,445	8,353	13,798
3 Bedrooms	819	9,636	10,455
4 Bedrooms	11	370	381
5 Bedrooms	1	19	20
6 Bedrooms or more	1	3	4
Bedsits	349	2	351
Total	**18,476**	**20,077**	**38,553**

2020/21 – Comparative Information			
	Flats and Maisonettes	**Houses and Bungalows**	**Total**
1 Bedroom	11,890	1,685	13,575
2 Bedrooms	5,492	8,423	13,915
3 Bedrooms	831	9,809	10,640
4 Bedrooms	11	371	382
5 Bedrooms	1	20	21
6 Bedrooms or more	1	3	4
Bedsits	338	2	340
Total	**18,564**	**20,313**	**38,877**

The opening and closing balances of HRA fixed assets are as follows:

2020/21 Value at 1 April £000	2020/21 Value at 31 March £000		2021/22 Value at 1 April £000	2021/22 Value at 31 March £000
1,339,202	1,488,278	Council Dwellings	1,488,278	1,524,752
14,637	13,616	Other Land and Buildings	13,616	22,076
41,428	43,423	Surplus Assets	43,423	41,251
4,744	4,836	Assets Held for Sale	4,836	7,469
83	2	Community Assets	2	0
12,732	27,137	Assets Under Construction	27,137	44,098
0	0	Vehicles, Plant and Equipment	0	15
1,412,826	**1,577,292**	**Total**	**1,577,292**	**1,639,661**

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05. Vacant Possession

The vacant possession value of Council Dwellings as at 31st March 2022 was £3.72bn (£3.63bn as at 31st March 2021 and £3.28bn as at 1 April 2020). The difference between the vacant possession value of dwellings and the Balance Sheet value represents the economic cost to government of providing council housing at less than open market rents.

06. Major Repairs Reserve

The Major Repairs Reserve was created on 1 April 2002 in accordance with the statutory provision (Section 3 Local Authorities Capital Finance and Accounts England Regulations 2000). This reserve is held to provide funding for the substantial future planned HRA Capital Investment Programme. The table below shows the movement on the reserve:

2020/21 £000		2021/22 £000
(76,851)	Balance at 1 April	(98,837)
(23,740)	Transfers from the Capital Adjustment Account (re. Depreciation)	(25,620)
0	Transfers from the HRA (re. Revenue Contribution)	0
(23,396)	Transfers from the HRA (re. Additional Revenue Contribution)	(13,553)
25,150	Expenditure on capital assets	39,869
(98,837)	**Balance at 31 March**	**(98,141)**

07. Capital Expenditure

During the financial year total capital expenditure was £46m, (£34.7m in 2020/21) split between houses £44.3m (£33.7m in 2020/21) and other property and land within the Housing Revenue Account £1.7m (£1m in 2020/21).

The table below provides details of how this expenditure was financed:

2020/21		2021/22
£000		**£000**
25,150	Major Repairs Reserve	39,869
5,227	Usable Capital Receipts Reserve	5,577
4,353	Capital Grants and Other Contributions	518
34,730	**Total**	**45,964**

Capital receipts amounting to £22.8m (£11m in 2020/21) were generated in the financial year from the disposal of land, houses and other property within the Authority's HRA.

08. Depreciation

A depreciation charge of £25.6m (£23.7m in 2020/21) was made to the HRA during the financial year. The split of the depreciation charge is detailed below:

2020/21		2021/22
£000		**£000**
23,043	Council Dwellings	25,024
644	Other Land and Buildings	572
53	Surplus Assets	24
23,740	**Total**	**25,620**

09. Impairment and Valuations

There were no impairment charges in 2021/22 or 2020/21. However, there are reversals of previous impairments of £45.7m (£129m in 2020/21).

10. Rent Arrears

Rent arrears (excluding amounts collectable on behalf of other agencies) as at 31st March 2022 amounted to £13.3m (£13m as at 31st March 2021). The provision for doubtful debts in respect of these rent arrears is £10.5m (£10.5m as at 31st March 2021).

11. Rent Income

The total rent income due for the year after allowance has been made for vacant property is as follows:

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2020/21				2021/22		
Dwellings	**Non-Dwellings**	**Total**		**Dwellings**	**Non-Dwellings**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(148,965)	(2,097)	(151,062)	Gross rent income before allowances	(151,341)	(2,162)	(153,503)
4,814	798	5,612	Less vacant properties	5,470	852	6,322
(144,151)	**(1,299)**	**(145,450)**	**Gross rent income after allowances**	**(145,871)**	**(1,310)**	**(147,181)**

12. Dwellings Rents

This represents rent income due from tenants. The average rent per week at 31st March 2022 was £78.19 (50 week basis) compared with £76.46 per week at 31st March 2021, an increase of £1.73 or 2.26%.

13. Rebates

Rent rebates are available through the Housing Benefits scheme. As at 31st March 2022 41% (45% as at 31st March 2021) of Council tenants were receiving assistance from the scheme.

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Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. 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 National Non-domestic Rates (NNDR).

2020/21 Non-domestic Rates £000	2020/21 Council Tax £000	2020/21 Total £000		Notes	2021/22 Non-domestic rates £000	2021/22 Council Tax £000	2021/22 Total £000
			Income:				
0	(277,646)	**(277,646)**	Council Tax Receivable	1	0	(293,548)	**(293,548)**
(96,988)	0	**(96,988)**	NNDR Receivable	2	(175,173)	0	**(175,173)**
(96,988)	**(277,646)**	**(374,634)**	**Total Income**		**(175,173)**	**(293,548)**	**(468,721)**
			Expenditure:				
			Precepts and Demands:				
101,448	228,034	**329,482**	- Sheffield City Council		97,927	235,612	**333,539**
0	27,774	**27,774**	- SY Police Authority		0	29,406	**29,406**
2,070	10,461	**12,531**	- SY Fire and Rescue Authority		1,999	10,500	**12,499**
103,518	0	**103,518**	- Central Government share of NNDR		99,926	0	**99,926**
207,036	266,269	**473,305**			199,852	275,518	**475,370**
			Apportionment of Previous Years' Surplus/(Deficit):				
4,441	3,795	**8,236**	- Sheffield City Council		(44,893)	(4,697)	**(49,590)**
0	426	**426**	- SY Police Authority		0	(574)	**(574)**
91	178	**289**	- SY Fire and Rescue Authority		(916)	(216)	**(1,132)**
4,532	0	**4,532**	- Central Government share of NNDR		(45,809)	0	**(45,809)**
9,064	4,399	**13,463**			(91,618)	(5,487)	**(97,105)**
			Charges to Collection Fund:				
3,800	0	**3,800**	Non-domestic Transitional Protection Payments		1,199	0	**1,199**
0	0	**0**	Non-domestic Rates Supplement		0	0	**0**
			Impairment of debts:				
0	1,264	**1,264**	- Bad debt written off	1	0	1,257	**1,257**
2,925	12,524	**15,449**	- Allowance for bad debt		3,018	7,095	**10,113**
3,162	0	**3,162**	- Appeals provision		2,762	0	**2,762**
752	0	**752**	Cost of Collection		744	0	**744**
1,262	0	**1,262**	Renewable Energy Disregarded		1,580	0	**1,580**
692	0	**692**	Enterprise Zone Growth		651	0	**651**
0	0	**0**	New Development Deal Growth		3,991	0	**3,991**
228,693	**284,456**	**513,149**	**Total Expenditure**		**122,179**	**278,383**	**400,562**
131,705	**6,810**	**138,515**	**Movement on the Fund**		**(52,994)**	**(15,165)**	**(68,159)**
(34,104)	**(1,318)**	**(35,422)**	**Opening Fund Balance**		**97,601**	**5,492**	**103,093**
97,601	**5,492**	**103,093**	**Closing Fund Balance**		**44,607**	**(9,673)**	**34,934**

Notes to the Collection Fund

01. Council Tax

There are an estimated 253,970 (251,909 for 2020/21) residential properties in Sheffield and each is placed into one of eight valuation bands (A to H), by the Valuation Office Agency (VOA) of Her Majesty's Revenue and Customs (HMRC), based on its assessed capital value at 1 April 1991. The totals for each band are converted and expressed in terms of a number of band D dwellings to give the tax base for the City of 138,032.64 for 2021/22 (140,243.94 for 2020/21). After allowing for non-collection, the calculation of Council Tax at band D is made so as to be sufficient to generate the estimated income required to be taken from the Collection Fund by the City Council and the South Yorkshire Joint Authorities. The amount of Council Tax set at band D is £1,991.42 for 2021/22 (£1,894.03 for 2020/21). This excludes parishes but includes Police and Fire and is converted to determine the level of Council Tax for the other seven bands.

Council Tax bills were based on the following proportions for bands A to H:

2021/22						
Band	**Number of Properties in Band**	**Exemptions and Reliefs**	**Chargeable Dwellings**	**Adjusted Chargeable Dwellings**	**Proportion of Band D Tax**	**Band D Equivalent Dwellings**
Disabled Band A		274.74	274.74	(34.00)	5/9	133.74
A	147,856.00	(40,210.93)	107,645.07	(16,074.38)	6/9	61,047.13
B	40,516.00	(4,487.74)	36,028.26	(3,091.88)	7/9	25,617.18
C	32,133.00	(3,709.66)	28,423.34	(1,980.75)	8/9	23,504.52
D	16,909.00	(1,794.81)	14,814.19	(887.25)	9/9	13,926.94
E	9,493.00	(461.65)	9,031.35	(452.75)	11/9	10,485.96
F	4,316.00	(86.34)	4,229.66	(181.00)	13/9	5,848.06
G	2,846.00	(61.33)	2,784.67	(120.75)	15/9	4,439.87
H	201.00	(44.50)	156.50	(10.00)	18/9	293.00
	254,270.00	(50,582.22)	203,387.78	(22,832.76)		145,296.40
Less: Allowance for non-collection						(7,265.76)
Add: Defence-exempt properties						2
Tax Base for the calculation of 2021/22 Council Tax						**138,032.64**

Those properties qualifying for Council Tax support are no longer included in the tax base figures from 2014/15. Defence-exempt properties are properties owned by the Ministry of Defence for use by armed forces personnel. These can include barracks or other living accommodation on military bases.

2020/21						
Band	**Number of Properties in Band**	**Exemptions and Reliefs**	**Chargeable Dwellings**	**Adjusted Chargeable Dwellings**	**Proportion of Band D Tax**	**Band D Equivalent Dwellings**
Disabled Band A		310.40	310.40	276.40	5/9	153.56
A	146,880	(36,865.10)	110,014.90	94,024.02	6/9	62,683.68
B	40,086	(4,546.37)	35,539.63	32,545.50	7/9	25,313.17
C	31,893	(3,740.60)	28,152.40	26,210.15	8/9	23,297.91
D	16,382	(1,000.87)	15,381.13	14,508.63	9/9	14,508.63
E	9,349	(446.36)	8,902.64	8,464.89	11/9	10,345.98
F	4,295	(75.23)	4,219.77	4,041.27	13/9	5,837.39
G	2,827	(52.98)	2,774.02	2,656.02	15/9	4,426.70
H	197	(46.68)	150.32	141.57	18/9	283.14
	251,909	(46,463.79)	205,455.21	182,868.45		146,849.15
Less: Allowance for non-collection						(6,608.21)
Add: Defence-exempt properties						3.00
Tax Base for the calculation of 2020/12 Council Tax						**140,243.94**

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The income of £292.3m for 2021/22 (£276.4m 2020/21), which is net of write offs, is broken down as follows:

2020/21		2021/22
£000		**£000**
(277,646)	Billed to Council Tax Payers	(293,548)
1,264	Write Offs	1,257
(276,382)	**Total**	**(292,291)**

02. National Non-Domestic Rates (NNDR)

Under statutory arrangements, NNDR is collected locally on the basis of a nationally determined rate in the pound charged on the rateable value of the property. The multiplier is set nationally by Central Government and local rateable values are provided by the Valuation Office Agency (VOA). In 2021/22 the Standard Rate was 51.2p (51.2p in 2020/21) and the Small Business Rate was 49.9p in 2021/22 (49.9p in 2020/21). Subject to the effects of transitionary arrangements, local businesses pay rates are calculated by multiplying their rateable value by these amounts. The Council is responsible for collecting rates due from the ratepayers in its area but pays 50% to Government and 1% to South Yorkshire Fire and Rescue Authority. The NNDR income of £175.2m for 2021/22 (£97m 2020/21) was based on a total rateable value for the Council's area of £543.8m for the year 2021/22 (£554.5m for 2020/21).

Accounting Policies

I. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year end of 31st March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ('the Code') and the CIPFA Service Reporting Code of Practice 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2015 Regulations.

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.

II. 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. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- 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 expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 on 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.

- Payments for utilities, such as gas and electricity, are charged at the date of the meter reading rather than being apportioned between years, therefore this policy is applied consistently each year.

- Car parking penalty charge notices – a prudent approach is taken and the income is recognised at the point of actual receipt rather than when the invoice is raised.

- Materiality levels were set to determine the accruals to be taken at the end of the financial year for certain low value revenue transactions. In these instances, the change from year to year is recurring in nature and the sums involved have been deemed not to be material compared with total income and expenditure.

III. Acquisitions and Discontinued Operations

Acquired Operations

All operations acquired in year will be treated in line with the Council's accounting policies and disclosed separately on the face of the Comprehensive Income and Expenditure Statement.

Discontinued Operations

Any discontinued operations are disclosed separately on the face of the Comprehensive Income and Expenditure Statement.

IV. 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. All deposits placed within instant access call accounts, money market funds and the Council's instant access call account should be classified in the accounts as cash equivalents due to these being highly liquid investments which offer instant access to the funds and are therefore deposited to meet the Council's short term cash requirements. All fixed term investments are not classified as cash equivalents as at the point of making the deposit the Council is unable to convert these to cash until the maturity date of the investment.

The balances of third-party funds and bank accounts are not included in the Council's financial statements.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts.

V. Exceptional Items / Material Items of Income or Expense

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

VI. 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 are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively if material (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.

VII. Charges to Revenue for Non-Current Assets

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

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

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

VIII. Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. 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 calculated using 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) / Deficit on the Provision of Services', but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-Employment Benefits

Employees of the Council are members of the following pension schemes:

- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Pensions on behalf of the Department of Health & Social Care (DHSC).
- The Local Government Pension Scheme, administered by South Yorkshire Pensions Authority on behalf of Sheffield City Council and the other local authorities in South Yorkshire.

These Pension Schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' Pension Scheme and the NHS Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as defined contribution schemes and no liability for future payments of benefits is recognised on the Balance Sheet. The People line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. Portfolios are charged with the employer's contributions payable to NHS Pensions in the year for the Public Health staff working in their Portfolio. This will be across various lines within the Comprehensive Income and Expenditure Statement.

The Local Government Pension Scheme

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

- The liabilities of the pension fund attributable to the Council are included on 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 projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate. Details of the rates used and assumptions made are included in Note 45 to the core financial statements.

- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:

  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

- The change in the net pensions liability is analysed into the following components:

  - Service cost comprising:

    - 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 as a result of a scheme amendment or curtailment 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), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:

  - 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 pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

No adjustments have been made within the Housing Revenue Account for Retirement Benefits. This is because it is not possible to identify the Housing Revenue Account's share of assets and liabilities on a consistent and reliable basis and because it would be incompatible with legislative requirements to show items within the Housing Revenue Account not specified as statutory debits and credits.

Superannuation Fund Accounts are available from the South Yorkshire Pensions Authority, PO Box 18, Regent Street, Barnsley, S70 2HG.

IX. Events After the Reporting Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

- 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.

X. 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 such as equity shareholdings at 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. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

The Council uses 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 that the Council can access at the measurement date.

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

XI. Financial Instruments

Financial Liabilities

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

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

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

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

The Council does not guarantee any external organisations' debt instruments and as a result has no financial guarantees which need to be included within the accounts.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial asset measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through Other comprehensive income

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those assets whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council become a party to the contractual provisions of the financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument. This results in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan on the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Expected credit losses will be calculated on individual assets where reasonable to do so. Where the Authority cannot gather reasonable and supporting information without undue cost or effort to support expected credit losses on an individual basis, it will assess losses on a collective basis.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets 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, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

XII. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate as at 31st March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

XIII. Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and 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 not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as liabilities. 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.

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

Business Improvement Districts

Business Improvement District (BID) schemes are funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

The meaningful proportion of the CIL is received without outstanding conditions, it is therefore recognised when received in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

xiv. Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as Heritage Assets)

Heritage Assets are assets held principally for their contribution to the knowledge, understanding and appreciation of the Council's culture, history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, and these are detailed below. The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also presented below. For the purposes of the accounts, the Council has grouped its Heritage Assets into four main areas, which are accounted for as follows:

Museums and Galleries

The collections include fine and decorative art, natural sciences, human history and industrial heritage. The assets are reported on the Council's Balance Sheet at insurance valuation, which is updated on an annual basis. The policy insures the collections as a whole and includes assets managed by Sheffield Museums Trust, formed in 2021 through the merger of Museums Sheffield and Sheffield Industrial Museums Trust. High value works are valued annually, either through external valuation or with reference to auction guides. Variations are made to the insurance schedule on an annual basis or sooner as appropriate.

Land and buildings assets have been reported on the Council's Balance Sheet at cost. Only assets with a determinable life have been depreciated.

While the collections in their entirety have significant historic value, the majority of items have a relatively low market value. In many cases the costs of conservation exceed market values and investment in the assets is determined on the basis of its unique national and local historic significance.

The collections develop through a combination of acquisition through purchase and donation. Acquisitions are initially recognised at cost and then subsequently recognised at valuation. Donations are recognised at valuation ascertained by the museum's curators.

Sheffield Museums Trust works to the Collections Agreement between the Trust and the Council and a Collections Development Policy that is revised as part of the Arts Council England Accreditation Scheme and is approved by Sheffield Museums Board of Trustees and the Council.

Standards of care are governed by the requirements of the National Museum Accreditation Scheme, with which Sheffield Museums has achieved accreditation.

Civic Collections

The Civic Collections include gifts of silverware and paintings given to the city and examples of products manufactured by Sheffield's industries. The collection of silverware is reported on the Balance Sheet at insurance valuation, which is based on a specialist valuation report commissioned in 2009. The other artefacts have not been valued because of the diverse nature of the assets and in the Council's opinion, conventional valuation approaches lack sufficient reliability. The assets are deemed to have indeterminate lives hence the Council does not consider it appropriate to charge depreciation.

Archives and Libraries

Sheffield Archives collect and preserve original historic records and printed material relating to Sheffield and the surrounding area. The collection is reported on the Balance Sheet at insurance valuation, which is based on an estimate of restorative costs, as it is unlikely market value could be derived given the diverse nature and size of the collections. The assets are deemed to have indeterminate lives hence the Council does not consider it appropriate to charge depreciation.

There are around 80,000 boxes of records. The public access policy is available at all sites for original documents, microform, CD-ROM and online libraries. Acquisitions occur throughout the year, deposited by other government departments and agencies, local Dioceses and private records on loan or donated to the Council.

Public Realm

Heritage Assets in the Public Realm include statues and monuments, war memorials, public art and archaeological sites. The Council does not consider that reliable valuation information can be obtained for the items held in the public realm. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the Balance Sheet. However cost information is included where available.

Acquisitions, commissions for new items and disposals are dealt with on an individual basis.

General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

xv. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund

Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

XVI. Inventories and Long Term Contracts

Inventories are included on the Balance Sheet at the lower of cost and net realisable value.

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

XVII. Investment Property

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

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

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

XVIII. Joint Operations

Joint Operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

XIX. Leases

Leases are classified as finance leases where the terms of the lease substantially transfer 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.

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

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

The Council as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment, applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset on the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset on the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Operating Lease

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

XX. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

XXI. Property, Plant and Equipment

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 are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. 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.
- 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.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Borrowing costs are capitalised for capital projects that take a substantial period of time to get ready for intended use, determined as a construction / development period of two years or more and until the construction is complete. This policy does not apply to projects that are predominantly grant funded.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- assets under construction – historical cost.
- community assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), where practicable, otherwise depreciated historical cost, if this information is available.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets – 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 that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Community assets are measured at current value, where sufficient market-based evidence exists, or where the assets generate an income and this provides a reliable basis for estimating the current value. However, the income generating capacity of a community asset is deemed to be incidental to the authority's intention to hold the asset in perpetuity for the benefit of the community.

Assets included on the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five 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).

- 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 subsequently reversed, 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 a straight line basis, over the useful life of the asset following the year of construction or acquisition, determined as follows:

- Buildings are based upon individual asset lives, assessed as part of the rolling programme of revaluations.
- Vehicles, plant, furniture and equipment between 5 and 10 years, with the exception of the incinerator plant under the Veolia Public Private Partnership (PPP) contract, which has a useful economic life of 19 years and the District Heating Network of 23 years.

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. A framework for identifying components has been agreed with the Council's internal valuers. Components are also recognised where capital investment for replacement or enhancement of the asset establishes a material component.

Recognition is applied as follows:

- Assets with a value in excess of £2m are considered for componentisation.
- Components of an asset are recognised and depreciated separately to the main asset, where the value of the component is at least 20%, and the difference in useful life is 20% or higher.

A further policy for Council Dwellings is in development, where it is necessary to recognise lower value and a greater number of components, to more accurately reflect replacement and asset life cycles. 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 re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) / 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 on the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

XXII. Infrastructure Assets

Infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are as follows:

Infrastructure Assets	Useful Life
Carriageways	40
Footways and cycle tracks	40
Structures (bridges, tunnels and underpasses)	40
Street lighting	40
Street furniture	20
Traffic management systems	20

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component 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 (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

XXIII. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council. The amounts payable to the PFI operators each year are analysed into five elements:

- **Fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

- **Finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease).

- **Lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

In the case of contracts that receive Central Government PFI Grant Support through PFI credits, the amount receivable in respect of the financial year is shown in the Comprehensive Income and Expenditure Account.

XXIV. Provisions and Contingent Liabilities

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the 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 to the provision carried on 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.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Accounting for the Costs of the Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. 2018/19 was the second and final year of the scheme. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense is recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Contingent Liabilities

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

Contingent liabilities are not recognised on the Balance Sheet but disclosed in a note to the accounts.

XXV. Redemption of Debt

The Council is required to set aside from revenue each year a minimum amount for the redemption of debt. This sum is referred to as the Minimum Revenue Provision (MRP).

For capital expenditure incurred before 1 April 2008, or which in the future will be Supported Capital Expenditure (expenditure which receives income support from government), MRP will be charged on a flat line basis over fifty years. This will ensure that all debt associated with Supported Capital Expenditure is fully provided for up to the Adjustment A level that is required of us by government within fifty years.

For all Unsupported Borrowing, after adjusting for schemes to be deferred for MRP purposes, the MRP policy will be the Asset Life Method, which means that the provision made will be spread over the useful life of the asset created. The Asset Life Method must also be applied for any expenditure capitalised under a Capitalisation Directive.

Interest on external loans is charged direct to the Comprehensive Income and Expenditure Account.

XXVI. Reserves

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

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

XXVII. Revenue Expenditure Funded from Capital under Statute

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

XXVIII. Schools

Accordingly, in line with the guidance currently available, the Council has adopted the following policy:

Where a school is under the Council’s control (i.e. under the responsibility of the Council’s Section 151 Officer) its income, expenditure, current assets, liabilities and reserves are consolidated into the Council’s accounts and are, therefore, included within the figures disclosed in the Statement of Accounts. Any reserves attributable to the school are earmarked and disclosed separately. As a result, Community schools, Community Special schools, Voluntary Aided schools, Voluntary Controlled schools and Foundation schools are all consolidated into the Council's accounts. However, once a school transfers to Academy status it is no longer under the control of the Council and, therefore, its income, expenditure, assets, liabilities and reserves are no longer consolidated into the Council's accounts.

In respect of any non-current assets associated with schools the Council has determined that Community schools, Community Special schools and Foundation schools should be on balance sheet, but that Voluntary Aided schools, Voluntary Controlled schools, and Academy schools should not. Voluntary Aided schools and Voluntary Controlled schools' non-current assets are not included as ownership and control of the assets lies with the diocese. Non-current assets relating to schools that gain Academy status are derecognised from the Council's balance sheet when the contract is complete and signed and the specific assets have been handed over / transferred.

XXIX. Tax Income (Council Tax, National Non-Domestic Rates and Residual Community Charge)

The Council is a Council Tax billing authority, collecting Council Tax on behalf of other authorities as well as itself. The collection of Council Tax on behalf of other authorities is treated as being on an agency basis, and thus only the elements of Council Tax collection that relate to the Council's own income are included in its main financial statements.

The Council is a Business Rates billing authority, collecting Business Rates on behalf of the South Yorkshire Fire and Rescue Authority and Central Government as well as itself. The collection of Business Rates on behalf of other authorities is treated as being on an agency basis, and thus only the elements of Business Rates collection that relate to the Council's own income (49%) are included in its main financial statements.

The Collection Fund account covers all local taxation collected by the Council on behalf of itself, local parish councils, Fire, Police and the Government. The cost of collection allowance and costs in respect of recovery action are the Council's income and appear in the Income and Expenditure Account. The Collection Fund account reflects the statutory requirement of the Local Government Finance Act 1988 (as amended by the 1992 Act).

XXX. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Notes to the Policies and Standards

01. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (The Code) has introduced changes in accounting policy as a result of amendments to accounting standards. These standards have been issued but have not yet been adopted by the Council. If these had been adopted for the financial year 2021/22 there would be no material change, as detailed below:

IFRS 16 Leases

Implementation of IFRS 16 has been postponed until 1st April 2024 and therefore applicable to the 2024/25 Statement of Accounts. The Council has decided not to adopt the standard early.

Annual Improvements to IFRS Standards 2018 - 2020 Cycle

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IFRS 1 (First-time adoption)

This amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.

IAS 37 (Onerous contracts)

Amendment clarifies the intention of the standard.

IAS 41 (Agriculture)

This amendment relates to biological assets held by a local authority.

The Council does not envisage the above amendments having a significant effect on local authority financial statements.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

This amendment is not considered to be relevant as the Council is not in the business of constructing or acquiring assets which are intended to be used in the manufacture of goods for sale.

02. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- The CIPFA Code requires the Council to produce group accounts to reflect significant activities provided to Council taxpayers by other organisations in which the Council has an interest. The group is identified as comprising the City Council and South Yorkshire Property Investment Limited (Local Housing Company). However, when consolidating the value of these entities the result is not material and therefore the production of all the required statements would not assist the reader.

- Sheffield City Trust (SCT) is an independent charity. The Council has contracts with SCT that contains a shortfall agreement, which is where the Council agrees to provide funding in the event of any budget shortfall so that the leisure services provided by SCT; through its subsidiary Sheffield International Venues, can continue to be provided to the citizens of Sheffield, but is not involved in operational decision making. The shortfall agreement includes putting SCT in the provision of funds to pay the construction costs of the Major Sporting Facilities (MSF) when they are due to be fully repaid in 2024, giving the Council the reversionary interest in the assets. At that time, SCT has the option to either purchase the assets, or transfer them to the Council in exchange for the debt. On this basis SCT is not considered to be under the control of the Council.

- Contracts with partners and providers have been considered for embedded leases; the outcome of this review is not to recognise any assets on the Council balance sheet.

- The Council has a number of historic European Union (EU) grants that potentially could be subject to further EU audits in the future. It remains a possibility that the available evidence for these grants may not meet the requirements of the grant conditions and so a provision has been made based on managerial judgements. There are as yet no further details on timescales for any future EU audits.

03. 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 that are otherwise uncertain. Such estimates take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31st March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment Depreciation (Note 23)	Assets are depreciated over useful lives which are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the current level of repairs and maintenance is not sustained it would bring into doubt the useful lives assigned to the assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the total annual depreciation charge for buildings would increase by £626k for every year that useful lives had to be reduced.
Infrastructure Assets Depreciation (Note 23A)	Highways Infrastructure Assets are depreciated at 40 years, which is in line with our expectations of the life under the PFI contractual agreement with Amey. In 2021/22 CIPFA produced information that suggested a more suitable life for footways and carriageways, which would be as low as 25 years.	If the useful life of Highways Infrastructure Assets was reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the difference in the annual depreciation charge would be an increase of £8.2m if the CIPFA useful life was adopted.
Property, Plant and Equipment, HRA valuation (Note 23)	The value of the Council's housing dwellings stock is determined using beacon properties, assuming vacant possession. These valuations are then adjusted to Existing Use Value – Social Housing (EUV-SH), to reflect their occupation by secure tenants. This adjustment is considered to reflect the additional risk and liability that public sector landlords undertake when compared with private sector investors.	The EUV-SH of the Council's housing dwellings stock as at 31st March 2022 has been determined by adjusting the vacant possession value using DLUHC's Social Housing adjustment factor for Yorkshire and Humber of 41%. A 1% decrease in this adjustment factor would have resulted in an additional revaluation loss of £37m in 2021/22.

Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs or commissions relevant experts to identify the most appropriate valuation techniques to determine fair value (e.g. for Surplus Assets, the Council's chief valuation officer or for loans and investments, the Council's Treasury advisors). Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 14, 23 and 26.	Non-Financial Assets: The Council uses the market approach and income approach models to measure the fair value of its Surplus Assets and Investment Properties. The significant observable inputs used in the fair value measurement include using current market conditions, recent sale prices / rentals achieved and other relevant information for similar assets within the local authority area. Financial Assets and liabilities: The Council assesses fair value by calculating the net present value (NPV) of the cash flows that take place over the remaining life of the instruments. Significant changes in any of the inputs would result in a significantly lower or higher fair value measurement for the Council's assets and liabilities valued at fair value.
Pensions Liability	Estimation of the net liability to pay pensions depends on several 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 Council with expert advice about the assumptions to be applied. See Note 45 for further details	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £67m. However, the assumptions interact in complex ways. During 2021/22, the net pension liability had decreased by £257m.

Arrears	At 31st March 2022, the Council had a balance for sundry debtors of £29.8m. An impairment of doubtful debts of £20.5m (68.9%) was considered appropriate, based on analysis of collection rates. However, it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an additional impairment of doubtful debts would be required to cover some of the £9.3m of sundry debts currently not provided for.
Business Rates - Appeals	The provision for appeals is based on assumptions about the likely level of appeals raised against the ratings list in the future and the likely success of outstanding appeals. The provision stands at £31.5m which is reasonable given available data sources and historical analysis. However, further information from the Valuation Office Agency (VOA) may lead to a revision of these assumptions and could materially change the required level of provision.	If more up to date information from the Valuation Office Agency stimulates a reduction to the provision, the release of the provision creates a credit to the collection fund. Conversely, an increase in the required provision creates a debit. Estimates will be taken in January 2023 and any changes made to the provision at that time will impact the available resources for the 2023/24 revenue budget.
Expected Credit Loss (ECL)	Estimating ECL involves forecasting future economic conditions over a number of years. These longer-term forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have a significant risk of resulting in a material adjustment to a carrying amount within the next financial year.	Significant changes in any of the assumptions used in forecasting the future economic conditions would result in in a material adjustment to a carrying amount within the next financial year.

04. Going Concern

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on the going concern basis.

In carrying out the assessment that this basis is appropriate, management of the Council have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting for the period to 31st March 2025.

Our most recent year-end balances, as reported in these statements are as follows:

Date	General Fund	Earmarked Reserves
31/03/22	£12.9m	£308.3m

Our General Fund and Earmarked Reserve position has balances of £12.9m, and £308.3m respectively at 31st March 2022. Balances at 31st March 2023 currently stand at £15.1m and £289.7m. The General Fund balance remains above our minimum level as set by our s151 Officer of between 3 and 5 per cent of the council's net spending.

Our cash flow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing, other than to support the capital programme, which is consistent to our plans and normal practice.

Our early Medium-Term Financial Analysis published in July 2022 set out the planning assumptions applied for the years 2023/24 to 2026/27. In addition, the MTFA included a detailed review of the pressures facing the Council for the financial year 2023/24, along with the assumptions on local taxation and expected Government income. The 2023-24 budget was approved in March 2023 detailing savings, service efficiencies and increased income that will have to be delivered in order to achieve a balanced budget. The Council anticipate the budget gap identified in the MTFA can be achieved through delivering the proposed budget improvements without the use of unplanned draws from reserves.

We also considered a downside scenario where pressures experienced are higher, anticipated Central Government funding is reduced and local taxation income is lower. These changes would increase to draw from earmarked reserves by a further £15m. However, both the levels of reserves and liquidity remain above the minimum assessed levels throughout the going concern period.

We are confident that the figures above represent the current worse case position, and that the actual financial and reserves position will be better than as presented above.

On this basis, the Council have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

Annual Governance Statement

Scope of Responsibility

Sheffield City Council is responsible for ensuring that its business is conducted in accordance with the law, and that public money is safeguarded properly accounted for and used efficiently, economically and effectively.

Sheffield City 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.

In discharging this overall responsibility, Sheffield City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Sheffield City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website: *https://www.sheffield.gov.uk/home/your-city-council/council-operates.* This statement explains how Sheffield City Council has complied with the code. It also meets the requirements of Accounts and Audit Regulations 2015, regulation 6 (1), which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and also its activities through which it accounts to, engages with and leads the community. This framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Sheffield City Council policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Sheffield City Council for the financial year ended 31 March 2022 and up to the date of approval of the Sheffield City Council Annual Report and Statement of Accounts.

The governance framework of the Council is constantly being updated to take account of changes in legislation and working practices.

The Sheffield City Council Governance Arrangements

The governance arrangements of Sheffield City Council contains two key elements, the internal control arrangements of the Council and also how it demonstrates these arrangements to citizens and service users. We have documented the key elements of the control environment and how these are communicated below.

Internal Control Environment

The system of internal control as described below has been in place at Sheffield City Council for the year ended 31 March 2022, was amended following a change in formal governance at the AGM in May 2022 and then maintained as amended up to the date of approval of the Annual Report and Statement of Accounts.

Prior to the change in governance in May 2022, in discharging its responsibility, the Council published a Constitution that specified the business of the Council, as well as establishing the role of the Executive, Scrutiny Committees and Regulatory Committees. The Leader's Scheme of Delegation laid down the scheme of delegation by which Members of the Council and Officers can make executive decisions on behalf of the Council to ensure the smooth operation of its business. From May 2022, in discharging its responsibilities, the Council published a Constitution that specifies the business of the Council, as well as establishing the roles of Full Council, the Policy Committees, the Regulatory Committees, the Local Area Committees and any delegations to officers.

In order to illustrate the key elements of internal control, the control environment has been subdivided into six elements as outlined below:

1) **Establishing and monitoring the achievement of the Council's business**
The Council has a business planning process that is designed to align service activity and objectives to its strategic priorities. Service Plans align with the Council priorities. A quarterly performance monitoring process tracks progress against the Council's priorities and to highlight any potential risks and issues in achieving these.

Prior to May 2022, the Council's Corporate Management Team (CMT) which includes Executive Members had the responsibility for formulating the Council's medium term financial strategy in order to ensure that adequate resources are available to meet the Council's objectives.

CMT received regular budget monitoring reports in addition to the Portfolio Leadership Teams. The Council's corporate systems for producing this information have been developed to provide timely and accurate reports for services and the Council as a whole on a consistent basis.

Performance management information about key objectives was also provided regularly to Executive members and may also have been considered by Members at the Overview and Scrutiny Management Committee.

Post May 2022, the Strategy & Resources Committee has the responsibility for formulating the Council's medium term financial strategy in order to ensure that adequate resources are available to meet the Council's objectives. It primarily does this via its Finance Sub-Committee established for this purpose. Minutes of Council meetings are publicly available through the Council's website – www.sheffield.gov.uk.

2) The facilitation of policy and decision-making

The Council's overall budget and policy framework are set by Full Council. Prior to May 2022, Key decisions were taken by the Executive (Leader, Co-operative Executive, individual Cabinet members, officers as appropriate), within the budget and policy framework set by Council. Post May 2022, Policy Committees take decisions within the budget and policy framework set by Council.

Prior to May 2022, the Council had an Overview and Scrutiny function (including a call-in facility), which reported to the Executive and Full Council as appropriate. The Committee system of Governance implemented post May 2022 does not require a scrutiny system or call in facility as all of the decision making committees are politically proportionate. There is a statutory requirement to maintain some scrutiny functions for the whole system operation, for example, health. Health scrutiny is the responsibility of a sub committee of the Policy Committees with the functional responsibilities of adult health and social care; its membership also includes members of the Policy Committee responsible for children's services.

A scheme of delegation is in place that allows decisions to be undertaken at an appropriate level, so that the functions of the Council are undertaken efficiently and effectively. Prior to May 2022, the scheme included the Leader's own scheme of delegation, supported by more detailed officer schemes of delegation corporately and within portfolios. Post May 2022, all delegations are set out in the Constitution.

3) Ensuring compliance with established policies, procedures, laws and regulations

Procedures are covered by the Council's Constitution, backed up by Standing Orders, the Financial Regulations and Protocol, and procurement guidelines.

The Monitoring Officer carries overall responsibility for ensuring the lawfulness and fairness of decision-making and supporting and advising the Audit and Standards Committee. The Monitoring Officer's staff work closely with portfolios, to ensure the Council complies with its requirement to review and log all formal delegated decisions.

The Council has set out policies and procedures for people management on its intranet. A formal staff induction process is in place that is designed to ensure that new employees are made aware of their responsibilities. Prior to May 2022 the Executive Director of Resources carried overall responsibility for financial issues. This is now the responsibility of the Director of Finance and Commercial Services and his staff work closely with services to ensure that all reports are cleared for financial implications prior to submission to a Member forum.

The Council has a Risk Management Framework in place that was agreed by Cabinet prior to May 2022. A Risk Management Report is produced for CMT every quarter and an update report is provided to an Audit and Standards Committee on a 6 monthly basis. All Council reports include a section dealing with risk management. The risk management framework has been significantly updated and the focus of attention is now on developing our risk management practice maturity, both at an operational level and through close alignment and integration between the risk and performance management processes. This is to ensure that the processes used are simple and effective and meet the requirements of the Council. An e-learning module is also available and will be integrated into the new manager learning and development curriculum.

The Council's Audit and Standards Committee oversees the Council's Code of Conduct for Members. The Council has a Councillor Code of Conduct and a procedure for dealing with complaints under the Code. Independent Persons have been appointed.

As part of the Council's commitment to the highest possible standards of openness, probity and accountability, the Council encourages employees and others with genuine concerns about any of the Council's work, to come forward and voice those concerns. A Whistleblowing Policy is in place that is intended to encourage and enable employees to raise such concerns within the Council rather than overlooking a problem. This policy document makes it clear that employees can do so without fear of reprisals. The procedure accords with the requirements of the Public Interest Disclosure Act 1998 and is compatible with the conventions in the Human Rights Act 1998.

Reviews of services are undertaken on a periodic basis by Internal Audit and agencies including the Care Quality Commission (CQC) and the Office for Standards in Education (Ofsted).

4) Ensuring the efficient, economic and effective use of resources

The Council needs to make well informed decisions through business intelligence to enable it to make changes to the right things, in the right way. It acknowledges that it is more important than ever to make the best use of public money and continues to ensure that it prioritises its efforts and resources for the greatest impact; by having a Council Plan setting out the vision and priorities to achieve its medium-term goals.

5) Financial management of the Council

The effectiveness of the system of financial management is informed by:

- The work of Internal Audit.
- The external auditor's Annual Audit Letter and other reports.
- The role carried out by the Director of Finance and Commercial Services under s151 Local Government Act 1972 responsibilities.

6) Performance management and its reporting

The performance management regime is an integral part of the Council's business planning process. The business planning process ensures that the Council defined its priorities and outcomes. Members and officers allocate the Council's resources in a way that aligns with these priorities and outcomes. Council services and commissioners then set clear objectives and targets that reflect the priorities, outcomes, and the level of resource allocated. The Council also has programme boards that commission specific projects to deliver step changes. The

Council's performance reporting process ensures that managers and Members have a clear picture of how the Council is performing against the objectives and targets, and whether specific projects are on track. Risks to delivery are escalated and reviewed.

The Human Resources Service support portfolios to ensure that employee matters are central to the performance management of our organisation and a Strategic Workforce Board was established at a corporate level to ensure that there is clear governance.

The Council has development programmes for managers and employees that provide a consistent approach to managing resources, including its people, and to develop employee knowledge and skills across a range of subjects.

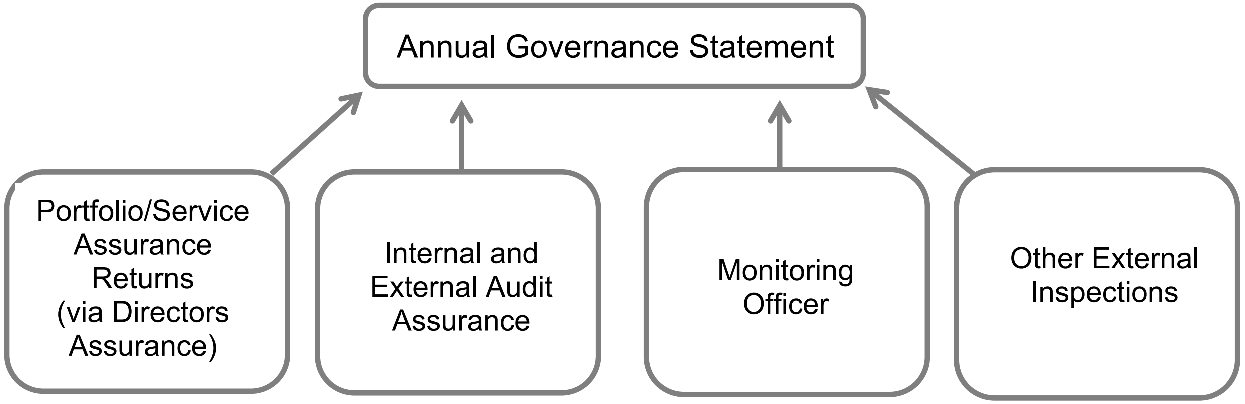
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

Review of Effectiveness

Sheffield City Council has a duty to conduct at least annually a review of the effectiveness of its governance framework including the system of internal control, and to publish an Annual Governance Statement.

The review of the effectiveness of the Council’s governance framework is informed by the work of the internal auditors and the senior managers within the Council. Senior officers are responsible for the development and maintenance of the internal control environment. The process is also informed by comments made by the external auditors and other review agencies and inspectorates.

The CMT agreed a process of positive verification of the system of internal control in order to formally fulfil the requirements of the Accounts and Audit Regulations. The overall process has been summarised in the diagram below:



All Directors have provided written assurance to the effect that they are adhering to the Council's required Areas of Compliance, such as key policies and procedures and that they are maintaining adequate control over areas of Council activity for which they have responsibility. We are also enhancing our performance reporting, in conjunction with a new Accountability Framework, to develop a means by which services can more easily monitor adherence to our required Areas of Compliance, throughout the year. The review of internal control has been adopted as a positive way forward. Some areas of control weakness have been identified through this process and management action to address them has commenced. Items raised by managers in the previous year's process have been followed up and confirmation has been received that action has been taken to progress the issues raised.

The role of the Council's internal auditors is to provide an independent appraisal function for the review of internal control systems. Internal Audit undertakes reviews of the main financial and operational systems of the Council, based on a risk analysis of the functions undertaken by service areas. Certain aspects of key financial systems are reviewed on an annual basis. Internal Audit also undertakes fraud investigations and other ad hoc responsive investigations relating to the Council's control framework. This element of its work also contributes to the maintenance of a sound system of internal financial control.

Internal Audit complies in all significant respects with the professional standards required of the service as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA). The service works closely with our external auditors, Ernst & Young.

There are some areas of control weakness that have been included on the AGS declarations under the section relating to governance issues. The Senior Finance Manager (Internal Audit) has confirmed that she is unaware of any other significant control weaknesses that have not been considered when compiling this statement. The Audit and Standards Committee is responsible for scrutinising the work undertaken by Internal Audit.

The Monitoring Officer has responsibility to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are working in practice. This review takes place annually. The Director of Legal and Governance as the Council's Monitoring Officer has not raised any issues of significance that are contrary to the findings within this statement.

The Full Council is responsible for setting the overall objectives of the Council and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the financial year 2021/22 all these duties have been performed.

A significant part of Sheffield City Council's risk liability is connected to its maintained schools, for example: School Finance, Health and Safety, Human Resources, and Premises Maintenance. Whilst the day to day management of these issues is delegated to School Governing Bodies and Headteachers, the Council retains residual liability for maintained schools where it is the employer and the owner of the property.

During the year, the Council has been inspected by a number of external agencies. Reports of external inspection agencies are scrutinised to ensure that for any issues raised, the most appropriate senior officer within the Council has been given the responsibility to implement suitable corrective action.

For all of the inspections, where recommendations were made, assurance has been received that appropriate management action is being taken.

A number of schools within the city have been the subject of Ofsted inspections. The School Improvement Service follows up on each review to give advice and support to these schools.

The Council has an Audit and Standards Committee that was formed in September 2016 and merged the functions of the former Audit and Standards Committees. The Committee is made up of 7 elected Members. Non-voting independent co-opted members are also appointed to the Committee to bring additional experience, independence and an external view to the Committee's work. In addition, the three Parish and Town Councils are invited to jointly send one representative when Standards matters are to be considered.

The Audit and Standards Committee has been set up to meet best practice guidelines. Its terms of reference include the need to consider the Council's arrangements for corporate governance and any necessary actions to ensure compliance with best practice. The Committee also considers the Council's compliance with its own and other published standards. The Committee has confirmed that it has a significant overview at the highest level of the Council's systems of internal control; so that it is assured that it fulfils the requirements of "those charged with governance" under the International Auditing Standards.

The Committee is also responsible for promoting high standards of conduct by Councillors and co-opted Members, overseeing the Councillor Code of Conduct and considering complaints where a Member may have breached the Code.

The Committee meets approximately six times per year and has a programme of work based on its terms of reference (covering Audit activity, the Regulatory Framework, Risk Management, Governance, Standards and the Council's Accounts) and other issues identified by the Committee during the year. An Annual Report on the Committee's work is also submitted to Full Council. The papers and minutes for these meetings are available on the Council's website.

The Impact of COVID-19 on our Governance Arrangements

During March 2020, the Council declared a major incident across the city and initiated an emergency response to the COVID-19 pandemic.

Given the unprecedented nature and scale of the issue, there was significant disruption to the Council's services – some stopped entirely, others were placed under significant strain due to demand, and new services were introduced to respond to the needs of the public, employees, local businesses and the Government.

To meet these challenges the Council introduced new and/or changed existing, strategic and operational arrangements to enable appropriate and timely responses to the evolving situation. The Council's Constitution provided (and still provides) for decisions to be taken in an emergency situation by the Chief Executive and in the Leader's Scheme of Delegation by the Chief Executive and/or Leader. As this was a national emergency, emergency decision making procedures needed to be co-ordinated and recorded consistently over a significant period of time. An Incident Management Group (later renamed the Coronavirus Response Group) was established to co-ordinate and lead the Council's COVID-19 response to ensure business continuity. The following measures were put in place to enable the Council to respond effectively and protect lives:

- Postponement of Elections in line with government direction
- Postponement of Cabinet and Committees
- Fast-tracking financial payments
- Greater flexibility in procurement and contracting processes
- Pause of debt collection
- Pause of complaints process
- Pause of responding to Information requests
- COVID-19 specific risk register maintained

The direct measures implemented had a significant effect on the provision of services and created backlogs in a number of areas. The pandemic has also led to a significant increase in demand in some areas e.g. social care. The effect of the Council's response to the pandemic continued to be monitored throughout 2021/22. All of the direct measures have now ceased other than maintenance of a risk register.

Development of the Governance Framework

The Council's control framework needs to evolve to take into account the changes that are taking place across the organisation. In the year, several initiatives have had an impact on the control assurance mechanisms in place:

- The Council continues to closely monitor its most significant external relationships in relation to risk and governance arrangements and are incorporated within the reports on Risk Management to the Audit and Standards Committee. Ensuring that appointed Members receive appropriate officer support remains an important area of activity
- The senior officer team, Executive Management Team has been replaced in September 2021 by a series of three Leadership Boards enabling all of the Council's appointed Directors to have a direct role in leading the organisation. The Strategy Leadership Board, chaired by the Chief executive, oversees the running of the organisation and is the conduit to the Council's political leadership.
- The political Leadership has undergone some changes this year when the May election resulted in the Council having no overall control politically. An agreement was reached in May 2021 between two of the political groups to form a co-operative alliance. As such the former Cabinet was referred to as the Co-operative Executive however it continued to function as a cabinet within a Strong Leader form of Governance throughout the period covered by this statement.
- In August 2019, the Council received a petition requiring it to hold a Governance Referendum to consider a change to a Committee system of governance. The pandemic resulted in all elections including the Referendum to be postponed until May 2021, therefore the Referendum was held in May 2021 and the outcome was a move to a Committee system of governance. As required by law, the Council moved to a Committee system of governance at the Annual Council meeting in May 2022, this resulted in a full revision of the Constitution

and the way decision making works within the Council with effect from May 2022. The Council has committed to a full review of the new system of governance 6 months post implementation, i.e. November 2022 and any further changes required as a result of the review will be implemented at the Annual Council meeting in May 2023.

Governance Issues

In a large and complex organisation such as Sheffield City Council, there will always be opportunities to improve services. In the financial year 2021/22, there were zero no assurance Internal Audit opinions. However, Internal Audit have agreed recommendations with relevant managers to address weaknesses identified in the internal controls of financial and other systems.

Our review of effectiveness has highlighted the following issues that the Performance and Delivery Board wishes to monitor across the Council:

Human Resources	**Personal Development Review (PDR) completion rates** **Completion of mandatory Learning** **Establishment controls tasks are not consistently applied**
Personal Development Review (PDR) completion rates PDR completion rates remain low. They have been made available and quality conversations are encouraged with a focus on health, wellbeing and development. The expectations on conversations and PDRs completions have been communication, including benefits of the approach and this will be regularly communicated throughout the year. The employee values will be added to guidance on what to discuss. Managers are informing us that PDRs are taking place and the issue is with recording these in the system. We are trying to make the recording process as simple as possible to prevent this issue. **Completion of Mandatory Learning** These still need improving and last year there was a focus on ensuring the Equality, Diversity and Inclusion (Unconscious Bias, Inclusion Essentials and Inclusive Leadership) e-learning was completed. Every employee was asked to complete this training by June 2022. The wider mandatory learning is being reviewed and the number of topics people will be asked to complete will reduce. The learning will also be tailored to the service area rather than everyone needing to do the same learning. Go Learn, our new learning platform will help us to tailor the training to individuals, this is due to be launched in October 2022. New employees will be expected to complete mandatory learning within their probation period. Communication plans will accompany any organisation wide focus on particular learning to raise awareness.	

Establishment controls tasks are not consistently applied Managers not completing the required tasks has resulted in a lack of understanding of the entire establishment at any given time. There is a plan to review and simplify the current human resource processes in the coming months. Clearer instructions will then be issued to managers on what is required.

Information Governance	**Retention Schedules are not present or routinely applied** **Not processing data requests (FOI and SARs) within timescales** **Record Of Processing Activities (ROPA) is not kept up to date**

Retention and Disposal Schedules are not present or not routinely applied

The Council holds a retention schedule for its records. However, it has not been reviewed more recently.

As part of the Council's Tech2020 Project, work is underway to transfer all documents and records to SharePoint. One of the benefits of SharePoint, is that there is a facility to apply retention labels and retention policies across the records held. In order to have the most relevant and up to date retention label, departments were tasked with reviewing their own records, reviewing any legislation attached to the records and ensuring their retention periods were correct and up to date. They were asked to update a copy of the retention schedule as part of this piece of work. This work is ongoing and it is anticipated that the retention schedule will be returned by all services by early autumn.

By applying automated retention labels and retention policies to documents, records will be automatically deleted at their specified time. This has the benefit of ensuring compliance with data requests and supporting staff with correctly disposing of data at the relevant time, thus ensuring compliance with Principle E of the GDPR – to not keep personal data for longer than is needed.

Employees are also required to complete the mandatory GDPR and security e-learning module - a key organisational control to reduce the risk that data is being retained for too long. By July 2022, 91% of employees had completed this, which is an increase from the previous year.

Not processing data requests (FOI and SARs) within timescales

There is a significant backlog of requests, brought about by the pandemic and resource issues across the Council, in addition to the difficulties with the retention schedule. We have implemented a case management system which enables real-time tracking of requests. However, the scale of the backlog means recruitment is needed on a temporary basis to address the outstanding requests and then further consideration of how requests are managed in the Council is needed after, to ensure we maintain compliance. This work is to be part of this year's Delivery Plan approved by the Strategy & Resources Committee at the end of August, with a detailed plan to clear the backlog to follow.

Record Of Processing Activities (ROPA) is not kept up to date

Across some Services, there has been a drop in updating or reviewing the ROPA, as Services make changes to their processing activities. This has been acknowledged by the DPO and a plan of action has been agreed to start this autumn. There has been some progress within specific Services to review and update the ROPA, but from the autumn, there will be a council-wide project to not only update the ROPA but to carry out a comprehensive data mapping exercise to ensure that the Council understands what data it holds and where. The ambition for the ROPA, is that it will link not only to the retention schedule, but also to the Data Privacy Impact Assessment (if relevant), privacy notice and any security incident related to that particular processing. This will ensure the Council not only meets its legal obligations, but the effectiveness of our accountability measures.

Statement

Sheffield City Council proposes to take remedial actions to address all the issues that have been identified, with regular updates on the progress of this work being made available to the Performance and Delivery Board.

We have been advised on the outcome of the review of the effectiveness of the governance framework by the relevant Officers and a plan to enhance the Council's ability to identify and resolve weaknesses in its controls, whilst ensuring continuous improvement of the framework will continue to take place. We will monitor and review the implementation and operation of any new governance framework as part of our annual review.

Signed: **Date: 21/09/22**

Ryan Keyworth – Director of Finance and Commercial Services (Section 151 Officer)

Signed: **Date:21.09.22**

Kate Josephs - Chief Executive on behalf of Sheffield City Council

Signed: **Date: 21.9.22**

Terry Fox - Council Leader on behalf of Sheffield City Council

Trade Union (Facility Time Publication Requirements) Regulations 2017 - (Not subject to audit)

The Trade Union (Facility Time Publication Requirements) Regulations 2017 took effect from 1 April 2017. The regulations were laid following the enactment of the Trade Union Act 2016.

One of the elements of the Act is the requirement for employers in the public sector to publish information on facility time, which is the provision of paid or unpaid time off from an employee’s normal role to undertake Trade Union duties and activities as a Trade Union representative.

To comply with these requirements, the Council must publish the data on the Council’s website and on a website maintained by, or on behalf of the Government each year. The data must also be included in the annual Statement of Accounts.

Table 1 - Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
90	79.17

Table 2 - Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	56
1-50%	17
51%-99%	2
100%	15

Table 3 - Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time	£452,728.11
Provide the total pay bill	£323,291,783.86
Provide the percentage of the total pay bill spent on facility time	0.14

Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours	Unable to provide this figure held at Individual level by the Reps

<u>Education function return</u>

Table 1 - Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
18	5.22

Table 2 - Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	3
1-50%	10
51%-99%	3
100%	2

Table 3- Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time	£209,708.95
Provide the total pay bill	£323,082,074.91
Provide the percentage of the total pay bill spent on facility time	0.06

Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours	Unable to provide this figure held at Individual level by the Reps

Glossary

Term

Abbreviations

The symbol 'k' following a figure represents £thousand.
The symbol 'm' following a figure represents £million.
The symbol 'bn' following a figure represents £billion.

Accounting Period

The period of time covered by the Council's accounts. Normally 12 months, beginning on 1 April. Also known as the Financial Year.

Accounting Policies

These are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Accruals Concept

Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.

Added Years

A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers must exercise this discretion in accordance with the national regulations and the City Council's own policies.

Agent

The authority can be deemed an "agent", (rather than a "principal"), when it is acting as an intermediary in a transaction. Where an authority is acting as an agent, transactions shall not be reflected in an authority's financial statements, (with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position, and the net cash position is included in financing activities in the Cash Flow Statement.).

Amortisation

An accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement over a period of years rather than when the initial payment is made. Its purpose is to charge / credit the cost / income over the accounting periods that gain benefit for the respective item.

Beacon

A group of Council dwellings / properties with similar characteristics, such as design, age, type and construction. A sample property, "the beacon" is selected, which is representative of the group, and a detailed inspection and valuation carried out.

Capital Expenditure

Expenditure that is incurred to acquire, create or add value to a non-current asset.

Capital Financing Requirement

It measures an authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend or over the longer term. Alternatively, it means capital expenditure incurred but not yet paid for.

Capital Receipts

The proceeds from the sale of capital assets which, subject to various limitations (e.g. Pooling Arrangements introduced in the Local Government Act 2003) can be used to finance capital expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing.

Cash

Comprises cash on hand and demand deposits.

Cash Equivalents

These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Co-optees

Individuals appointed to serve as members of committees of the Council, but who are not Members of the Council (i.e. not Councillors).

Collection Fund

A fund administered by the Council recording receipts from Council Tax, National Non-Domestic Rates and payments to the General Fund.

Community Assets

Non-current assets that the Council intends to hold forever and which may have some restrictions on their disposal, e.g. parks and historic buildings.

Consistency Concept

The consistency concept requires that there should be a consistent method of accounting treatment of like items within each accounting period and from one period to the next.

Contingency

A condition which exists at the Balance Sheet date, where the outcome will be confirmed only on the occurrence of one or more uncertain future events not wholly within the Council's control.

Council Tax

A banded property tax that is levied on domestic properties. The banding is based on assessed property values at 1 April 1991.

Credit Risk

The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which no payment has been made at the date of the Balance Sheet.

Debtors

Amounts owed to the Council for work done, goods received or services rendered, for which no payment has been received at the date of the Balance Sheet.

Defined Benefit Scheme

A pension or other retirement benefit scheme, other than a Defined Contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of the wearing out, consumption or other reduction in a non-current asset either as a result of its use, ageing or obsolescence.

Fair Value

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.

Finance Lease

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

Financial Instrument

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term "financial instrument" covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivable (debtors) and trade payables (creditors) and the most complex ones such as derivatives.

General Fund

The total services of the Council except for the Housing Revenue Account and the Collection Fund, the net cost of which is met by Council Tax, Government grants and National non-domestic rates.

Goodwill

The difference between the aggregate fair value of the net assets of a business and the value of the business as a whole. Goodwill can be internally developed or purchased.

Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment

A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.
Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Intangible Assets

Non-financial assets that do not have physical substance but are identified and are controlled by the entity through custody or legal rights. The two broad types of intangible non-current assets applicable to local authorities are goodwill and other intangible assets. Examples of other intangible assets might be patents or software licences.

International Financial Reporting Standards (IFRS)

Accounting standards developed by the International Accounting Standards Board which determine the standards to be adopted in the preparation and presentation of the Council's accounting records.

Inventories

Inventories are assets:

- in the form of materials or supplies to be consumed in the production process or consumed or distributed in the rendering of services
- held for sale or distribution in the ordinary course of operations
- in the process of production for sale or distribution

Investment Property

Property held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations.

Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

Net Book Value

The amount at which non-current assets are included on the Balance Sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current position of the existing asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses incurred in realising the asset.

National Non-Domestic Rates (NNDR)

These are often referred to as Business Rates, and are a levy on business properties based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines the national rate multiplier and the Valuation Office Agency determine the rateable value of each business property. Business Rates are collected by the Local Authority and paid into their collection fund, this amount is then distributed 49% to the Local Authorities General Fund, 1% to the South Yorkshire Fire and Rescue Authority and 50% to Central Government. The Central Government share is then redistributed nationally, partly back to Local Authorities through Revenue Support Grant.

Operating Lease

Page 326

A lease other than a Finance Lease. An agreement in which the Council derives the use of an asset in exchange for rental payments, though the risks and rewards of ownership of the asset are not substantially transferred to the Council.

Precepts

The amount levied by another body such as the South Yorkshire Police Authority that is collected by the Council on their behalf.

Principal

The authority can be deemed a "principal", (rather than an "agent"), when the authority is acting on its own behalf during a transaction. All Principal transactions shall be included in an authority's financial statements

Private Finance Initiative (PFI)

A contract in which the private sector is responsible for supplying services that are linked to the provision of a major asset and which traditionally have been provided by the Council. The Council will pay for the provision of this service, which is linked to availability, performance and levels of usage.

Property, Plant and Equipment

Tangible assets 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 charged to revenue during the year for costs with uncertain timing, though a reliable estimate of the cost involved can be made.

Prudence Concept

Requires that revenue is not anticipated until realisation can be assessed. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.

Public Works Loan Board (PWLB)

A government agency, which provides loans to authorities at favourable rates.

Related Party

The definition of a related party is:
A person or a close member of that person's family related to a reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Reserves

Result from events that have allowed monies to be set aside, surpluses, decisions causing anticipated expenditure to have been postponed or cancelled, or by capital accounting arrangements.

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council, for example, staffing costs, supplies and transport.

Revenue Support Grant (RSG)

This is a Government grant paid to the Council to finance the Council's general expenditure. It is based on the Government's assessment of how much a Council needs to spend in order to provide a standard level of service.

Specific Government Grants

These are designed to aid particular services and may be revenue or capital in nature. They typically have specified conditions attached to them such that they may only be used to fund expenditure which is incurred in pursuit of defined objectives.

Termination Benefits

These are benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Unsupported (Prudential) Borrowing

Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Unusable Reserves

Those that the Council is not able to use to provide services. This category 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'.

Usable Reserves

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 may only be used to fund capital expenditure or repay debt.

Independent Auditor's Report

Opinion

We have audited the financial statements of Sheffield City Council ('the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 45,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 13,
- Collection Fund and the related notes 1 to 2

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Sheffield City Council as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Commercial Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Sheffield City Council's ability to continue as a going concern for a period to 31 March 2025.

Our responsibilities and the responsibilities of the Director of Finance and Commercial Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance and Commercial Services is responsible for the other information contained within the Statement of Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended).
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended).
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended).

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended).
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Responsibility of the Director of Finance and Commercial Services

As explained more fully in the Statement of the Director of Finance and Commercial Services Responsibilities set out on page 26, the Director of Finance and Commercial Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Director of Finance and Commercial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Commercial Services is responsible for assessing 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 the Council either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- *Local Government Act 1972,*
- *Local Government and Housing Act 1989 (England and Wales) [applicable to authorities with a statutory obligation to maintain a revenue account for local authority housing provision],*
- *Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),*
- *Education Act 2002 and school Standards and Framework Act 1998 (England),*
- *Local Government Act 2003,*
- *The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,*
- *National Health Service Act 2006,*
- *The Local Audit and Accountability Act 2014 (as amended), and*
- *The Accounts and Audit Regulations 2015.*

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Sheffield City Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit, those charged with governance, the monitoring officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we obtained the Council's manual year end income accruals, challenging assumptions and corroborating the income to appropriate evidence.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether Sheffield City Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Sheffield City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31st March 2022. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Sheffield City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hayley Clark (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Birmingham
October 2023

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Audit and Standards Committee Report

Report of:	David Hollis, General Counsel and Monitoring Officer
Date:	21st September 2023
Subject:	Interim Standards Complaint Update
Author of Report:	Sarah Hyde, Democratic Services Team Manager

Summary:

An update for Audit and Standards Committee members on the current position of standards complaints against elected members, co-opted members and Town/Parish Councillors.

Recommendations:

That the Committee:-

(a) Comments on the interim standards complaints update; and

(b) Notes the report.

Background Papers:	None
Category of Report:	OPEN

Statutory and Council Policy Checklist

Financial Implications
NO Cleared by: N/A
Legal Implications
NO Cleared by: D Hollis
Equality of Opportunity Implications
NO Cleared by: N/A
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
NONE
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

Interim Standards Complaint Update

1.0 INTRODUCTION

1.1 This is the second interim standards complaint update report to the committee and covers the period from January 2023 – July 2023.

2.0 BACKGROUND

2.1 It was proposed in the Annual Standards report in February 2022 that interim update reports on standards complaints would be submitted to the Committee 6 months after the annual report. The next annual report will be submitted to the committee in January 2024.

2.2 The Audit and Standards Committee will also have the opportunity to review the Members Code of Conduct and the Complaints procedure on a yearly basis and this was scheduled to be submitted to the committee in January 2024, however following recommendation from the Strategy and Resources Policy Committee as part of the review into the Lowcock Report, this review has been brought forward and will come to the committee by December 2023.

3.0 MAIN BODY OF THE REPORT

3.1 Support is provided to the Monitoring Officer in coordinating standards complaints by Democratic Services, namely the Democratic Services Team Manager.

3.2 Independent Persons, as required by the Localism Act 2011 are appointed jointly with Barnsley MBC to assist the Monitoring Officer in dealing with complaints.

3.3 The Council's Independent Persons are David Waxman and Karen Widdowson.

3.4 The below table shows the number of complaints made in the period **January – July 2022** and a breakdown of the findings. When a complaint is received the relevant Group Leader and Whip and also the Chair of Audit and Standards are informed.

3.5

COMPLAINT OUTCOME	**TOTAL**
Take No Action (No Breach)	1
Withdrawn or Invalid	2

Rejected	3
Informal Resolution	3
Refer to Consideration Sub-Committee with an investigation	0
Refer to Consideration Sub-Committee without an investigation	0
Open	1
Total	**10**

3.6 In the period **January - July 2022** the Consideration Sub-Committee did not meet, meaning no cases have been referred on to a Hearing Sub-Committee.

3.7 **Key**

Take No Action or Rejection

It is likely that no action will be taken where:-

• A significant amount of time has elapsed since the events which are the subject of the complaint.
• The allegation relates to a cultural or recurring issue relating to standards within the Council.
• The matter should be dealt with by some other method.
• Complaints have been made about the Member relating to similar issues that have previously been dealt with through this Procedure.
• The complaint appears to be trivial, vexatious, repetitious or a general misuse of the opportunity.
• The conduct occurred during political debate or could be regarded as a political expression of views or opinion.

Withdrawn or invalid

The complainant can withdraw a complaint if they so wish, however the Monitoring Officer reserves the right to pursue the issues in the complaint.

Informal Resolution

Informal resolution may be the simplest and most cost-effective way of resolving the complaint and without determining if an actual breach of the Code has taken place.

Refer to Consideration Sub-Committee with an investigation

It is expected that the Monitoring Officer will refer only the most serious breaches for investigation or where the Member fundamentally disputes or does not accept the allegations in the complaint.

Refer to Consideration Sub-Committee without an investigation

The Monitoring Officer can refer a complaint direct to the Sub-Committee if it is considered that there is a breach of the Code but there is no dispute over the events in relation to the complaint and an investigation is not considered necessary.

Open

Complaints logged, but still going through the initial assessment process.

4.0 RECOMMENDATIONS

4.1 That the Committee comments on and notes the Interim Standards Complaint update report.

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Sheffield City Council

Audit and Standards Committee Report

Report of:	General Counsel
Date:	21 September 2023
Subject:	Work Programme
Author of Report:	Jay Bell, Democratic Services

Summary:

The report provides details of an outline work programme for the Committee.

Recommendations:

That the Committee:-

(a) considers the Work Programme and identifies any further items for inclusion; and

(b) approves the work programme.

.

Background Papers:	None
Category of Report:	OPEN

Statutory and Council Policy Checklist

Financial Implications
NO Cleared by:
Legal Implications
NO Cleared by:
Equality of Opportunity Implications
NO Cleared by:
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
NONE
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

REPORT OF THE INTERIM GENERAL COUNSEL

AUDIT AND STANDARDS COMMITTEE
21 September 2023

WORK PROGRAMME

1. **Purpose of Report**

1.1 To consider an outline work programme for the Committee.

2. **Work Programme**

2.1 It is intended that there will be at least five meetings of the Committee during the year with three additional meetings arranged if required. The work programme includes some items which are dealt with at certain times of the year to meet statutory deadlines, such as the Annual Governance Report and Statement of Accounts, and other items requested by the Committee. In addition, it also includes standards related matters, including an annual review of the Members Code of Conduct and Complaints Procedure and an Annual Report on the complaints received.

2.2 An outline programme is attached and Members are asked to identify any further items for inclusion.

3. **Recommendation**

3.1 That the Committee:-

(a) considers the Work Programme and identifies any further items for inclusion; and

(b) approves the work programme.

David Hollis
General Counsel

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4.0 Referrals from other Committees

4.1 Any referrals sent to this Committee by Council, including any public questions, petitions and motions, or other committees since the last meeting are listed here, with commentary and a proposed course of action, as appropriate:

Issue	
Referred from	
Details	
Commentary/ Action Proposed	

Part 5: Proposed additions and amendments to the work programme since the last meeting:

Item	Proposed Date	Note
Amendment: Merged 'ICO Audit Report' together with 'Annual Information Management Report'	**October 2023**	Sarah Green is already presenting the Annual report in October, and also been asked to present an ICO Audit. So merged them both together for October's meeting.
Amendment: Moved 'Formal Response to Audit (ISA 260) Recommendations' report to November 2023.	From **September 2023** to **November 2023**	Moved alongside EY's ISA 260 report as this report is a response to those ISA 260 recommendations.
Annual Governance Statement	From **September 2023** to **November 2023**	As per Monitoring Officer's request. Agreed with Chair.
Review of Members' Code of Conduct and Complaints Procedure	From **October 2023** to **November 2023**	To allow for a briefing workshop on the Code of Conduct to happen in October.

Part 6: Audit & Standards Committee Work Programme for municipal year 2023/24:

Date	**Item**	**Author**
June 2023	Audit Training	External Facilitator (TBC)

22 June 2023	Internal Audit Tactical Plan 23/24	Linda Hunter (Senior Finance Manager)
	Compliance to International Auditing Standards	Tony Kirkham (Interim Director of Finance and Commercial Services)
	Audit Recommendation Tracker Progress Report	Linda Hunter (Senior Finance Manager)
	Update on Governance Issues outlined in the Annual Governance Statement	David Hollis (Interim General Counsel/Monitoring Officer)
	Summary of Statement of Accounts	Tony Kirkham (Interim Director of Finance and Commercial Services)
	Work Programme	David Hollis (Interim General Counsel/Monitoring Officer)
	Strategic Risk Update	Helen Molteno (Corporate Risk Manager)
27 July 2023	Internal Audit Annual Fraud Report	Stephen Bower (Finance and Risk Manager)
	Role of the Audit Committee and Training	Claire Sharratt (Senior Finance Manager)
	Update on Improvement Plan and Annual Complaints Report 22/23	Corleen Bygraves-Paul (Service Delivery Manager, Customer Services)
	Work Programme	David Hollis (Interim General Counsel/Monitoring Officer)
21 September 2023	External Audit Plan 2021/22	External Auditor (EY)
	Annual Internal Audit Report	Linda Hunter (Senior Finance Manager)
	Statement of Accounts 2021/22 (Audited)	Philip Gregory (Director of Finance and Commercial Services)

	Interim Standards Complaints Report (Half Yearly)	David Hollis (Interim General Counsel/Monitoring Officer)
	Work Programme	David Hollis (Interim General Counsel/Monitoring Officer)
19 October 2023	Community Schools Update	Andrew Jones (Director of Education and Skills)
	Update on Ombudsman Report for 22/23	Corleen Bygraves-Paul (Service Delivery Manager, Customer Services)
	Information Management Annual Report & ICO Audit	Sarah Green (Senior Information Management Officer)
	Work Programme	David Hollis (Interim General Counsel/Monitoring Officer)
23 November 2023	Report of those Charged with Governance (ISA 260)	External Auditor (EY)
	Formal Response to Audit (ISA 260) Recommendations	Philip Gregory (Director of Finance and Commercial Services)
	Annual Governance Statement	David Hollis (Interim General Counsel/Monitoring Officer)
	Review of Members' Code of Conduct and Complaints Procedure	David Hollis (Interim General Counsel/Monitoring Officer)
	Work Programme	David Hollis (Interim General Counsel/Monitoring Officer)
11 January 2024	Statement of Accounts 2022/23 (Audited)	Philip Gregory (Director of Finance and Commercial Services)
	Whistleblowing Policy Review	Elyse Senior-Wadsworth (Head of Human Resources)

	Annual Standards Report	David Hollis (Interim General Counsel/Monitoring Officer)
	Audit Recommendation Tracker Progress Report	Linda Hunter (Senior Finance Manager)
	Strategic Risk Reporting	Helen Molteno (Corporate Risk Manager)
	Work Programme	David Hollis (Interim General Counsel/Monitoring Officer)
1 February 2024	Complaints performance and complaints Service improvement plan	Corleen Bygraves-Paul (Service Delivery Manager, Customer Services)
	Work Programme	David Hollis (Interim General Counsel/Monitoring Officer)
21 March 2024	Work Programme	David Hollis (Interim General Counsel/Monitoring Officer)
25 April 2024	Internal Audit Plan 2024/25	Linda Hunter (Senior Finance Manager)
	Compliance to International Auditing Standards	Philip Gregory (Director of Finance and Commercial Services)
	Work Programme	David Hollis (Interim General Counsel/Monitoring Officer)
July / August 2024	Audit Training	External Facilitator (TBC)
June 2024	Audit Recommendation Tracker Progress Report	Linda Hunter (Senior Finance Manager)
	Strategic Risk Update	Helen Molteno (Corporate Risk Manager)

	Work Programme	David Hollis (Interim General Counsel/Monitoring Officer)

IMPORTANT INFORMATION FOR REPORT WRITERS

The Audit and Standards Committee provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Sheffield City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Committee also cover Standards and is primarily responsible for promoting and maintaining high standards of conduct by councillors, independent members,

and co-opted members. It is responsible for advising and arranging relevant training for members relating to the requirements of the code of

conduct for councillors. The Committee also monitor the Council's complaints process and the Council's response to complaints to the Ombudsman.

The Committee is not an operational committee, so is not focussed on the day to day running of your service. However, its focus is on risk management and governance, so it will want to understand how you manage your key risks, and how you are responding to new challenges and developments. In particular the Committee will be interested in the progress on implementing agreed recommendations from inspection and audit reports, and will want to review your services' outputs and actions in response. You can expect some challenge if deadlines for implementing agreed actions have been missed. Please ensure breakdowns of information are included in your report, as the Committee is interested in the key facts and figures behind areas.

Most Audit and Standards papers are public documents, so use everyday language, and use plain English, don't use acronyms, or jargon and explain any technical terms. Assume the reader knows little about your subject.

Think about how the paper will be interpreted by those who read it including the media.

Use standard format - don't subvert it.

Ensure – You convey the key message in the first paragraph not the last.

The report should include –

- ***Summary***
- ***Recommendation (s)***
- ***Introduction***
- ***Background***
- ***Main body of the report (in. legal, financial and all other relevant implications)***

(report templates are available from Democratic Services)