



SHEFFIELD CITY COUNCIL Cabinet Report

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Report of: Eugene Walker

Date: 26 Sept 2012

Subject: 2011/12 Statement of Accounts
External Auditor's Annual Governance Report
2011/12

Author of Report: Allan Rainford; 35108

Summary: The purpose of the report is to communicate any relevant matters arising from the external audit of the 2011/12 Statement of Accounts to members.

Reasons for Recommendations: To request that approval is given for the Chair of the Audit Committee to conclude the audit by signing the Letter of Management Representations.

Recommendations:

Please refer to paragraph 21 of the main report for the recommendations.

Category of Report: OPEN/~~CLOSED~~

Statutory and Council Policy Checklist

Financial implications
YES/NO
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 Board if decision called in
Strategic Resources and Performance
Is the item a matter which is reserved for approval by the City Council? YES/NO
Press release
YES/NO

AUDIT COMMITTEE – 26 SEPTEMBER 2012

2011/12 STATEMENT OF ACCOUNTS

EXTERNAL AUDITOR'S ANNUAL GOVERNANCE REPORT 2011/12

Purpose of this Report

1. The purpose of the following report is to firstly communicate any relevant matters arising from the external audit of the 2011/12 Statement of Accounts to members and in acknowledging these findings request that approval is given for the Chair of the Audit Committee to conclude the audit by signing the Letter of Management Representations.

Introduction and Background

2. The Council's 2011/12 Statement of Accounts were authorised by the Executive Director of Resources on the 18 June 2012. At this time the accounts were still subject to External Audit by the Audit Commission. This audit is now complete and the External Auditor's findings have been received.
3. As the Statement of Accounts is a technical document some explanatory notes are attached at Appendix 1 to this report to aid understanding. These notes explain the purpose of each statement and the peculiarities of local government accounting.
4. 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.

New reporting and accounting issues for 2011/12

5. Although the 2010/11 financial year saw the most significant change in local authority financial reporting with the move to accounting in accordance with IFRS, there have been two further changes in 2011/12.
6. *Heritage Assets* is a new category of assets not previously recognised in the accounts and is defined as 'assets held principally for their contribution to knowledge and culture'. Heritage Assets include civic regalia, museum and gallery collections and works of art. The asset accounting entries have been added into the balance sheet, largely using insurance

valuations, with notes to the accounts providing further information. The inclusion of these accounting entries has required a restatement of the 2010/11 figures to ensure a proper basis for comparison.

7. *Termination Benefits* are amounts 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. They are often lump-sum payments, but can also include enhancement of retirement benefits and salary until the end of a specified notice period. There is a new disclosure note required in the accounts that shows the number and cost of termination payments agreed in 2010/11 and 2011/12.
8. There is an additional prior period adjustment in the accounts to reflect a data cleansing exercise on property assets. The Asset Data Records Management Project was tasked with improving the quality of data reported for assets; the merging of several databases required some duplicate assets and other errors to be written out of the accounts, totalling £10m. This has resulted in a restatement of the figures for 2010/11.

Findings from the External Audit of the 2011/12 Statement of Accounts

9. The findings from the external audit review are set out in detail in their Annual Governance Report 2011/12 which is a separate item on the Audit Committee agenda, and members are asked to note the contents.
10. As a result of ongoing work on the draft accounts produced in June, some misstatements have been identified by officers and others have been identified as a result of the external audit. The necessary amendments have been made through the Statement of Accounts. These amendments are detailed in Appendix 2 of the Annual Governance Report 2011/12.
11. The revised Statement of Accounts is attached at **Annex A** to this report. The Statement of Accounts need to be approved by the Audit Committee at this meeting.
12. The Annual Governance Report 2011/12 details the misstatements identified which have not been corrected in the accounts. These have been discussed with officers and are considered to be immaterial to the accounts, or are merely presentational and therefore would not affect the

results shown in the financial statements. It is intended that these misstatements will be corrected in next year's financial accounts.

13. In overall terms the Council has the necessary controls in place to provide assurance over the financial statements and it is intended that an unqualified Audit opinion will be given on the accounts (i.e. that the financial statements present a true and fair view of the financial position of Sheffield City Council as at 31 March 2012 and its income and expenditure for the year).
14. In order 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 in order to confirm the representations included. Therefore, attached at **Annex B** is a letter of management representations in the format prescribed by the External Auditors to be signed by the Chair of the Audit Committee.
15. 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 2011/12 Statement of Accounts

16. 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. We have received an unqualified opinion on the Statement of Accounts, which forms part of the revised accounts at **Annex A**. The Certificate of Completion of the Audit will be received shortly.
17. The 2011/12 Statement of Accounts will be published in the Council's website. Once the Certificate of Completion is received an advert will be placed in the Sheffield Star to inform that the audit has been concluded and the accounts have been published.

Financial Implications

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

Equal Opportunities Implications

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

Property Implications

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

Recommendations

21. It is recommended:

- That the Audit Committee accepts the Annual Governance Report 2011/12;
- That following the above acceptance the Chair of the Audit Committee provides signature to the Letter of Management Representations attached at **Annex B** in order to conclude the audit;
- That the Audit Committee approves the attached Statement of Accounts for 2011/12 and the Chair of the Audit Committee provides signature to the Statement of Accounts.

Eugene Walker
Director of Finance

17 September 2012

APPENDIX 1

Explanatory Note: Statement of Accounts

1. The purpose of this document is to provide guidance on the interpretation of the Council's Statement of Accounts. The accounts comprise several key statements:
 - Movement in Reserves
 - Comprehensive Income and Expenditure Account
 - Balance Sheet
 - Cash Flow Statement
 - Key Notes to the Core Financial Statements
 - Housing Revenue Account Income and Expenditure Account
 - Collection Fund

Peculiarities of Local Authority Accounting

2. The presentation of local Authority accounts differs greatly to that of the private sector. Many of these differences occur due to legislative requirements for Local Government Accounts. For example, in the Council's accounts income is shown as a negative figure in brackets and expenditure is shown as a positive figure.
3. There are also significant differences in the way the Council accounts for Capital and Pension Contributions

Capital

4. Local Authorities account for capital in line with International Financial Reporting Standards (IFRS) on the face of the income and expenditure account. However, the impact of any charges are "reversed" out in an adjustment between accounting basis and funding basis under regulation, so that they do not impact on the amount collected in council tax.

Pensions

5. Local authorities are required to comply with International Accounting Standards (IAS) 19 on accounting for retirement benefits, which means accounting for pension liabilities when they are committed to giving them, not when they are actually paid out. The Council complies with IAS 19 and recognises the Council's share of the net liability of South Yorkshire Pension Scheme in the balance sheet. Within the Comprehensive Income

and Expenditure account the cost of service figures have been adjusted so they represent the true costs of pensions earned, IAS 19 does not have any effect on the amount collected in Council Tax as they are reversed out as an adjustment between accounting basis and funding basis under regulation.

Movement in Reserves

6. This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves.
7. The Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.
8. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes, therefore an adjustment is made to the movement in reserves statement for adjustments between accounting basis and funding basis under regulation.
9. The Net increase / Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Account

10. 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).
11. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.
12. The presentation of the cost of services is presented using the Best Value Accounting Code of Practice classification, a statutory requirement. This is so comparisons between different Local Authorities can be made.

Balance Sheet

13. The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.
14. Reserves are reported in two categories:
- Usable reserves - those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
 - Unusable reserves - those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Cash Flow Statement

15. The Cash Flow statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents.
16. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Key Notes to the Financial Statements

17. The notes to the accounts contain information in addition to that presented in the main statements. They provide narrative descriptions, disaggregation of items presented in the statements and further information about items in the statements.
18. The Council's outturn position for 2011/12 was reported to Cabinet on 20 June. This reported a net under spend of £13.1m overall for the general fund revenue account. The Statement of Accounts is in line with the outturn report but sets out the more detailed financial position for the council in a format required by legislation. The following two notes show

the reconciliation between the outturn position and the statement of accounts:

- Adjustments between accounting basis and funding basis under regulations – this note details the adjustments that are made to the total comprehensive income and expenditure account in accordance with accounting practice to the resources that are specified by statutory provision as being available.
- Amounts reported for resource allocation decisions – this note reconciles the income and expenditure shown in the comprehensive income and expenditure account to the budget outturn report produced by the Council.

Housing Revenue Account

19. 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.

20. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

Collection Fund

21. The Collection Fund is a 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 non-domestic rates.

SHEFFIELD CITY COUNCIL
STATEMENT OF ACCOUNTS
2011/12

For the period
1 April 2011 to 31 March 2012

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Foreword by the Executive Director of Resources

INTRODUCTION

The Statement of Accounts contains all the financial statements and disclosure notes required by statute and a brief financial review of 2011/12.

The purpose of this foreword is to provide a guide to the main statements contained in the accounts and to comment on and summarise the Council's overall financial performance for 2011/12.

A glossary is provided at the end of the Statement of Accounts to assist the reader.

KEY SECTIONS INCLUDED IN THE STATEMENT OF ACCOUNTS

Statement of Responsibilities

This sets out the respective responsibilities of the City Council and the Executive Director of Resources for the Accounts.

Movement in Reserves Statement

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

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.

Balance Sheet

The Balance Sheet includes information on the Council's non current and current assets. It also shows the Council's long term liabilities and the balances at its disposal at 31 March 2012.

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.

Notes to the 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 to show separately the financial transactions relating to the provision of local Council housing.

Collection Fund Statement

This summarises the transactions of Sheffield as a Billing Authority in relation to National Non-Domestic Rates and the Council Tax, and also illustrates the way in which income has been distributed to Precepting Authorities.

CHANGES IN ACCOUNTING POLICY

The Council's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The Council's IFRS accounting policies presented in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2012 and the comparative information.

Although the 2010/11 financial year saw the most significant change in local authority financial reporting with the move to accounting in accordance with IFRS, there have been further changes in 2011/12:

- The Code of Practice on Local Authority Accounting has adopted the requirements of Financial Reporting Standard (FRS) 30 relating to the classification and valuation of Heritage Assets, which are defined as 'assets held principally for their contribution to knowledge and culture'. The assets have been included on the balance sheet, largely using insurance valuations. This required a restatement of the 2010/11 figures to ensure a proper basis for comparison. The total value of Heritage Assets recognised as at 1 April 2010 was £62.9m. Further details can be found in notes 1 (xiv), 5 and 13.
- Termination Benefits are amounts 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. There is a new disclosure note required in the accounts (note 43) that shows the number and cost of termination payments agreed in 2010/11 and 2011/12.

There has also been a prior year adjustment of £10m made to the accounts. This was the result of a data cleansing exercise on property assets as part of the transition to a new Asset Data Records Management System. Further details can be found in note 5.

FINANCIAL REVIEW 2011/12

The Council's Medium Term Financial Strategy aims to:

Provide a medium-term framework which will support the Council in building a robust, stable and integrated financial plan over the coming years, where expenditure and ways of providing services are constructively challenged and monitored to ensure that Council business is undertaken in the most effective and efficient way. The strategy recognises and identifies the financial risks facing the Council and actively seeks to manage and mitigate them.

This medium term strategy faces a considerable challenge with the significant funding reductions that the Council is facing over the next few years. Going forward, the Local Government Finance Settlement, announced in December 2010, set out significant reductions in the Council's funding up to 2014/15. Savings in the 2011/12 budget amounted to £77.5 million. In addition, the Council's 2012/13 Revenue Budget Report set out further savings proposals amounting to £54.7 million that were required to balance the 2012/13 budget.

The Council has maintained the level of usable reserves in 2011/12 demonstrating that the Council has not had to use reserves to fund ongoing expenditure in order to maintain its stable financial position. Reserves, including in year underspends, have been used to fund one off costs such as the redundancy costs that result from staff savings.

The Council considers its Medium Term Financial Strategy over the period to 2012/13 to be sufficiently robust and sustainable to manage these funding reductions. However, there is no certainty of the level of funding reductions from Government for the period from 2013/14 onwards, except that they will be continued and sustained for the foreseeable future. This will make some of the Council's services unsustainable in the medium term. The Council is therefore using a priority based approach to its medium term planning, based on the Council's Corporate Plan "Standing up for Sheffield" that will allow resources to be focussed on its key priorities. (www.sheffield.gov.uk/your-city-council/policy--performance/what-we-want-to-achieve/corporate-plan).

Going Concern

No material uncertainties have been identified that cast significant doubt about the ability of the Council to continue as a going concern.

In preparing its Statement of Accounts the Council has also made appropriate going concern enquiries for other parties in which the Council has an interest. The Council confirms that it is a reasonable expectation that all such parties have adequate resources to continue in operational existence for the foreseeable future.

Revenue Expenditure and Services Provided

Revenue spending concerns the day-to-day running costs of the Council's services, including areas such as schools, social services and leisure facilities. This spending is financed primarily from government grants and Council Tax. On 5 March 2011 the Council approved a revenue budget for 2011/12 at a net expenditure level of £480 million. This was based on an approved Council Tax increase of 0%. This is the first time that Council Tax has ever been frozen.

The following table shows the final outturn position for 2011/12. The analysis of the outturn reflects the way the Council's finances are managed and does not match exactly with the breakdown required in the Comprehensive Income and Expenditure Statement. This is because the figures in the Comprehensive Income and Expenditure Statement have been subject to accounting adjustments including IAS 19 Accounting for Employee Benefits and other accounting adjustments required by the Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

The final outturn position for 2011/12 shows an underspend of £13.1 million and the budget report to Council in March 2012 agreed to transfer this sum to reserves as part of the 2012/13 budget strategy. These sums were then used to support the budget, mainly to cover redundancy costs and other one off contingencies.

2011/12 Outturn			
	Budget £000	Actual £000	Variance £000
Children and Young People's Services	119,036	115,097	(3,939)
Communities Place	188,618	182,708	(5,910)
Deputy Chief Executive's Resources	172,156	173,806	1,650
Corporate	18,572	17,586	(986)
	70,848	69,130	(1,718)
	(569,230)	(571,414)	(2,184)
Total under spend for the year	0	(13,087)	(13,087)

The budgeted gross revenue expenditure, analysed in the same way as the Comprehensive Income and Expenditure Statement, and how that expenditure was funded are shown in the tables below.

Budgeted Gross Revenue Expenditure 2011/12		
	£m	%
Education	482	32
Social Services	248	17
Housing	216	14
Highways, Transport and Planning	96	6
Leisure and Culture	38	3
Refuse Collection and Disposal	34	2
Environmental Health	13	1
Other Services	373	25
Total	1,500	100

Financing of the Gross Revenue Expenditure 2011/12		
	£m	%
Specific Government Grants	632	42
Other Grants	284	19
Fees, Charges and Other Income	256	17
Council Tax	197	13
Council House Rents	131	9
Total	1,500	100

The Comprehensive Income and Expenditure Statement indicates that the Council's operations generated a surplus of £245 million in 2011/12 and therefore presents a very different picture regarding the Council's financial "performance" in 2011/12. The reconciliation between the outturn position and the Comprehensive Income and Expenditure Statement is shown below:

	£000
Underspend on General Fund Revenue Account	(6,210)
Other Approved Carry Forwards	(6,877)
Total General Fund Underspend	(13,087)
Deficit on the Housing Revenue Account	217
Surplus on Schools Accounts	(686)
Total Underspend	(13,556)
Removal of debt charges	(22,265)
Removal of pension contributions	(46,479)
Items that do not affect Council Tax:	
Inclusion of accounting charges for depreciation, impairment, holiday pay, PFI etc	175,125
HRA Debt Write Off	(518,353)
Deficit on Revaluation of Non Current Assets	85,722
Actuarial Losses on Pension Assets	94,918
Other Losses	67
Surplus on Total Comprehensive Income and Expenditure	(244,821)

Housing Revenue Account – Self Financing Transaction

One of the most significant issues of 2011/12 related to the introduction of a new financing regime for the Housing Revenue Account (HRA) which although not introduced until 1 April 2012 impacted on the Comprehensive Income and Expenditure Statement for 2011/12.

On the 28th March 2012 the Department for Communities and Local Government (DCLG) initiated a transaction with the Public Works Loan Board (a statutory body within the Debt Management Office which, itself, is an Executive Agency of HM Treasury) to write off £518.3m of the Council's social housing related debt held by PWLB. In doing so, DCLG also paid the redemption penalties due on the early repayment of this debt.

This transaction represents the financial settlement between Central Government and Sheffield facilitating the Council's exit from the Housing Subsidy system. From the 1 April 2012 the Council will operate a self financing Housing Revenue Account without support from Central Government.

The write off of the Council's debt is treated as a £518.3m capital receipt, receivable from government, recognised through the Comprehensive Income and Expenditure Statement. Similarly, the £71.7m of early redemption penalties incurred by DCLG on the Council's behalf are also treated as a capital receipt that is recognised through the Comprehensive Income and Expenditure Statement.

Fixed Assets

In accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) recommended best practice, the Council operates a rolling revaluation programme. This is to ensure that fixed assets are revalued at least once every five years.

The rolling programme revalued Council assets downwards by a net £224 million. However, a significant proportion of this relates to all schools' land values being revalued to reflect the latest guidance requiring that assets held at depreciated replacement cost are valued on an instant build basis. This removes the subjectivity associated with assumptions about the phasing of works. Financing costs are also ignored in line with existing policy.

Capital Expenditure

Capital spending can generally be defined as spending which generates and enhances assets that have a life of more than one year. In 2011/12 the Council spent, on an accruals basis, £176 million on capital projects. In addition to this amount the Council spent a further £42 million on assets not owned by the Council, bringing the total in year expenditure to £218 million.

The areas of capital expenditure were:

- Enhancements and improvements to Council and other dwellings - £30 million.
- Other land and buildings - £108 million.
- Works on roads, bridges and footpaths - £20 million.
- Community assets - £3 million.
- Vehicles, Plant, Furnishings and Equipment - £15 million.

The major sources of funding were Government grants, other grants and contributions of £190 million (including Major Repairs Allowance of £27 million) and loans of £28 million through government supported and prudential borrowing.

The total accumulated loans outstanding with external lenders amounted to £591 million. However, this sum should be viewed in relation to the Council's long term fixed assets, which have a net book value of £2,732 million as at 31 March 2012, giving an asset to debt ratio of almost 5 to 1.

Pension Scheme

Sheffield City Council is a member of the South Yorkshire Pension Fund (The Fund). Following the triennial valuation of the Fund as at 31 March 2010, the pension fund's actuary has assessed the actual total past service deficit for the Fund as being £1,085 million of which Sheffield's share is £391.4 million. The pension fund has around 79% of the assets needed to meet all future liabilities, Sheffield City Council pensions are funded up to a level of 74%.

The Statement of Accounts are required to disclose the assets and liabilities for the Council's share of the pension fund. The pension fund's actuaries have estimated for accounting purposes that the pension fund is currently in a deficit position. The underlying commitments that the Council has, in the long run, to pay post employment benefits is £658.9 million as at 31 March 2012.

Events After the Reporting Date

On 31 July 2012, Sheffield City Council signed a 25 year PFI contract with private sector contractor Amey worth £2 billion for delivery of the Streets Ahead Contract (the Highways Maintenance PFI project). The accounts have not been adjusted for this event. Further details can be found in note 47.

Annual Governance Statement

THE POSITION FOR THE FINANCIAL YEAR 2011/12, INCLUDING PLANS FOR THE FINANCIAL YEAR 2012/13

Scope of responsibility

Sheffield City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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, and 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/your-city-council/constitution-and-governance/code-of-corporate-governance.html>. This statement explains how Sheffield City Council has complied with the code. It also meets the requirements about the publication of the Annual Governance Statement of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2009.

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 Authority 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 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 the impact should they be 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 2012 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 the Council contains two key elements, the internal control arrangements of the Council and also how Sheffield City Council demonstrates these arrangements to its 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 2012 and up to the date of approval of the annual report and accounts.

In discharging its responsibility, the Council has a published constitution that specifies the business of the Council, as well as establishing the role of the Cabinet, Scrutiny Committees and Regulatory Committees. The document also lays down the scheme of delegation by which Members of the Council and Officers can make decisions on behalf of the Council to ensure the smooth operation of business.

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 set out its vision and corporate priorities in its Corporate Plan 2011-2014 ("Standing Up for Sheffield") – agreed by Cabinet on 9 November 2011. The current plan has been developed to clearly show the link between the key aims of the Council and the corporate priorities to achieve these. The Council has a business planning process that is designed to align service activity and objectives to the corporate priorities. A new quarterly performance monitoring process has been implemented to track progress against the Council's key priorities and to highlight any potential risks and issues in achieving these.

The Council's Executive Management Team (EMT) and elected Members have 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.

Cabinet receives regular monthly budget monitoring reports in addition to the portfolio members. 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 corporate objectives is also provided regularly to Cabinet members, and is considered bi-monthly by Members at the Overview and Scrutiny Management Committee.

The Council has undertaken a number of initiatives to consult with interested groups and the wider citizens of Sheffield on its vision and priorities.

The Corporate Plan and 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. Key decisions are taken by the Executive (Leader, Cabinet, individual Cabinet members, officers as appropriate), within the budget and policy framework set by Council.

The council has an Overview and Scrutiny function (including a call-in facility), which reports to the Cabinet and Full Council as appropriate.

A scheme of delegation is in place that allows decisions to be undertaken at an appropriate level, so that to the functions of the Council are undertaken efficiently and effectively. The scheme includes the Leader's own scheme of delegation, supported by more detailed officer schemes of delegation corporately and within portfolios.

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 Standards Committee. Her 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 in the managers' section of the Council's intranet. A formal staff induction process is in place that is designed to ensure that new employees are made aware of their responsibilities. The Executive Director Resources carries overall responsibility for financial issues, and her 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 has been agreed by Cabinet. There is also a Corporate Risk Management Group that includes senior officers from across the Council. The group's prime functions are to oversee the development of the framework, ensure there is portfolio operation of risk management within the framework, and assure the identification, management and mitigation of risks. 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 risk and performance management processes in particular. This is to ensure that the processes used are simple and effective and meet the requirements of the Council. Workshop training has been delivered to senior managers, and an e-training module has been developed that will be integrated into the manager learning and development curriculum.

The Council has a Standards Committee which oversees the Council's Code of Conduct for Members. This Committee operates outside the main Council structures and the Chair and Deputy Chair are independent of the Council. There are agreed terms of reference for this committee which meets on a quarterly basis. These arrangements are in line with statutory provision, which is abolished on 1 July 2012 by the Localism Act.

The statutory committee will then be abolished. Plans are in place to ensure the Council will comply with the new statutory requirements.

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 Whistle-blowing 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.

Reviews are undertaken on a periodic basis by Internal Audit and agencies including the Care Quality Commission (CQC), the Audit Commission and the Office for Standards in Education (OFSTED).

4 - Ensuring the economical, effective and efficient use of resources

The Council has previously instigated the Modern Efficient Council (MEC) Programme. The programme has developed, leading our corporate plan ambition of putting the customer first and achieving better value for money. As a Modern and Efficient Council, we will;

- be led and shaped by what the people of Sheffield want, and what matters to them most;
- provide excellent services to our citizens and businesses, first and every time;
- provide outstanding value for money.

The programme makes it clear how each part will help the Council to achieve its vision. Not only will the process apply to the whole of the Council and its services, but will also extend to partner organisations and contractors where applicable.

5 - The financial management of the Council

The effectiveness of the system of financial management is informed by:

- The work of Internal Audit.
- The external auditors' Audit letter and other reports.
- The role carried out by the Executive Director Resources under s151 Local Government Act 1972 responsibilities.
- The work of the Contracts Administration team in monitoring the work undertaken by Capita (the Council's contractor for financial business processes).

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 defines clear priorities and outcomes in its Corporate Plan, 'Standing up for Sheffield'. 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 Council has introduced an Individual Performance Review framework which requires scoring of individual staff and managers against the Council's Imperatives, which are set at Leadership, Service and Individual level. These scores will enable the Council to map performance distribution. The Imperatives were co-produced using a range of consultative techniques with staff groups in the organisation. Completed reviews will be collated by HR who will gather information which will then be used to identify and consolidate good performance and identify where there is less than optimum performance. Development interventions will be provided to support improvements, where necessary.

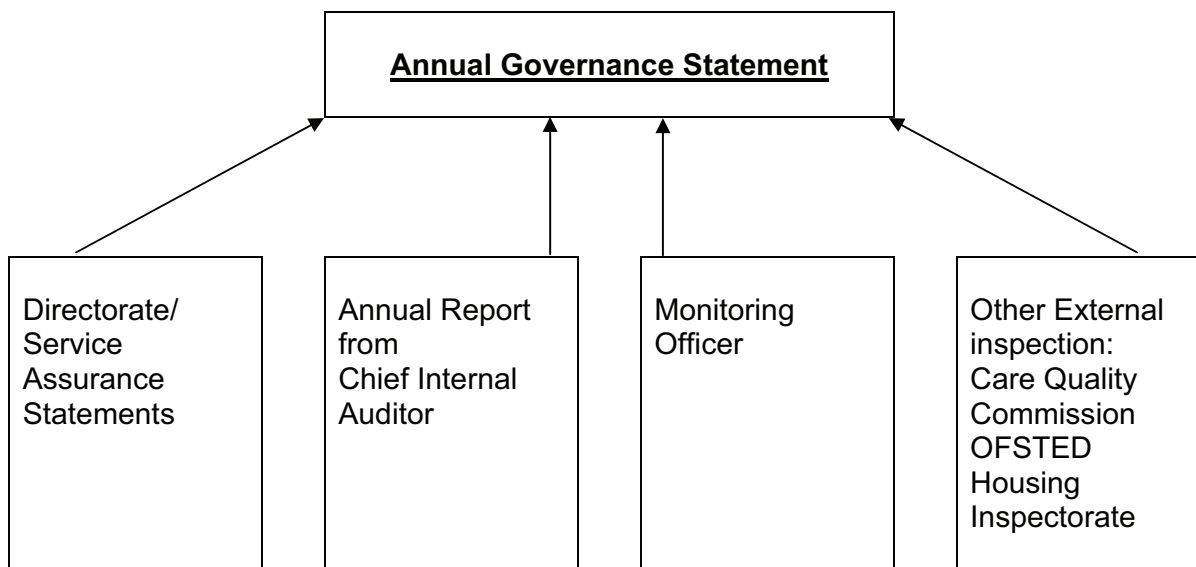
The Council has identified a core development programme for managers and employees to embed a consistent approach to management of resources, including its people, and to develop employee knowledge and skills across a range of subjects. Alongside this the Council is developing Portfolio Commissioning Groups to identify, commission and monitor specific development needs of its employees, and to consider the qualitative and quantitative data relating to Individual Performance Reviews. 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 (AGS).

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 Executive Management Team (EMT) 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 service Directors have provided written assurance to the effect that they are adhering to the Council's corporate policies, for example, those relating to health and safety and personnel procedures, and are maintaining adequate control over areas of Council activity for which they have responsibility, e.g. service areas and control of specific contracts. 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 initiated. 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. The section also undertakes fraud investigations and other ad hoc responsive investigations relating to the Council's control framework. This element of Internal Audit's work also contributes to the maintenance of a sound system of internal financial control. The section 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 section also works closely with the external auditors (Audit Commission). The service has undertaken a programme of preventative work to mitigate the potential for fraud.

There are some areas of control weakness that have been included under the section relating to weaknesses. The Chief Internal Auditor has confirmed that he is unaware of any other significant control weaknesses that have not been considered when compiling this Statement. The Audit 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. Such a review has taken place during the year. The Deputy Chief Executive, as the Council's Monitoring Officer, has not raised any issues of significance that are contrary to the findings within the statement.

The Council is responsible for setting the overall objectives of the Authority and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the year 2011/12 all these duties have been performed.

A significant amount of Children's and Young People's Services activity is undertaken within Schools. The Portfolio has in place a number of monitoring processes which monitor the various aspects of performance. The Portfolio has provided assurance that overall they are satisfied that maintained schools are operating within the expected policies and procedures in terms of their local governance, accountability and management. This is based upon their own system and also from written assurance gained from individual schools.

During the financial year 2011/12 the Council has been inspected by a number of external agencies and a summary of their findings is noted in the following paragraphs. The 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.

- The Council's external auditors, the Audit Commission, were able to issue an unqualified opinion on the Council's Accounts in their Annual Governance Report for 2010/11.

Individual Council services are the subject of external inspections. In the current year the following significant inspection reports were also received:

- The Council's Insurers undertook a review of the insurance service which found that overall the standard was Excellent. This was supported by a 95% technical service proficiency result being achieved.
- The Council's Customer Services department has been inspected and has retained the Customer Service Excellence accreditation.
- Within Modern Governance, the external inspection into Member Development Activity awarded the service Charter Plus status. This inspection was carried out by Local Government Yorkshire and Humber (LGYH) and the Local Government Improvement and Development Agency (IDeA).
- In the Children and Families Service OFSTED undertook a number of inspections. The inspections of Fostering and the Adoption Service resulted in ratings of Good. The inspections of Children's Homes (including secure children's homes) resulted in ratings of Good or Outstanding. The inspection of Contact, Referral and Assessment Service found one area for development.

In addition to the above, a number of schools within the city have been the subject of OFSTED inspections. The Children and Young People's Service's Advice and Inspection Service follow up on these reviews and give support to the schools.

For all of the above inspections, recommendations were made. Assurance has been received that appropriate management action is being taken.

The Council has an Audit Committee made up of 6 non-Executive elected Members. In May 2011, the Committee was strengthened with the appointment of 2 non-voting co-opted members to bring additional experience, independence and an external view to the Committee's work.

The Audit 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 Audit 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 and Risk Management and the Council's Accounts) and other issues identified by the Committee during the year. This included monitoring the financial and commercial risks of the Council's major external relationships and a process for consideration of all High Opinion Audit Reports. 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.

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 forthcoming year, several initiatives have been planned which will have an impact upon the control assurance mechanisms in place:

- The current financial climate has led to significant reductions in the money available for support services such as the finance service. However, the firm foundations laid in previous years of improvements to financial systems, controls and governance mean that the Council is relatively well placed to cope with these reductions and to report effectively on the budget and savings required.
- The Modern Efficient Council Organisational Programme continues to commission and govern change targetted to deliver lasting improvements to the Council's organisational capability, enabling innovative, efficient and customer-focussed services: Challenging the organisation to be innovative and maximise the benefits of change to support the Council's Future Shape.
- The Council continues to monitor closely its most significant external relationships in relation to risk and governance arrangements, with quarterly reports to both the Executive Management Team and Audit Committee. A further review of appointments of elected Members to external organisations will be undertaken shortly. Ensuring that appointed Members receive appropriate officer support remains an important area of activity

Significant 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 2011/12, recommendations have been made by Internal Audit and agreed with relevant managers to address weaknesses identified in the internal controls of financial and other systems.

A number of control weaknesses identified in the 2010/11 Annual Governance Statement have now been resolved, or the risks have been reduced to a level where they no longer require reporting in this statement.

However, as part of the 2011/12 Annual Governance Statement process, some significant control weaknesses have been identified. Details of these are recorded below. These issues are significant in that they cover large parts of the Council and its activities and require a corporate solution.

Description of the Control Weaknesses	Officer Action
<p><u>Museums Sheffield (Sheffield Galleries and Museums Trust)</u></p> <p>Control weaknesses relating to the Sheffield Galleries and Museums Trust have been highlighted in the Annual Governance Statement for the last two years. Concerns have primarily related to the adequacy of cash flow and the client function management of the trust.</p> <p>Last year we reported that the Museums Sheffield Board had recognised the need for more timely financial information. To this end they had recruited a new Head of Finance. This new post holder has accomplished much in the past year so that whilst this work is still ongoing on improving financial systems, there is now more confidence in the financial reporting both to the Board and between Museums Sheffield and the Council.</p> <p>These changes have however occurred at the same time as Museums Sheffield undertook an unsuccessful bidding process for an Arts Council Major Award to replace the Renaissance Funding they had previously received. As a result there has been a significant reduction in external funding. This in turn has resulted in a downsizing of the organisation with the Chief Executive and the Director of Resources both standing aside in order to reduce management costs.</p> <p>The reduction in funding has again highlighted the extent to which Museums Sheffield had used external funding to finance their underlying level of expenditure.</p>	<p>In June 2012 further action is being taken by the Council to ensure the continued operations of a museums and galleries service for the people of Sheffield. This is only possible because both Culture and Environment, and Finance, are now more confident in the financial management of the organisation and believe that the future can be managed back into a stable position from which to rebuild.</p> <p>In summary therefore:</p> <ul style="list-style-type: none"> • Museums Sheffield have appointed a new Head of Finance who in turn has reviewed and upgraded significantly the quality, accuracy and timeliness of the financial information supplied to the Board and the Council. • At the conclusion of that governance review, new Service Level Agreements will be implemented aligning outcomes to the current Corporate Plan.

<p><u>HR Data Reliability Concerns</u></p> <p>Externally commissioned reviews of the HR System have found that whilst the system itself is sound, not all standard parts are fully used. Current operational processes may also not be in step with recommended business practices. A project has been commissioned to rectify this. Until the project's completion, there remains a significant risk that the Council is unable to manage its people resources and associated budgets as effectively as it should, and that there may be errors in the operation of the payroll function. In addition, the reputational effect of poor quality data continues to impact on the wider HR service and customer perceptions.</p>	<p>A project to rectify weaknesses in the HR System has been commissioned that forms part of the People Transformation Programme. This is governed by the Modern Efficient Council (MEC) Board. The project has a clear Project Initiation Document and timescales, and reports to a sub-committee of MEC on a monthly basis.</p>
<p><u>Improving compliance with Payment Card Industry Regulations</u></p> <p>These standards cover the processes used to handle payment card information (i.e. debit card or credit card transactions) whether they are manual or electronic or both. Manual processes are generally (but not exclusively) run by Council staff and electronic solutions are provided by or through Capita.</p> <p>In July 2011 Internal Audit produced a helpful report on the Council's compliance with the standard. A good standard of compliance is a key target for the City Council as it helps provide reassurance both to people using payment cards with us and payment card providers.</p> <p>Complete compliance with all the standards is extremely challenging. Whilst the Council and Capita have arrangements in place to comply with the basic standards, work is outstanding to achieve higher standards of compliance.</p>	<p>Capita is working hard to place its payment card electronic solution – called AIM – in a more secure environment. This work is scheduled to be complete by October 2012 and it follows considerable planning, testing and implementation work. That work will move us to closer compliance with the Data Security Standard.</p> <p>Work is also continuing to improve City Council processes which involve payment card information; a recent example being in Customer Services.</p> <p>Both the Council and Capita have committed considerable resources to improving compliance in this area; these efforts will continue where required.</p>

Statement

We have been advised on the review of the effectiveness of the governance framework by the relevant Officers and a plan to address weaknesses and ensure continuous improvement of the system is in place. Regular updates on progress will be made available to the Council Leader.

Sheffield City Council proposes over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. We will monitor their implementation and operation as part of our next annual review.

Signed:
Laraine Manley – Executive Director Resources (Section 151 Officer)

Signed:
John Mothersole - Chief Executive on behalf of Sheffield City Council

Signed:
Julie Dore - Council Leader on behalf of Sheffield City Council

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 Executive Director of Resources.
- 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 Executive Director of Resources

The Executive Director of Resources 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).

In preparing this Statement of Accounts, the Executive Director of Resources has:

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

The Executive Director of Resources has also:

- kept proper accounting records, which were up to date, and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I hereby certify that the Statement of Accounts on pages 23 -141 gives a true and fair view of the financial position of Sheffield City Council at 31 March 2012 and of its income and expenditure for the year ended 31 March 2012.

Laraine Manley
Executive Director of Resources
26 September 2012

The Core Financial Statements

Movement in Reserves Statement

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 other 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 Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The net (increase) / decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers (to) or from earmarked reserves undertaken by the Council.

Sheffield City Council – Statement of Accounts 2011/12

2011/2012													
		24	24	24	24	24	24	24	24	24	25		
	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000			
Balance at 31 March 2011		(38,503)	(48,738)	(16,729)	(25,189)	(9,460)	(26,851)	(165,470)	(749,142)	(914,612)			
Movement in reserves during 2011/12:													
(Surplus) / deficit on provision of Services		55,505	0	(481,033)	0	0	0	(425,528)	0	(425,528)			
Other Comprehensive (Income) and Expenditure		1	54	0	0	0	0	55	180,652	180,707			
Total Comprehensive (Income) and Expenditure		55,506	54	(481,033)	0	0	0	(425,473)	180,652	(244,821)			
Adjustments between accounting basis and funding basis under regulations	7	(57,360)	0	483,353	(6,193)	(646)	4,881	424,035	(424,035)	0			
Net (increase) / decrease before transfers to earmarked reserves		(1,854)	54	2,320	(6,193)	(646)	4,881	(1,438)	(243,383)	(244,821)			
Transfers (to) / from earmarked reserves	8	(3,004)	6,855	0	0	0	(3,851)	0	0	0			
(Increase) / decrease in year		(4,858)	6,909	2,320	(6,193)	(646)	1,030	(1,438)	(243,383)	(244,821)			
Balance at 31 March 2012		(43,361)	(41,829)	(14,409)	(31,382)	(10,106)	(25,821)	(166,908)	(992,525)	(1,159,433)			

Sheffield City Council – Statement of Accounts 2011/12

2010/2011 – Restated Comparative Information									
	24	24	24	24	24	24	24	25	2000
	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2010	(25,017)	(66,804)	(13,606)	(16,242)	(6,012)	(22,568)	(150,249)	(1,002,941)	(1,153,190)
Movement in reserves during 2010/11:									
(Surplus) / deficit on provision of services	(185,086)	0	510,741	0	0	0	325,655	0	325,655
Other Comprehensive (Income) and Expenditure	0	81	0	0	0	0	81	(87,158)	(87,077)
Total Comprehensive (Income) and Expenditure	(185,086)	81	510,741	0	0	0	325,736	(87,158)	238,578
Adjustments between accounting basis and funding basis under regulation	189,355	0	(513,864)	(8,947)	(3,448)	(4,053)	(340,957)	340,957	0
Net (increase) / decrease before transfers to earmarked reserves	4,269	81	(3,123)	(8,947)	(3,448)	(4,053)	(15,221)	253,799	238,578
Transfers (to) / from earmarked reserves	(17,755)	17,985	0	0	0	(230)	0	0	0
(Increase) / decrease in year	(13,486)	18,066	(3,123)	(8,947)	(3,448)	(4,283)	(15,221)	253,799	238,578
Balance at 31 March 2011	(38,503)	(48,738)	(16,729)	(25,189)	(9,460)	(26,851)	(165,470)	(749,142)	(914,612)

Comprehensive Income and Expenditure Statement

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 the Movement in Reserves Statement.

2010/11 Restated				2011/12		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Continuing Operations:						
652,008	(494,092)	157,916	Children's and Education Services	698,470	(484,263)	214,207
199,057	(41,258)	157,799	Adult Social Care	199,703	(61,928)	137,775
86,318	(14,672)	71,646	Highways and Transport Services	83,224	(10,959)	72,265
70,441	(9,320)	61,121	Cultural and Related Services	60,585	(7,199)	53,386
41,975	(9,520)	32,455	Environment and Regulatory Services	40,085	(10,609)	29,476
31,206	(7,263)	23,943	Planning Services	41,545	(5,286)	36,259
Local Authority Housing (HRA):						
510,150	0	510,150	- Impairment of Council Dwellings	6	0	0
120,502	(165,118)	(44,616)	- HRA Other	157,081	(163,426)	(6,345)
217,324	(179,639)	37,685	Other Housing Services	219,595	(192,142)	27,453
90,593	(70,171)	20,422	Central Services	92,079	(62,839)	29,240
22,524	(12,565)	9,959	Corporate and Democratic Core	18,312	(5,835)	12,477
Non-Distributed Costs (NDC):						
(114,517)	0	(114,517)	- Change in Inflation Factor for Retirement Benefits	6	0	0
971	(8)	963	- NDC Other	1,734	(5)	1,729
1,928,552	(1,003,626)	924,926	Cost of Services	1,612,413	(1,004,491)	607,922
		(6,745)	Other operating expenditure	9		34,050
			Financing and investment income and expenditure:	10		
		0	- HRA Self Financing Transaction			71,731
		124,764	- Other			107,550
			Taxation and non-specific grant income:	11		
		0	- HRA Self Financing Transaction			(590,084)
		(717,290)	- Other	11		(656,697)
		325,655	Deficit / (Surplus) on Provision of Services			(425,528)
		17,125	(Surplus) / deficit on revaluation of non-current assets			84,414
		(22,688)	Impairment losses on non-current assets charged to Revaluation Reserve			1,308
		(81,608)	Actuarial (gains) / losses on pension assets / liabilities			94,918
		94	Other (gains) / losses			67
		(87,077)	Other Comprehensive (Income) and Expenditure			180,707
		238,578	Deficit / (Surplus) on Total Comprehensive Income and Expenditure			(244,821)

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'.

Sheffield City Council – Statement of Accounts 2011/12

As at 1 April 2010 Restated £000	As at 31 March 2011 Restated £000		Notes	As at 31 March 2012 £000
3,225,164	2,841,011	Property, Plant and Equipment	12	2,665,845
62,884	63,182	Heritage Assets	13	63,350
3,136	3,136	Investment Properties	14	3,136
15	15	Long term Investments		0
12,658	11,010	Long term Debtors	17	13,506
3,303,857	2,918,354	Long Term Assets		2,745,837
0	10,000	Short Term Investments	15	0
858	1,148	Inventories		946
127,460	136,267	Short Term Debtors	18	113,647
0	6,921	Cash and Cash Equivalents	19	36,245
714	5,442	Assets Held for Sale	20	11,556
129,032	159,778	Current Assets		162,394
(1,418)	0	Cash and Cash Equivalents	19	0
(39,409)	(89,006)	Short Term Borrowing	15	(65,648)
(132,560)	(139,260)	Short Term Creditors	21	(108,091)
(9,755)	(16,970)	Short Term Provisions	22	(43,763)
(3,967)	(5,567)	PFI / PPP Finance Lease Liability	40	(4,990)
0	0	Capital Grants Receipts in Advance	36	(43,316)
(187,109)	(250,803)	Current Liabilities		(265,808)
(1,023,455)	(988,364)	Long Term Borrowing	15	(539,889)
(19,749)	(21,548)	Long Term Provisions	22	(15,387)
(232,379)	(226,811)	PFI / PPP Finance Lease Liability	40	(221,814)
(738,865)	(563,313)	Net Pension Liability	44	(658,926)
(34,372)	(31,092)	Other Long Term Liabilities	23	(27,716)
(43,770)	(81,589)	Capital Grants Receipts in Advance	36	(19,258)
(2,092,590)	(1,912,717)	Long Term Liabilities		(1,482,990)
1,153,190	914,612	Net Assets		1,159,433
(150,249)	(165,470)	Usable Reserves	24	(166,908)
(1,002,941)	(749,142)	Unusable Reserves	25	(992,525)
(1,153,190)	(914,612)	Total Reserves		(1,159,433)

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.

2010/11		Notes	2011/12
Restated			£000
£000			£000
(325,655)	Net surplus / (deficit) on the provision of services		425,528
	Adjustment net surplus / (deficit) on the provision of services for:		
533,574	Non-cash movements		253,215
(187,759)	Items that are investing or financing activities		(168,001)
20,160	Net cash flow from operating activities	26	510,742
(22,720)	Investing activities	27	(17,712)
10,899	Financing activities	28	(463,706)
8,339	Net increase / (decrease) in cash and cash equivalents		29,324
(1,418)	Cash and cash equivalents at 1 April	19	6,921
6,921	Cash and cash equivalents at 31 March	19	36,245

The Statement of Accounts was approved by the Audit Committee, in accordance with the Accounts and Audit (England) Regulations 2011, on 26 September 2012.

These financial statements replace the unaudited financial statements authorised by the Executive Director of Resources on the 18 June 2012.

Laraine Manley
Executive Director of Resources
26 September 2012

Councillor Ray Satur
Chair of the Audit Committee
26 September 2012

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. Accounting Policies

I. General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. These regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 ('the Local Authority Code') and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 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 in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Weekly wages are charged on the basis of full weeks.
- 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. 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 public sector reserve 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.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts.

IV. Carbon Reduction Commitment Allowances

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, 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 are 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 Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

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 dependant 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 (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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to '(Surplus) / 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. They are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 two separate pension schemes:

- The Teachers Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- 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.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

The Local Government Pension Scheme

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

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an

assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and 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 44 to the core financial statements.
- The assets of the pension fund attributable to the Council are included in 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 seven components:
 - **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the '(Surplus) / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - **expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - **gains or losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve
 - **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 Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- 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. 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 in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the 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 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 into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest). Interest credited to the Comprehensive Income and Expenditure Statement 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 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 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.

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

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

Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain / loss is recognised in the (Surplus) / Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred. These are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing

and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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 along with any accumulated gains or losses previously recognised in the Available for Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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.

XI. 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 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

XII. Goodwill

Consideration for disposal of goodwill is credited to the Goodwill Deferred Account at the time it is contractually agreed and the amount receivable can be determined with reasonable certainty. Where the consideration is receivable more than one year after the year end, the amount receivable is discounted at a rate of interest linked to the Public Works Loan Board (PWLB) borrowing rate appropriate to the period between the Balance Sheet date and the date that the goodwill consideration is receivable. When the goodwill consideration is actually received it is credited to the Comprehensive Income and Expenditure Account.

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 in 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. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to Local Authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

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 in the Councils 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 both 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 in the Councils 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 local historic significance.

The collections develop through a combination of acquisition through purchase and donation. Acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the museum's curators.

- Museums Sheffield works to an Acquisition and Disposal Policy that is revised every five years and agreed by Museums Sheffield Board of Trustees and the Council.
- Sheffield Industrial Museums Trust works to the Collections Agreement between the Trust and the Council, which provides the basis for the collections activity of the Trust. This document includes the Acquisitions and Disposal policy.

Standards of care are governed by the requirements of the National Museum Accreditation Scheme, with which both Trusts have 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 in 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 in 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 – see note XX in this summary of significant accounting policies. 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. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First In First Out (FIFO) costing formula.

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.

XVI. 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.

XVII. Jointly Controlled Operations (Pooled Budgets)

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

XVIII. 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 in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. 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 in 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 in 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.

XIX. 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 2011/12 (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, with the exception of:

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

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

XX. 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.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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 in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost.
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a 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.
- Infrastructure assets between 20 and 40 years.
- Vehicles, plant, furniture and equipment between 5 and 10 years, with the exception of the incinerator plant under the Veolia PPP contract, which has a useful economic life of 19 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 valuers Kier Asset Partnership Services. 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 revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) / Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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 (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the 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.

XXI. 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.

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

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.

Provision for Back Pay Arising from Unequal Pay Claims:

The Authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy. The provision has been charged to the General Fund Balance.

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 in the Balance Sheet but disclosed in a note to the accounts.

XXIII. 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 all capital expenditure incurred, after adjusting for schemes to be deferred for MRP purposes, which will be funded by Supported Borrowing, the MRP policy will be to make a provision of 4% on the outstanding debt balance.

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.

In addition, the Council is also required to repay loans outstanding on those assets transferred from the former South Yorkshire County Council, which are repaid on the basis of a sinking fund rate of 10%. Interest on external loans is charged direct to the Comprehensive Income and Expenditure Account.

XXIV. 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 score 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.

XXV. 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.

XXVI. 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.

02. Accounting Standards that have been issued but have not yet been adopted

IFRS 7 Financial Instruments: Disclosures (Transfers of Financial Assets)

The adoption of the amendments to IFRS 7 Financial Instruments Disclosures is not a change in accounting policy that will require the publication of a Balance Sheet at the beginning of the earliest comparative period.

Other changes adopted in the 2012/13 Code do not require additional disclosure in the 2012/13 financial statements.

The adoption of this standard will not have a material impact upon the accounts.

03. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, 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:

- There is a degree of uncertainty regarding the timing of when schools, that gain academy status or become a foundation school, are derecognised from the Council's balance sheet. Our current policy, based on the limited guidance available, is that such schools are derecognised from the balance sheet when the contract is complete and signed and the specific assets have been handed over / transferred. In 2012/13 there is the potential to remove £389m net book value for schools, that are due to convert to academy or foundation schools. This policy would be reviewed if new guidance is issued in the future that provides further assistance.
- 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. We have complied with the Code and identified our group, which comprises of the City Council, its arm's length management organisation for housing Sheffield Homes Limited and Digital Region Limited, a company established to deliver high speed broadband to South Yorkshire. However, we have concluded that upon consolidation the value of these entities is not material and therefore the production of all the required statements would not assist the reader.
- Lease arrangements have been reviewed in line with the Code requirements. The property lease review resulted in 3 leases out of 6,067 that would require reclassification to finance leases, with £1.7m in property assets on two of the leases to be derecognised from the Balance Sheet. However, due to the immaterial value and with both leases due to terminate in two years or less, the changes have not been implemented. The equivalent review for plant and equipment assets concluded that there are multiple, small value leases which are reducing in number and value each year and those which could be re-categorised from operating to finance lease are not deemed to be material.

- 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.
- There is a degree of uncertainty regarding the timing of when schools, that gain academy status or become a foundation school, are derecognised from the Council's Balance Sheet. Our current assumption, based on guidance available, is that such schools are derecognised from the Balance Sheet when the contract is complete and signed and the specific assets have been handed over / transferred. From 2012/13 onwards there is the potential to remove £389m net book value for schools that are due to convert to academy status and become foundation schools. This is dependant on future guidance being issued that provides further assistance on the specific timing of derecognising academy and foundation schools from the Council's Balance Sheet.

<p>04. Assumptions made about the future and other major sources of estimation uncertainty</p>

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £5m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £34m. However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries

the Council with expert advice about the assumptions to be applied.

advised that the net pension liability had increased by £28m as a result of estimates being corrected as a result of experience and increased by £67m attributable to updating of the assumptions.

Arrears

At 31 March 2012, the Council had a balance of sundry debtors for £31.0m. An impairment of doubtful debts of £16.6m (54%) was considered appropriate. However, although this is considered appropriate 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 £14.4m of sundry debts currently not provided for.

05. Prior Period Adjustments

Two adjustments have been made to the prior year accounts. These are:

Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for Heritage Assets held by the Council and now requires Heritage Assets to be carried in the Balance Sheet at valuation. Previously, Heritage Assets were either recognised as Community Assets (at cost) in the Property, Plant and Equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of Heritage Assets are set out in the summary of significant accounting policies (see Note 1 point XIV).

In applying the new accounting policy, the Council has reclassified £668k of assets to Heritage Assets that were previously held as Community Assets or land and buildings assets within Property, Plant and Equipment. The Council has also recognised an additional £62.7 million of heritage assets that were not previously recorded in the Balance Sheet. This increase is recognised in the Revaluation Reserve £62.6m and £0.1m in Government Grants Received in Advance (long term creditors) relating to donated assets from HM Treasury.

The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy. The effects of the restatement are shown in the tables below.

Implementation of New Asset Register System

The Automated Data Records Management project has been working to improve the Council's information on its property portfolio. An important objective of this project was to link the financial asset register directly to the property database and replace the manual processes previously used to produce the reporting information for the Statement of

Accounts. The manual processes were cumbersome and inefficient and the first phase to automate the register has been completed in 2011/12. Remaining registers for Infrastructure, Council Dwellings and Plant and Equipment are planned for 2012/13.

The process of automating the financial asset register required a series of data cleansing exercises, where duplicate entries and other errors on both the property and finance registers were identified, totalling £10m. Rather than upload inaccurate data into the new system, the accounts for the previous year have been adjusted to reflect these corrections. Whilst the figures individually are not considered material, the Council is of the opinion that material errors could occur in the future if the new system is not set up accurately. The effects of the restatement are shown in the tables below.

The following table summarises the corrections for each financial statement line affected:

2010/11 Movement in Reserves Statement				
	Original	Adjustments		Restated
		New System Implementation	Heritage Assets	
	£000	£000	£000	£000
Total Authority Reserves:				
Balance at 1 April 2010	(1,101,643)	10,917	(62,464)	(1,153,190)
(Surplus) / Deficit on Provision of Services	327,206	(1,551)	0	325,655
Other Comprehensive (Income) and Expenditure:				
(Surplus) / deficit on revaluation of non-current assets	17,158	0	(33)	17,125
Adjustments between accounting basis and funding basis under regulations (effect on General Fund):				
Depreciation of non-current assets	77,225	(1,103)	0	76,122
Impairment losses charged to the CI&E Statement	537,452	(448)	0	537,004

2010/11 Comprehensive Income and Expenditure Statement				
	Original	Adjustments		Restated
		New System Implementation	Heritage Assets	
	£000	£000	£000	£000
Cost of Services	926,477	(1,551)	0	924,926
Other Comprehensive Income and Expenditure:				
(Surplus) / deficit on revaluation of non-current assets	17,158	0	(33)	17,125

1 April 2010 Balance Sheet				
	Original £000	Adjustments		Restated £000
		New System Implementation £000	Heritage Assets £000	
Long Term Assets:				
Property Plant and Equipment	3,236,496	(10,912)	(420)	3,225,164
Heritage Assets	0	0	62,884	62,884
Current Assets:				
Assets Held for Sale	719	(5)	0	714
Unusable Reserves:				
Revaluation Reserve	(589,078)	2,952	(62,464)	(648,590)
Capital Adjustment Account	(1,146,886)	7,965	0	(1,138,921)

31 March 2011 Balance Sheet					
	Original £000	Adjustments made to 1 April 2010 Balance Sheet (above) £000	Adjustments		Restated £000
			New System Implementation £000	Heritage Assets £000	
Long Term Assets:					
Property Plant and Equipment	2,851,057	(11,332)	1,551	(265)	2,841,011
Heritage Assets	0	62,884	0	298	63,182
Current Assets:					
Assets Held for Sale	5,447	(5)	0	0	5,442
Unusable Reserves:					
Revaluation Reserve	(576,331)	(59,512)	(1,161)	(33)	(637,037)
Capital Adjustment Account	(726,476)	7,965	(390)	0	(718,901)

06. Material Items of Income and Expense (Exceptional Items)

2011/2012

The following exceptional item occurred in 2011/2012:

Housing Revenue Account – Self Financing Transaction

On the 28th March 2012 the Department for Communities and Local Government (DCLG) initiated a transaction with the Public Works Loan Board (a statutory body within the Debt Management Office which, itself, is an Executive Agency of HM Treasury) to write off £518.3m of the Council's social housing related debt held by PWLB. In doing so, DCLG also paid the redemption penalties due on the early repayment of this debt.

This transaction represents the financial settlement between Central Government and Sheffield facilitating the Council's exit from the Housing Subsidy system. From the 1st April 2012 the Council will operate a self financing Housing Revenue Account without support from Central Government.

The write off of the Council's debt is treated as a £518.3m capital receipt, receivable from government, recognised through the Comprehensive Income and Expenditure Statement. Similarly, the £71.7m of early redemption penalties incurred by DCLG on the Council's behalf are also treated as a capital receipt that is recognised through the Comprehensive Income and Expenditure Statement.

2010/2011

The 2010/11 comparative Comprehensive Income and Expenditure Statement figures include the following exceptional items:

Retirement Benefits

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This had the effect of reducing the Council's liabilities in the South Yorkshire Pension Fund by £114.517m and was recognised as a past service gain in accordance with guidance. This was charged to Cost of Services within the Comprehensive Statement of Income and Expenditure (shown in the Non-Distributed Costs line) and then adjusted in accordance with regulation, so there was no impact upon the General Fund or Housing Revenue Account.

See Note 44 for further details.

Impairment of Council Dwellings

The basis of valuation for the housing stock is Existing Use Value for Social Housing (EUV-SH). To arrive at EUV-SH, the vacant possession value is adjusted by an Adjustment Factor prescribed in the DCLG's Guidance on Stock Valuation for Resource Accounting. The adjustment factor for Yorkshire and Humberside dropped 16% from 47% in 2009/10 to 31% in 2010/11. This resulted in a significant impairment to values of £554.7m, with a depreciation adjustment of £44.6m, giving a net adjustment of £510.1m. This was charged to Cost of Services within the Comprehensive Statement of Income and Expenditure (shown in the Local Authority Housing (HRA) line) and then adjusted in accordance with regulation, so there was no impact upon the General Fund or Housing Revenue Account.

07. 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.

Sheffield City Council – Statement of Accounts 2011/12

2011/12	Note	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Reversal of items debited or credited to the CI&E Statement									
Depreciation of Non-current assets		(58,296)	0	0	(16,396)	0	(74,692)	74,692	0
The excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy		0	11,108	0	(11,108)	0	0	0	0
Impairment losses charged to the CI&E		2,118	17,829	0	0	0	19,947	(19,947)	0
Revaluation losses charged to the CI&E		(92,023)	(68,401)	0	0	0	(160,424)	160,424	0
Amortisation of Intangible Assets		0	0	0	0	0	0	0	0
Capital grants and contributions credited to the CI&E Statement		157,032	2,150	(81)	0	0	159,101	(159,101)	0
Application of grants to capital financing transferred to Capital Adjustment Account		0	0	0	0	3,294	3,294	(3,294)	0
Revenue expenditure funded from capital under statute		(42,279)	0	27	0	162	(42,090)	42,090	0
Net gain / (loss) on sale of non-current assets.		(31,731)	1,100	(17,895)	0	0	(48,526)	48,526	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		(156)	1,238	0	0	0	1,082	(1,082)	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(55,024)	0	0	0	0	(55,024)	55,024	0
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation		1,315	0	0	0	0	1,315	(1,315)	0

Sheffield City Council – Statement of Accounts 2011/12

2011/12 (Continued)									
	Note	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
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		(11,840)	0	0	0	0	(11,840)	11,840	0
Insertion of items not debited or credited to the CI&E Statement									
Statutory provision for repayment of debt - Minimum Revenue Provision		20,005	22	0	0	0	20,027	(20,027)	0
Capital expenditure charged to the General Fund Balance		2,141	(46)	96	0	1,425	3,616	(3,616)	0
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(2,951)	0	2,951	0	0	0	0	0
Employer's contribution to pension scheme		54,329	0	0	0	0	54,329	(54,329)	0
Other:									
Use of Capital Receipts Reserve to finance new capital expenditure		0	0	8,709	0	0	8,709	(8,709)	0
Use of Major Repairs Reserve to finance new capital expenditure		0	0	0	26,858	0	26,858	(26,858)	0
HRA Self Financing Transaction		0	518,353	(518,353)	0	0	0	0	0
HRA Self Financing Transaction		0	0	518,353	0	0	518,353	(518,353)	0
Total		(57,360)	483,353	(6,193)	(646)	4,881	424,035	(424,035)	0

2010/11 – Restated Comparative Information	Note	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Reversal of items debited or credited to the CI&E Statement									
Depreciation of Non-current assets		(51,646)	0	0	(24,476)	0	(76,122)	76,122	0
The excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy		0	3,488	0	(3,488)	0	0	0	0
Impairment losses charged to the CI&E		(16,855)	(520,149)	0	0	0	(537,004)	537,004	0
Amortisation of Intangible Assets		(1,426)	0	0	0	0	(1,426)	1,426	0
Capital grants and contributions credited to the CI&E Statement		179,512	148	0	0	(4,053)	175,607	(175,607)	0
Revenue expenditure funded from capital under statute		(41,323)	0	44	0	0	(41,279)	41,279	0
Net gain / (loss) on sale of non-current assets		8,560	34	(17,493)	0	0	(8,899)	8,899	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		(642)	2,595	0	0	0	1,953	(1,953)	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		37,973	0	0	0	0	37,973	(37,973)	0

Sheffield City Council – Statement of Accounts 2011/12

2010/11 – Restated Comparative Information (Continued)									
	Note	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation		363	0	0	0	0	363	(363)	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		(81)	0	0	0	0	(81)	81	0
Insertion of items not debited or credited to the CI&E Statement									
Statutory provision for repayment of debt - Minimum Revenue Provision		18,214	0	0	0	0	18,214	(18,214)	0
Capital expenditure charged to the General Fund Balance		2,124	20	0	0	0	2,144	(2,144)	0
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(1,389)	0	1,389	0	0	0	0	0
Employer's contribution to pension scheme		55,971	0	0	0	0	55,971	(55,971)	0
Other:									
Use of Capital Receipts Reserve to finance new capital expenditure		0	0	7,113	0	0	7,113	(7,113)	0
Use of Major Repairs Reserve to finance new capital expenditure		0	0	0	24,516	0	24,516	(24,516)	0
Total		189,355	(513,864)	(8,947)	(3,448)	(4,053)	(340,957)	340,957	0

08. Transfers (to) / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

		1 April 2010	2010/11		31 March 2011	2011/12		31 March 2012
	Note	£000	Transfer Out £000	Transfer In £000	£000	Transfer Out £000	Transfer In £000	£000
General Fund:								
Revenue Grants and Contributions		(5,968)	1,140	0	(4,828)	3,969	0	(859)
Schools Reserves		(24,272)	543	0	(23,729)	0	(1,425)	(25,154)
Other Earmarked Reserves	24	(36,564)	16,383	0	(20,181)	4,365	0	(15,816)
Total		(66,804)	18,066	0	(48,738)	8,334	(1,425)	(41,829)

09. Other Operating Expenditure

The following table provides a breakdown of Other Operating Expenditure:

2010/11		2011/12
£000		£000
460	Precepts (paid to non-principal authorities)	465
1,389	Payments to the housing capital receipts pool	2,951
(8,594)	(Gain) / loss on the disposal of non-current assets	30,631
0	Other	3
(6,745)	Total	34,050

10. Financing and Investment Income and Expenditure

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

2010/11 £000		Note	2011/12 £000
94,797	Interest payable and similar charges		96,876
31,941	Pensions interest cost and expected return on pensions assets		17,681
(1,487)	Interest receivable and similar income		(3,499)
(134)	(Surplus) on Trading Undertakings	30	(3,508)
(353)	Income from Partnership Organisations		0
124,764			107,550
0	Interest payable and similar charges – HRA Self Financing Transaction		71,731
0			71,731
124,764	Total		179,281

11. Taxation and Non Specific Grant Income

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

2010/11			2011/12	
£000	£000	Note	£000	£000
	(196,952)	Council Tax Income		(198,375)
	(243,428)	NNDR distribution		(216,816)
		Non-ring fenced government grants:		
(35,199)		Revenue Support Grant (RSG)	(66,983)	
(24,186)		PFI Grant	(24,186)	
(65,091)		Area Based Grant (ABG)	0	
0		Council Tax Freeze Grant	(4,919)	
0		Section 256 Re-ablement Grant	(7,605)	
0		New Homes Bonus	(2,231)	
0		Local Support Services Grant	(1,491)	
0		Other	(116)	
	(124,476)			(107,531)
	(564,856)			(522,722)
	(152,434)	Capital Grants and Contributions		(133,975)
	(717,290)			(656,697)
	0	Capital Grants and Contributions - HRA Self Financing Transaction		(590,084)
	(717,290)	Total		(1,246,781)

12. Property, Plant and Equipment (PPE)

Movements on Balances:

Movements in 2011/12	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	PFI Assets included in Other Land and Buildings £000	PFI Assets included in VPFE £000	Total PFI Assets included in PPE £000
Cost or Valuation:											
At 1 April 2011	1,434,527	1,336,867	105,697	507,942	38,996	187,699	25,901	3,637,629	307,034	52,860	359,894
Additions - recognition	0	0	0	0	0	0	0	0	0	0	0
Additions - programmed investment	30,011	108,799	14,180	19,525	2,975	421	68	175,979	5,892	0	5,892
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(138,183)	0	0	(5)	(5,323)	0	(143,511)	(43,594)	0	(43,594)
Revaluation increases / (decreases) to Surplus / Deficit	(58,364)	(85,326)	0	0	(1,795)	(11,101)	(5,595)	(162,181)	(8,436)	0	(8,436)
De-recognition – disposals	(2,588)	(16,745)	(45)	0	(48)	(33,701)	(3,554)	(56,681)	(799)	0	(799)
Assets reclassified (to) / from Held for Sale	(589)	(7,740)	0	0	(67)	(1,280)	0	(9,676)	0	0	0
Reclassification and Transfers	0	6,440	0	0	68	9,680	(16,188)	0	0	0	0
At 31 March 2012	1,402,997	1,204,112	119,832	527,467	40,124	146,395	632	3,441,559	260,097	52,860	312,957

Movements in 2011/12 (Continued)											
	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	PFI Assets included in Other Land and Buildings £000	PFI Assets included in VPE £000	Total PFI Assets included in PPE £000
Accumulated Depreciation and Impairment:											
At 1 April 2011	(570,404)	(59,772)	(34,358)	(108,083)	(1,799)	(22,201)	(1)	(796,618)	(10,195)	(2,647)	(12,842)
Depreciation charge	(15,936)	(33,580)	(9,268)	(14,717)	0	(1,174)	0	(74,675)	(7,304)	(2,647)	(9,951)
Depreciation written out to the Revaluation Reserve	0	53,540	0	0	8	642	0	54,190	12,319	0	12,319
Depreciation written out to the Surplus / Deficit on the Provision of Services	15,992	584	0	0	0	35	0	16,611	0	0	0
Impairment (losses) / reversals recognised in the Revaluation Reserve	0	2,035	0	0	0	(727)	0	1,308	397	0	397
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	3,123	4,159	0	0	1,799	159	0	9,240	0	0	0
De-recognition – disposals	49	1,431	33	0	0	12,138	1	13,652	576	1	577
Reclassification and Transfers	0	1,241	0	0	(8)	(655)	0	578	0	0	0
At 31 March 2012	(567,176)	(30,362)	(43,593)	(122,800)	0	(11,783)	0	(775,714)	(4,207)	(5,293)	(9,500)
Net Book Value:											
At 31 March 2012	835,821	1,173,750	76,239	404,667	40,124	134,612	632	2,665,845	255,890	47,567	303,457
At 31 March 2011	864,123	1,277,095	71,339	399,859	37,197	165,498	25,900	2,841,011	296,839	50,213	347,052

Movements in 2010/11 – Restated Comparative Information											
	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	PFI Assets included in Other Land and Buildings £000	PFI Assets included in VPFE £000	Total PFI Assets included in PPE £000
Cost or Valuation:											
At 1 April 2010	1,362,805	1,208,969	98,452	486,818	34,015	185,635	14,714	3,391,408	286,998	52,860	339,858
Additions - recognition	0	522	0	0	206	3,910	0	4,638	0	0	0
Additions - programmed investment	75,202	112,427	7,245	21,124	3,035	607	17,692	237,332	12,407	0	12,407
Revaluation increases / (decreases)	0	17,935	0	0	0	3,948	0	21,883	7,630	0	7,630
recognised in the Revaluation Reserve											
Revaluation increases / (decreases) to Surplus / Deficit	0	0	0	0	0	0	0	0	0	0	0
De-recognition - disposals	(4,593)	(124)	0	0	(114)	(5,055)	0	(9,886)	0	0	0
De-recognition - other	0	6,355	0	0	0	(239)	(6,506)	(390)	0	0	0
Assets reclassified (to) / from Held for Sale	(238)	(4,508)	0	0	396	(1,097)	0	(5,447)	0	0	0
Other movements in costs or valuation	1,351	(4,709)	0	0	1,458	(10)	1	(1,909)	0	0	0
At 31 March 2011	1,434,527	1,336,867	105,697	507,942	38,996	187,699	25,901	3,637,629	307,035	52,860	359,895

Movements in 2010/11 – Restated Comparative Information (Continued)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	PFI Assets included in Other Land and Buildings £000	PFI Assets included in VPFE £000	Total PFI Assets included in PPE £000
Accumulated Depreciation and Impairment:											
At 1 April 2010	(20,271)	(25,878)	(25,767)	(94,000)	0	(328)	0	(166,244)	(6,397)	0	(6,397)
Depreciation charge	(24,476)	(28,319)	(8,591)	(14,083)	0	(595)	0	(76,064)	(6,653)	(2,647)	(9,300)
Depreciation written out to the Revaluation Reserve	49	4,903	0	0	0	0	0	4,952	3,303	0	3,303
Depreciation written out to the Surplus / Deficit on the Provision of Services	44,589	1,367	0	0	0	0	0	45,956	0	0	0
Impairment (losses) / reversals recognised in the Revaluation Reserve	(15,657)	(5,287)	0	0	0	(1,744)	0	(22,688)	(448)	0	(448)
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	(554,739)	(8,701)	0	0	0	(19,966)	0	(583,406)	0	0	0
De-recognition – disposals	101	0	0	0	0	432	0	533	0	0	0
De-recognition – other	0	7	0	0	0	0	0	7	0	0	0
Other movements in depreciation and impairment	0	2,136	0	0	(1,799)	0	(1)	336	0	0	0
Reclassification and Transfers	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2011	(570,404)	(59,772)	(34,358)	(108,083)	(1,799)	(22,201)	(1)	(796,618)	(10,195)	(2,647)	(12,842)
Net Book Value:											
At 31 March 2011	864,123	1,277,095	71,339	399,859	37,197	165,498	25,900	2,841,011	296,840	50,213	347,053
At 31 March 2010	1,342,534	1,183,091	72,685	392,818	34,015	185,307	14,714	3,225,164	280,601	52,860	333,461

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 31 March 2012 the Council has entered into a number of construction contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13. Future years budgeted costs are £116.5m, with similar commitments at 31 March 2011 of £175.0m. The major commitments are:

31 March 2011 £000		31 March 2012 £000
147,000	Schools Refurbishment	45,030
17,000	Decent Homes	47,305
11,000	Other	24,128
175,000	Total	116,463

Revaluations

The Council carries out a rolling programme 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 Kier Asset Partnership Services (KAPS) and supervised by Mr N. Seneviratne FRICS, Director of Property and Facilities Management Services. 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, determined by Communities and Local Government (CLG). The adjustment factor has not been revised during 2011/12.

Since 2005 there has been a programme of modernisation and improvement work to bring the properties up to the Government's Decent Home Standards. Currently 36,903 dwellings, approximately 89% of the current stock meet the Decent Homes Standards. As part of the 5 year Rolling Programme 20% of the Beacons have been revalued this year on the basis that the properties have been improved.

Where the Decent Homes programme has fallen behind there was a potential shortfall in the 5 yearly revaluation programme affecting the 4459 properties not yet improved. To address this Kier Asset Partnership Services (KAPS) has valued these properties on the assumption they have met decent homes then applied a deflator of 12.5% to reflect that

they are still unimproved. This deflator was derived from analysis of the mean percentage increase of the properties improved this year. The general market adjustment of minus 3% has then been applied to these figures to give a value as at 1 April 2012.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets that are carried out at current value:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	0	895	66,972	2,651	70,518
Valued at Fair Value as at:					
31 March 2012	227,361	793,599	0	14,517	1,035,477
31 March 2011	384,708	19,762	0	38,656	443,126
31 March 2010	318,986	37,487	52,860	18,510	427,843
31 March 2009	302,814	293,718	0	49,285	645,817
31 March 2008	169,128	58,651	0	22,776	250,555
Total Cost or Valuation	1,402,997	1,204,112	119,832	146,395	2,873,336

13. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council:

2011/12									
	Reported at Cost				Reported at Valuation				Total Assets £000
	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	
Cost or Valuation:									
At 1 April 2011	646	48	0	0	58,315	1,000	3,182	0	63,191
Additions	0	0	0	0	185	0	0	0	185
At 31 March 2012	646	48	0	0	58,500	1,000	3,182	0	63,376
Depreciation and Impairment:									
At 1 April 2011	(9)	0	0	0	0	0	0	0	(9)
Depreciation	(17)	0	0	0	0	0	0	0	(17)
At 31 March 2012	(26)	0	0	0	0	0	0	0	(26)
Net Book Value:									
At 31 March 2012	620	48	0	0	58,500	1,000	3,182	0	63,350
At 31 March 2011	637	48	0	0	58,315	1,000	3,182	0	63,182

2010/11 – Comparative Information									
	Reported at Cost				Reported at Valuation				Total Assets £000
	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	
Cost or Valuation:									
At 1 April 2010	372	48	0	0	58,282	1,000	3,182	0	62,884
Additions	274	0	0	0	33	0	0	0	307
At 31 March 2011	646	48	0	0	58,315	1,000	3,182	0	63,191
Depreciation and Impairment:									
At 1 April 2010	0	0	0	0	0	0	0	0	0
Depreciation	(9)	0	0	0	0	0	0	0	(9)
At 31 March 2011	(9)	0	0	0	0	0	0	0	(9)
Net Book Value:									
At 31 March 2011	637	48	0	0	58,315	1,000	3,182	0	63,182
At 31 March 2010	372	48	0	0	58,282	1,000	3,182	0	62,884

Five Year Summary of Movements:

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Cost of Acquisitions of Heritage Assets:					
Museums and Galleries	0	0	0	33	60
Total Cost of Purchases	0	0	0	33	60
Value of Heritage Assets Acquired by Donation:					
Museums and Galleries	0	0	0	0	125
Total Donations	0	0	0	0	125
Carrying Value	0	0	0	33	185

The table above shows acquisitions (purchases and donations) between 2010 and 2012, where individual valuations are available. It is not practicable to gather information for earlier years, given the low value of additions during the period.

Museums and Galleries

Museums Sheffield

Sheffield’s collections are of local, regional and national importance and are used in research, displays, exhibitions and public programmes. Over a million objects are stored at a purpose-built facility and displayed across four sites. 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 16,000 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 recent acquisitions by artists including Marc Quinn, Sam Taylor-Wood, 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 1500 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.

Sheffield Industrial Museums Trust

Sheffield Industrial Museums Trust has a wide collecting remit covering the major manufacturing industries of Sheffield.

Kelham Island Museum

Kelham Island Museum collects, preserves and interprets material relating to the people, products, manufacturing processes and the histories of these industries:

- **Heavy Industries Collections** – cover the Iron & Steel Industry, the Armaments Industry, the Transport Collection, Scientific & Technological Research, Extraction & Refractory Industries and engineering. The museum holds a comprehensive

collection of about 6000 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 & 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 1 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.

The collection of edge tools consists of some 450 scythes, sickles, saws - some finished and some work in progress. Other material consists of 600 items of furniture, textiles, ceramics, cutlery and other social history items. These are displayed in the two cottages and the counting house which make up part of the site. In addition there are a number of plans and photographs amounting to approximately 550 items.

Shepherd Wheel

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 metres 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 a 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. Two large collections are held on behalf of the 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 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 ongoing 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.

14. Investment Properties

The following table summarises the fair value of investment properties:

2010/11 £000		2011/12 £000	
3,136	Balance at 1 April	3,136	
0	Movement in year	0	
3,136	Balance at 31 March	3,136	

15. Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Current	Long Term	Current	Long Term		Current	Long Term
1 April 2010	1 April 2010	31 March 2011	31 March 2011		31 March 2012	31 March 2012
£000	£000	£000	£000		£000	£000
(39,409)	(1,023,455)	(89,006)	(988,364)	Financial liabilities at amortised cost	(65,648)	(539,889)
(39,409)	(1,023,455)	(89,006)	(988,364)	Total borrowing	(65,648)	(539,889)
(3,967)	(232,379)	(5,567)	(226,811)	PFI and finance lease liabilities	(4,990)	(221,814)
(43,376)	(1,255,834)	(94,573)	(1,215,175)	Total other long term liabilities	(70,638)	(761,703)
0	0	10,070	0	Loans and receivables	0	0
1,800	0	9,550	0	Cash and Cash Equivalents	45,675	
1,800	0	19,620	0	Total investment	45,675	0
0	0	0	485	Soft Loans Provided	0	512

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the Balance Sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets / liabilities where the payments / receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 - Sheffield Galleries and Museums Trust Soft Loan

The Council made a £650k cash flow loan to Sheffield Museums and Galleries Trust (SMGT) in 2010/11 at 0% interest, which was less than market rates of approximately

5.5% and therefore must be accounted for as a soft loan. 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, 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 SMGT, 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 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). The detailed soft loans information is shown in the table below:

31 March 2011 £000		31 March 2012 £000
460	Opening Balance	485
25	Increase in the Discounted Amount	27
485	Balance Carried Forward	512
650	Nominal Value Carried Forward	650

Financial Instrument Gain / Losses

The Financial Instrument gains and losses recognised in the Comprehensive Income and Expenditure Statement are:

Financial Liabilities measured at amortised cost £000	2010/11			2011/12		Total £000
	Financial Assets Loans and receivable £000	Total £000		Financial Liabilities measured at amortised cost £000	Financial Assets Loans and receivable £000	
(62,735)	0	(62,735)	Interest expense	(63,235)	0	(63,235)
(29,542)	0	(29,542)	Interest on PFI scheme liabilities	(30,196)	0	(30,196)
(92,277)	0	(92,277)	Interest payable and similar charges	(93,431)	0	(93,431)
0	806	806	Interest income	0	596	596
0	806	806	Interest and investment income	0	596	596
(92,277)	806	(91,471)	Net gain / (loss) for the year	(93,431)	596	(92,835)

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 were the market rates as at 31 March (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.
- 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.
- To calculate the PWLB fair value the new borrowing rate has been used, as opposed to the premature repayment rate, as the discount factor for all PWLB borrowing. 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.
- Interest is calculated using the most common market convention ACT/365 (366 days in a leap year with the exception of PWLB which are charged on a 365 day basis regardless of leap years).
- Where interest is paid / received every 6 months on a daily basis, the value of interest is rounded to 2 equal instalments.
- For fixed term deposits it is assumed that interest is received on maturity, or annually if duration is > 1 year.
- The interest value and date has not been adjusted where a relevant date occurs on a non working day.

The fair values calculated are:

31 March 2011			31 March 2012	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
(745,981)	(780,376)	PWLB debt	(184,723)	(211,961)
(331,389)	(357,010)	Non-PWLB debt	(420,814)	(415,055)
(1,077,370)	(1,137,386)	Total Financial Liabilities	(605,537)	(627,016)

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 commitment to pay interest above current market rate increases the amount that the Council would have to pay (in terms of premiums etc.) if the lender requested or agreed to early repayment of the loans.

31 March 2011			31 March 2012		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
10,070	10,146	Total Loans and Receivables	0	0	

The Council held no fixed term investments as at 31 March 2012. All deposits were held in instant access Money Market Funds (MMFs) and are classed as Cash or Cash Equivalents.

16. 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 focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. 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, the CIPFA Code of Practice on Treasury Management in the 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 exposures to fixed and variable rates.

- The maximum and minimum exposure in regard to the maturity structure of debt.
- 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 the Government Guidance.

The prudential indicators are reported and approved as part of the Council's annual budget setting process. 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 six monthly and annually to Members.

As the investment rates during 2011/12 were lower than the cost of borrowing the Council used accumulated investment balances and short term temporary borrowing (as this is significantly cheaper than long term borrowing) where possible to fund capital expenditure rather than incurring any new long term external borrowing. This reduced the Council's exposure to higher debt charges during the year and also reduced the Council's risk exposure to banks and other financial institutions during a time of economic uncertainty.

The Council maintains written principles / policies (the Treasury Management Practices or TMPs) for overall risk management, covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice which are updated and implemented by the Treasury Management and Banking team.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Council's investment criteria.

The Council adopts a counterparty list based on a model provided by Sector Treasury Services using credit ratings from all three rating agencies (Fitch, Moodys and Standard and Poors) and also using the following information:

- Credit updates and credit outlooks from credit rating agencies.
- Credit Default Swap spreads to give early warning of likely changes in credit ratings (a CDS is the market perception of credit risk for financial institutions).
- Sovereign ratings to enable the Council to only select counterparties from the most creditworthy countries.

This modelling approach combined credit ratings, credit updates, credit outlooks and CDS spreads in a weighted scoring system which indicated the relative creditworthiness of counterparties. From this the Council was able to determine the maximum amounts and durations to invest with institutions. This approach ensured that the Council only invested with the very highest rated institutions, from countries with a strong creditworthiness.

The credit rating of counterparties is monitored regularly. The Council is alerted to changes to ratings by all three agencies through its use of the Sector creditworthiness service. On occasions ratings were downgraded when an investment had already been made. The criteria used are such that minor downgrades are extremely unlikely to affect the full receipt of the principal and / or interest.

If a downgrade resulted in the counterparty / investment scheme no longer meeting the Council's minimum criteria, it was immediately removed from the list. New counterparties which met the criteria were also added to the list.

In addition to the use of Credit Ratings the Council is advised of information in movements in Credit Default Swaps (CDS) against a defined benchmark range (the iTraxx benchmark) and other market data on a weekly basis. Changes in the CDS outside of the benchmark would potentially result in the downgrade of an institution or removal from the Council's lending list.

Sole reliance was not placed on the use of this model. In addition the Council also used market data and market information, information on government support for banks and the credit ratings of the government that supports them to inform decisions on which institutions to invest with.

The following analysis summarises the Council's potential maximum exposure to credit risk as at 31 March 2012, based on experience of default assessed by the rating agencies and the Council's past experience, adjusted to reflect current market conditions.

	Amount at 31 March 2012	Historical Experience of Default	Adjustment for conditions at 31 March 2012	Estimated Maximum Exposure to Default
	£000	£000	£000	£000
Deposits with A rated counterparties*	0	0%	0%	0
Customers**	30,881	0.5%	0.5%	154
	30,881			154

* As per the Code guidance the percentage for financial instruments in terms of both historical default and adjustment for conditions were calculated by looking Sheffield City Council's actual experience of default rather than the general position in the market. In the case of Sheffield there has been no past experience of default and the Council has no exposure to Iceland so the percentage used is 0%. As at 31 March 2012 the Council did not hold any fixed term deposits.

** The figure used for customers in terms of both historical default and adjustment for conditions were calculated by using the 2011/12 write offs as a % of the total amount of invoices raised in 2011/12.

As at 31 March 2012 the Council didn't hold any fixed term investments as all fund held at the year end (£45.7m) were deposited with AAA Money Market Funds (MMFs). As these MMFs offer instant access to funds these have been classified as Cash and Cash Equivalents in the accounts.

The table below shows that the Council's outstanding investment balance as at 31 March 2012 was zero and compares this to the figures as at 31 March 2011.

31 March 2012			
Financial Institution	Rating of Counterparty	Country	Amount £000
None			0

31 March 2011 – Comparative Information			
Financial Institution	Rating of Counterparty	Country	Amount £000
Co-op	A	UK	10,000

No breaches of the Council’s counterparty criteria occurred during 2011/12. During the reporting period the Council held no collateral as security.

The Council does not allow credit for customers therefore the value of £30.9m for 2011/12 (£35.5m for 2010/11) 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 2011 £000		31 March 2012 £000
8,490	Less than three months	14,073
1,631	Three to six months	864
1,506	Six months to one year	1,392
23,922	More than one year	14,552
35,549	Total	30,881

The Council’s bad debt impairment at 31 March 2012 is £41.7m (£41.5m for 2010/11) of this £16.6m (£16.4m for 2010/11) relates to the above outstanding debt.

Liquidity Risk

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, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through 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.

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 cash flow management procedures required by the Code of Practice. This ensures that cash is available when needed.

All sums owing to the Council from funds deposited in MMFs (£45.7m as at 31 March 2012) 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 and Banking 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:

Principal £000	2010/11 Accrued Interest £000	Principal plus Interest £000		Principal £000	2011/12 Accrued Interest £000	Principal plus Interest £000
67,742	21,264	89,006	Less than one year	51,123	14,525	65,648
46,647	0	46,647	Between one and two years	52,389	0	52,389
113,220	0	113,220	Between two and five years	16,284	0	16,284
23,939	0	23,939	Between five and ten years	26,298	0	26,298
804,558	0	804,558	More than ten years	444,918	0	444,918
1,056,106	21,264	1,077,370	Total	591,012	14,525	605,537

The maturity analysis of financial assets is:

Principal £000	2010/11 Accrued Interest £000	Principal plus Interest £000		Principal £000	2011/12 Accrued Interest £000	Principal plus Interest £000
10,000	70	10,070	Less than one year	0	0	0
10,000	70	10,070	Total	0	0	0

The table above highlights that in both 2010/11 and 2011/12 the Council met its policy of not investing for greater than one year.

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, e.g. a rise in variable and fixed interest rates would have the following effects:

- | | |
|---|--|
| <ul style="list-style-type: none"> • Borrowing at variable rates | <p>The interest expense charged to the Comprehensive Income and Expenditure Statement will rise.</p> |
| <ul style="list-style-type: none"> • Borrowing at fixed rates | <p>The fair value of the borrowing liability will fall (no impact on revenue balances).</p> |
| <ul style="list-style-type: none"> • Investments at variable rates | <p>The interest income credited to the Comprehensive Income and Expenditure Statement will rise.</p> |
| <ul style="list-style-type: none"> • Investments at fixed rates | <p>The fair value of the assets will fall (no impact on revenue balances).</p> |

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 Balance, subject to influences from Government grants (i.e. HRA).

The Council has a number of 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. Within the strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposures. The Treasury Management and Banking team will monitor market and forecast interest rates within the year to adjust exposures appropriately, e.g. 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 when rates rise.

Under normal circumstances the Council would restrict itself to a maximum of 35% variable rate borrowing as a proportion of the Council's total debt portfolio. However, as a result of the Housing Revenue Account (HRA) settlement, the government wrote off £518m of the Council's PWLB debt on 28th March 2012 all of which was fixed rate debt, which meant that although the amount of variable rate debt the Council holds did not change, the variable percentage of the total debt portfolio increased to 36%.

In order to minimise the Council's exposure to loan interest functions the Council will only have a maximum of 35% variable rate debt as a percentage of total debt. At the 31 March 2012, variable rate debt as a proportion of total debt was 36% (15% as at March 2011).

The risk of interest rate loss was partially mitigated by Government grant payable on financing costs (for HRA debt).

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 *	1,780
Increase in interest receivable on variable rate investments **	(567)
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	<u>1,213</u>
Share of overall impact debited to the HRA ***	<u>800</u>
Increase in fair value of fixed rate investment assets****	<u>0</u>
Impact on Other Comprehensive Income and Expenditure *****	<u>0</u>
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)	<u>42,693</u>
Notes:	
*All borrowing raised from the PWLB and £135m of Market loans were at fixed rates in 2011/12 and as a result a change in interest rates would have no effect on the interest payable on these loans, the amount of government grant received and on the Comprehensive Income and Expenditure Statement or HRA. There are a number of LOBO loans (£178m) which have moved 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 was '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 2011/12. For the purposes of this note the average rate of these loans (4.96%) 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 2011/12.	
*** HRA share is 66%	
**** All investments held by the Council at the year end were deposited with Money Market Funds (MMFs) which offer instant access to funds and therefore classified as Cash or Cash Equivalents on the Balance Sheet. As a result of this the fixed rate investment balance at year end was zero.	
***** All Sheffield City Council assets are classed as loans and receivables and therefore this figure is zero as there is no impact on the Comprehensive Income and Expenditure Statement.	

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 financial assets or liabilities denominated in foreign currencies and therefore no exposure to loss arising from movements in exchange rates.

17. Long Term Debtors

The following is an analysis of Long Term Debtors:

1 April 2010 £000	31 March 2011 £000		31 March 2012 £000
2,655	1,284	Goodwill	0
8,822	8,383	Up Front Contributions for Private Finance Initiative (PFI) Schemes	7,943
		Loans to Third Parties:	
0	0	Hammerson (New Retail Quarter Development)	4,434
0	272	Digital Region	4,000
0	0	Impairment of Digital Region Loan	(4,000)
1,181	1,071	Other Long Term Debtors	1,129
12,658	11,010	Total	13,506

Included in long term debtors for 2010/11 is an amount of £1.3m representing the proportion of the consideration for goodwill on the 2003/04 disposal of the Council's building services and maintenance activities. For 2011/12 this is shown as a short term debtor as it is receivable within one year after the date of the Balance Sheet.

As part of the Shareholder agreement, the Council has loaned £4m to Digital Region Limited in 2011/12. An impairment provision of £4m has been made against this loan.

18. Short Term Debtors

The following is an analysis of Debtors:

1 April 2010 £000	31 March 2011 £000		31 March 2012 £000
24,767	24,181	Central Government Bodies	16,442
0	0	Less Impairment for Bad Debts	0
24,767	24,181	Central Government Bodies (Net of Impairment)	16,442
8,964	9,128	Other Local Authorities	8,784
0	0	Less Impairment for Bad Debts	0
8,964	9,128	Other Local Authorities (Net of Impairment)	8,784
2,319	2,420	NHS Bodies	2,964
0	0	Less Impairment for Bad Debts	0
2,319	2,420	NHS Bodies (Net of Impairment)	2,964
1	19	Public Corporations and Trading Funds	0
0	0	Less Impairment for Bad Debts	0
1	19	Public Corporations and Trading Funds (Net of Impairment)	0
8,303	7,687	Housing Tenants	7,520
(7,067)	(6,484)	Less Impairment for Bad Debts	(6,276)
1,236	1,203	Housing Tenants (Net of Impairment)	1,244
32,188	32,522	Local Taxpayers and NNDR	25,414
(17,396)	(18,439)	Less Impairment for Bad Debts	(18,700)
14,792	14,083	Local Tax Payers and NNDR (Net of Impairment)	6,714
19,842	27,170	Capital Project	24,072
0	0	Less Impairment for Bad Debts	0
19,842	27,170	Capital Projects (Net of Impairment)	24,072
68,491	74,600	Other Entities and Individuals	70,113
(12,952)	(16,537)	Less Impairment for Bad Debts	(16,686)
55,539	58,063	Other Entities and Individuals (Net of Impairment)	53,427
164,875	177,727	Total Debtors (Gross)	155,309
(37,415)	(41,460)	Less Total Impairment for Bad Debts	(41,662)
127,460	136,267	Total Debtors (Net of Impairment)	113,647

Change in Accounting Estimate – Impairment for Bad Debts

Up until the 31 March 2011, if a debt was not paid within 90 days the outstanding debt was impaired as a bad debt. With effect from the 1 April 2011 the bad debt impairment is now taken on outstanding debts older than 59 days. This is felt to be a more prudent approach given the current economic climate. The Council has the discretion to exempt certain debts from this policy if sufficient evidence exists to suggest that the money will be received.

As at 31 March 2011 the bad debt impairment was £41.5m and as at the 31 March 2012 this was £41.7m. We are unable to quantify what affect the change from 90 to 60 days has had on the current impairment or the effect the change will have on future periods.

19. Cash and Cash Equivalents

The following is an analysis of Cash and Cash Equivalents shown in the Balance Sheet:

1 April 2010 £000	31 March 2011 £000		31 March 2012 £000
(3,218)	(2,629)	Cash at Bank	(9,430)
0	0	Call Investments	45,675
1,800	9,550	Short term deposits in the Councils Business Reserve Account	0
(1,418)	6,921	Total	36,245

20. Assets Held for Sale

The following table summarises the movement in Assets Held for Sale over the year:

2010/11 Restated Current £000		2011/12 Current £000
714	Balance outstanding at 1 April	5,442
	Assets newly classified as Held for Sale:	
5,447	Property, Plant and Equipment	9,508
0	Revaluation losses	(281)
0	Revaluation gains	2,367
0	Assets declassified as held for sale	(411)
(719)	Assets sold	(5,496)
0	Accounting Additions	427
5,442	Balance outstanding at 31 March	11,556

21. Short Term Creditors

The following is an analysis of Creditors:

1 April 2010 £000	31 March 2011 £000		31 March 2012 £000
(37,613)	(34,971)	Central Government Bodies	(19,173)
(665)	(1,493)	Other Local Authorities	(764)
(919)	(1,638)	NHS Bodies	(1,493)
(217)	(210)	Public Corporations and Trading Funds	(169)
(2,101)	(2,267)	Housing Tenants	(2,273)
(1,200)	(3,193)	Local Taxpayers and NNDR	(3,925)
(9,449)	(18,412)	Capital Projects	(21,519)
(80,396)	(77,076)	Other Entities and Individuals	(58,775)
(132,560)	(139,260)	Total	(108,091)

22. Provisions and Deferred Credits

The Council maintains the following provisions:

	Insurance	Employee Benefits	Digital Region	Termination Benefits	HRA - Week 53 Provision	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	(14,683)	(3,620)	0	0	(1,289)	(18,926)	(38,518)
Additional Provisions	(9,450)	(11,840)	(12,380)	(4,497)	0	(3,490)	(41,657)
Amounts Used	7,631	0	0	0	367	12,897	20,895
Unused Amounts Reversed	0	0	0	0	0	130	130
Balance at 31 March 2012	(16,502)	(15,460)	(12,380)	(4,497)	(922)	(9,389)	(59,150)
Comprising of:							
Short Term	(6,950)	(15,460)	(12,380)	(4,497)	(367)	(4,109)	(43,763)
Long Term	(9,552)	0	0	0	(555)	(5,280)	(15,387)
	(16,502)	(15,460)	(12,380)	(4,497)	(922)	(9,389)	(59,150)

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.

During the financial year 1992/93 Municipal Mutual Insurance Limited (MMI) ceased accepting new business. As part of the orderly wind down of its affairs, MMI is settling claims with its policyholders under the terms of a Scheme of Arrangement. Under these terms, Sheffield City Council, along with other policyholders, is liable to a claw back of settlement payments in the event that MMI proves to be insolvent at the end of its run off period. The Council has a potential claw back of £4.5m with MMI. The Council has evaluated the risk and believes that the current level of the Internal Insurance Account is sufficient to cover any losses that may materialise from MMI.

Employee Benefits

Under IFRS there is a requirement to recognise a provision within the accounts to represent the amounts owed to / from employees (including teachers) for short term accumulating compensated absence benefits still outstanding at the end of the year.

Short term accumulating compensated absences refer to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefits covered by this heading are holiday pay and flexi time.

Digital Region

The provision covers the potential costs, attributable to the Council, of a new supplier to take over the running and management of the network with full accountability for operating

costs, sales, marketing and revenue (£12.38m). The provision covers the expected costs of the termination of the current contract and the anticipated costs of a procurement exercise. The provision allows for a twelve month notice period to ensure transition and closure of the current business model. A capitalisation directive has been received from CLG to cover the full costs of the provision and allow these costs to be treated as revenue expenditure funded from capital under statute.

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 31 March 2012 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. The balance at 1 April 2011 was £18.9m, with a net decrease in 2011/12 of £9.5m, to £9.4m at 31 March 2012.

The decrease in other provisions for 2011/12 is due in part to the Council making compensation payments in relation to a specific group of Equal Pay Claims.

Also included in this balance is a new provision for the purchase of allowances under the Carbon Reduction Commitment Scheme, £573k for 2011/12 (nil for 2010/11).

23. Other Long Term Liabilities

The Other Long Term Liabilities figure in the Balance Sheet is made up of:

1 April 2010 £000	31 March 2011 £000		31 March 2012 £000
(30,317)	(28,408)	Deferred Liabilities	(26,316)
(4,055)	(2,684)	Goodwill Deferred Account	(1,400)
(34,372)	(31,092)	Total	(27,716)

Deferred Liabilities

The Council has a proportionate share in the interests of the former South Yorkshire Council Debt. As at 31 March 2012 the deferred liabilities of Sheffield City Council amounted to £28.4m (£30.3m in 2010/11), comprising £2.1m (£1.9m in 2010/11) maturing within one year, which has been disclosed in short term creditors – other entities and individuals (Note 21) and £26.3m (£28.4m in 2010/11) after that date.

Goodwill Deferred Account

An amount of £1.4m (£2.7m in 2010/11) is included in the Goodwill Deferred Account representing the amount of goodwill consideration on the disposal of the Council's building services and maintenance activities that is payable after the Balance Sheet date.

24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 7 and 8.

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 Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (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 balance:

1 April 2010 £000	31 March 2011 £000		31 March 2012 £000
(21,264)	(25,093)	General Balances Available	(27,689)
(23,881)	(29,942)	Major Sporting Facilities	(35,569)
(9,383)	(9,133)	PFI future expenditure	(8,289)
29,511	25,665	Invest to Save	28,186
(25,017)	(38,503)	Total	(43,361)

The Major Sporting Facilities (MSF) and PFI reserves exist because of the need to smooth the significant payments made on the MSF and PFI schemes over the 20 year plus terms of the underlying agreements. In both cases the costs being incurred at the moment are lower than the resources available, creating a temporary surplus. However, over time this position changes and future payments become higher than our resources. The reserves will then be needed to support their primary purpose (from around 2014/2015).

The Invest to Save reserve allows for investment in key projects to deliver savings that support the budget.

Earmarked General Fund Reserves

Specific 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. The service area reserve includes amounts which are earmarked for particular services.

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.

Other earmarked reserves are set aside to meet not only known or predicted liabilities, such as equal pay liabilities, but ones that are not certain enough to create an exact provision in the accounts. The liabilities are, however, likely enough to say that the earmarked reserves are not normally available to fund the budget or other measures.

The table below provides a breakdown of the earmarked reserves balance:

1 April 2010 £000	31 March 2011 £000		31 March 2012 £000
(24,272)	(23,729)	Schools Reserves	(25,154)
(5,968)	(4,828)	Revenue Grants and Contributions	(859)
		Other earmarked reserves:	
(5,960)	(3,079)	- Local Authority Business Growth Initiative (LABGI)	(949)
(9,988)	(6,648)	- Service area reserves	(3,630)
(20,616)	(10,454)	- Other	(11,237)
(36,564)	(20,181)		(15,816)
(66,804)	(48,738)	Total	(41,829)

Within this figure is £25.2m (£23.7m 2010/11), which is the Schools' Earmarked Reserve. This consists of money, that has been allocated under Local Management of Schools legislation, and which remains unspent at the year end.

The Local Authority Business Growth Initiative reserve is earmarked for spend on economic development activity in the city.

Housing Revenue Account

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.

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.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied

to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.

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.

25. Unusable Reserves

The following table summarises the Unusable Reserves balances:

1 April 2010 Restated £000	31 March 2011 Restated £000		31 March 2012 £000
		Capital Reserves:	
(648,590)	(637,037)	Revaluation Reserve	(505,393)
(1,138,921)	(718,901)	Capital Adjustment Account	(1,198,996)
(73)	(60)	Deferred Capital Receipts Reserve	(48)
(1,787,584)	(1,355,998)		(1,704,437)
		Revenue Reserves:	
41,610	39,657	Financial Instruments Adjustment Account	38,575
738,865	563,313	Pensions Reserve	658,926
628	265	Collection Fund Adjustment Account	(1,050)
3,540	3,621	Accumulated Absences Account	15,461
784,643	606,856		711,912
(1,002,941)	(749,142)	Total	(992,525)

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 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.

2010/11		2011/12	
Restated			
£000		£000	£000
(648,590)	Balance at 1 April		(637,037)
(31,214)	Upward revaluation of assets	(43,860)	
25,651	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	129,582	
(5,563)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		85,722
16,744	Difference between fair value depreciation and historical cost depreciation	12,350	
372	Accumulated gains on assets sold or scrapped	33,572	
17,116	Amount written off to the Capital Adjustment Account		45,922
(637,037)	Balance at 31 March		(505,393)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the 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 12 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11 Restated £000		2011/12 £000	£000
(1,138,921)	Balance at 1 April		(718,901)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
76,122	Charges for depreciation of non-current assets	74,692	
537,004	Charges for impairment of non-current assets	(19,947)	
0	Revaluation losses on Property, Plant and Equipment	160,424	
1,426	Amortisation of intangible assets	0	
41,279	Revenue expenditure funded from capital under statute	42,090	
8,899	Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	48,526	
664,730			305,785
(17,116)	Adjusting amounts written out of the Revaluation Reserve		(45,922)
(491,307)	Net written out amount of the cost of non-current assets consumed in the year		459,038
	Capital financing applied in the year:		
(7,113)	Use of the Capital Receipts Reserve to finance new capital expenditure	(8,709)	
(24,516)	Use of the Major Repairs Reserve to finance new capital expenditure	(26,858)	
(175,457)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(159,101)	
(150)	Application of grants to capital financing from the Capital Grants Unapplied Account	(3,294)	
(18,214)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(20,027)	
(2,144)	Capital expenditure charged against the General Fund and HRA balances	(3,616)	
0	HRA Self Financing Transaction	(518,353)	
(227,594)			(739,958)
(718,901)	Balance at 31 March		(1,198,996)

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.

2010/11 £000		2011/12 £000
(73)	Balance at 1 April	(60)
13	Transfer to the Capital Receipts Reserve upon receipt of cash	12
(60)	Balance at 31 March	(48)

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.

2010/11 £000		2011/12 £000	£000
41,610	Balance at 1 April		39,657
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	
(2,363)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(1,005)	
410	Other movements for finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(77)	
(1,953)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,082)	
39,657	Balance at 31 March		38,575

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.

2010/11 £000		2011/12 £000	£000
738,865	Balance at 1 April		563,313
(81,608)	Actuarial (gains) or losses on pensions assets and liabilities	94,918	
(37,973)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	55,024	
(55,971)	Employer's pensions contributions and direct payments to pensioners payable in the year	(54,329)	
563,313	Balance at 31 March		658,926

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure

Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11 £000		2011/12 £000
628	Balance at 1 April	265
(363)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(1,315)
265	Balance at 31 March	(1,050)

Accumulated Absences Account

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

2010/11 £000		2011/12 £000
3,540	Balance at 1 April	3,621
81	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	11,840
3,621	Balance at 31 March	15,461

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
1,764	Interest Received	608
(93,891)	Interest Paid	(102,148)

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:

2010/11 Restated £000		2011/12 £000
75,674	Depreciation	74,692
537,451	Impairment and downward revaluations	136,477
1,426	Amortisation	0
650	Impairment losses on loans and advances in year	15
245	Adjustment for effective interest rate	(50)
165	Soft loans - Reduction in fair value of soft loans made in year	0
(25)	Soft loans - interest adjustment to CI&ES in year	(27)
4,045	Increase / (Decrease) in impairment for bad debts re. Short Term Debtors	202
0	Increase / (Decrease) in impairment for bad debts re. Loans Advanced	4,000
(2,433)	Increase / (Decrease) in creditors	(44,759)
(7,274)	(Increase) / Decrease in debtors	12,610
(291)	(Increase) / Decrease in inventories	202
(93,944)	Pension liability	695
8,899	Carrying amount of non-current assets sold	48,526
9,013	Contributions to provisions	20,632
(27)	Issuing of mortgages relating to deferred capital receipts	0
0	Other non-cash items charged to the net surplus or deficit on the provision of services	0
533,574	Total	253,215

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 reported separately shown in the Cash Flow Statement:

2010/11 £000		2011/12 £000
(170,238)	Capital grants credited to surplus or deficit on the provision of services	(160,118)
0	Net adjustment from the sale of short and long term investments	10,000
(17,521)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(17,883)
(187,759)	Total	(168,001)

27. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2010/11 £000		2011/12 £000
(230,047)	Purchase of property, plant and equipment, investment property and intangible assets	(172,872)
(10,000)	Purchase of short and long term investments	0
(922)	Other payments for investing activities	(8,183)
17,521	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	17,895
200,728	Capital grants received	145,448
(22,720)	Net cash flow from investing activities	(17,712)

28. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2010/11 £000		2011/12 £000
867,479	Cash receipts of short and long term borrowing	152,000
2,344	Council tax and NNDR adjustments	8,865
(3,967)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	(5,574)
(854,957)	Repayment of short and long term borrowing	(618,997)
10,899	Net cash flow from financing activities	(463,706)

29. Amounts Reported for Resource Allocation Decisions

Sheffield City Council is organised into five portfolios based around the services delivered. These are:

- Children, Young People and Families Portfolio,
- Communities Portfolio,
- Place Portfolio,
- Resources Portfolio, and
- Deputy Chief Executive's Portfolio.

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year ended 31 March 2011 is as follows:

	Children, Young People and Families £000	Place £000	Communities £000	Deputy Chief Executive £000	Resources £000	Corporate £000	Total General Fund £000	Housing Revenue Account £000	Total £000
2011/12 Portfolio Income and Expenditure									
Grants	(79,543)	(2,010)	(16,645)	(157)	(228,023)	(325,180)	(651,558)	(28,067)	(679,625)
Other reimbursements and contributions	(3,090)	(1,691)	(14,882)	(605)	(1,261)	(79,732)	(101,261)	(676)	(101,937)
Sales	(2,909)	(1,193)	(224)	0	(41)	0	(4,367)	0	(4,367)
Fees and charges	(20,893)	(58,709)	(13,009)	(2,528)	(22,473)	0	(117,612)	(3,387)	(120,999)
Income from Council Tax	0	0	0	0	0	(197,060)	(197,060)	0	(197,060)
Other Income	(2,168)	(3,493)	(22,560)	(1,026)	(7,955)	(3,355)	(40,557)	(139,014)	(179,571)
Corporate Revenue Income	0	0	0	0	0	0	0	(168)	(168)
Recharges	(37,206)	(16,882)	(7,293)	(3,268)	(86,199)	0	(150,848)	(52)	(150,900)
Total Income	(145,809)	(83,978)	(74,613)	(7,584)	(345,952)	(605,327)	(1,263,263)	(171,364)	(1,434,627)
Employees	75,587	44,781	75,085	9,965	48,017	0	253,435	0	253,435
Premises	3,122	63,001	4,696	52	53,946	0	124,817	47,030	171,847
Transport	7,642	2,389	2,809	125	5,242	0	18,207	494	18,701
Supplies and services	44,827	36,334	13,025	11,921	17,064	0	123,171	39,456	162,627
Third party payments	46,208	77,605	142,352	1,137	575	465	268,342	256	268,598
Transfer payments	832	0	5,419	0	220,342	0	226,593	0	226,593
Central and departmental support	50,867	11,636	12,095	1,968	64,738	0	141,304	9,122	150,426
Other	31,821	22,038	1,840	2	5,158	33,448	94,307	75,223	169,530
Total Expenditure	260,906	257,784	257,321	25,170	415,082	33,913	1,250,176	171,581	1,421,757
Net Expenditure	115,097	173,806	182,708	17,586	69,130	(571,414)	(13,087)	217	(12,870)

Sheffield City Council – Statement of Accounts 2011/12

	Children, Young People and Families £000	Place £000	Communities £000	Deputy Chief Executive £000	Resources £000	Corporate £000	Total General Fund £000	Housing Revenue Account £000	Total £000
Grants	(105,445)	(15,243)	(6,293)	(2,662)	(214,097)	(367,906)	(711,646)	(37,122)	(748,768)
Other reimbursements and contributions	(2,135)	(2,303)	(25,054)	(981)	(2,423)	(44,464)	(77,360)	(978)	(78,338)
Sales	(3,909)	(1,259)	(131)	(3)	(11)	0	(5,313)	0	(5,313)
Fees and charges	(29,816)	(26,265)	(14,509)	(4,043)	(5,237)	0	(79,870)	(3,719)	(83,589)
Income from Council Tax	0	0	0	0	0	(196,589)	(196,589)	0	(196,589)
Other Income	(1,435)	(7,308)	(19,351)	(1,177)	(4,097)	(4,454)	(37,822)	(127,273)	(165,095)
Corporate Revenue Income	0	0	(2)	0	0	0	(2)	(124)	(126)
Recharges	(78,569)	(9,156)	(13,827)	(8,695)	(83,112)	0	(193,359)	(73)	(193,432)
Total Income	(221,309)	(61,534)	(79,167)	(17,561)	(308,977)	(613,413)	(1,301,961)	(169,289)	(1,471,250)
Employees	93,757	49,797	80,622	13,258	39,970	0	277,404	0	277,404
Premises	38,939	47,287	8,556	425	9,413	0	104,620	46,730	151,350
Transport	6,634	1,840	3,139	165	7,754	0	19,532	459	19,991
Supplies and services	49,500	41,610	17,514	17,383	11,104	0	137,111	6,081	143,192
Third party payments	77,648	72,725	138,917	673	244	459	290,666	30,891	321,557
Transfer payments	929	0	5,419	0	206,349	0	212,697	0	212,697
Central and departmental support	85,168	12,720	15,794	2,619	64,940	0	181,241	9,005	190,246
Other	17,560	19,010	871	0	4,198	34,297	75,936	73,000	148,936
Total Expenditure	370,135	244,989	270,832	34,523	343,972	34,756	1,299,207	166,166	1,465,373
Net Expenditure	148,826	183,455	191,665	16,962	34,995	(578,657)	(2,754)	(3,123)	(5,877)

Reconciliation to Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement:

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

2010/11 Restated £000	2011/12 £000
(5,877)	(12,870)
(1,687)	(686)
436,850	109,813
495,640	511,665
924,926	607,922

Reconciliation to Subjective Analysis:

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

2011/12	Net Expenditure in the Portfolio Analysis	Additional segments not included in the analysis	Amounts included in the analysis but not included in the CI&ES	Allocation of Recharges	Cost of Services in the CI&ES	Amounts reported below the net expenditure of Continuing Operation in the CI&ES	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(557,773)	(345,594)	(201)	150,900	(621,901)	0	(621,901)
Interest and investment income	(168)	0	168	0	0	(3,499)	(3,499)
Income from Council Tax	(197,060)	0	197,060	0	0	(198,375)	(198,375)
Non Domestic Rates Distribution	0	0	0	0	0	(216,816)	(216,816)
Government grants and contributions	(679,626)	(5,284)	(22,860)	0	(382,590)	(831,590)	(1,214,180)
Total Income	(1,434,627)	(350,878)	(23,061)	150,900	(1,004,491)	(1,250,280)	(2,254,771)
Employee expenses	253,436	266,885	(12,849)	0	507,472	0	507,472
Other service expenses	1,002,088	83,307	6,957	0	1,044,672	3	1,044,675
Support service recharge	0	0	0	(150,900)	(150,900)	0	(150,900)
Depreciation, amortisation, and impairment	85,802	0	125,367	0	211,169	0	211,169
Interest payments	79,192	0	0	0	0	168,607	168,607
Precepts and levies	465	0	(465)	0	0	465	465
Payment to housing capital receipt pool	0	0	0	0	0	2,951	2,951
Gain or loss on disposal of fixed assets	0	0	0	0	0	30,631	30,631
(Surplus) / deficit of trading undertakings or other operations	774	0	(4,282)	3,508	0	(3,508)	(3,508)
Pension interest cost and expected return in pension assets	0	0	17,681	(17,681)	0	17,681	17,681
Total Expenditure	1,421,757	350,192	132,874	(150,900)	1,612,413	216,830	1,829,243
(Surplus) or deficit on the provision of services	(12,870)	(686)	109,813	0	607,922	(1,033,450)	(425,528)

2010/11 – Restated Comparative Information									
	Net Expenditure in the Portfolio Analysis	Additional segments not included in the analysis	Amounts not included in the analysis but included in the CI&ES	Amounts included in the analysis but not included in the CI&ES	Allocation of Support Service Recharges	Cost of Services in the CI&ES	Amounts reported below the net expenditure of Continuing Operation in the CI&ES	Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(525,434)	(337,763)	(35)	72,337	193,432	(597,463)	0	(597,463)	
Interest and investment income	(460)	0	0	460	0	0	(1,487)	(1,487)	
Income from Council Tax	(196,589)	0	0	196,589	0	0	(196,952)	(196,952)	
Non Domestic Rates Distribution	0	0	0	0	0	0	(243,428)	(243,428)	
Government grants and contributions	(775,995)	0	1,926	367,906	0	(406,163)	(276,910)	(683,073)	
Total Income	(1,498,478)	(337,763)	1,891	637,292	193,432	(1,003,626)	(718,777)	(1,722,403)	
Employee expenses	277,404	266,795	(86,079)	(31,088)	0	427,032	0	427,032	
Other service expenses	1,130,616	69,281	(26,437)	(93,061)	0	1,080,399	0	1,080,399	
Support service recharge	0	0	0	0	(193,432)	(193,432)	0	(193,432)	
Depreciation, amortisation, and impairment	67,078	0	547,475	0	0	614,553	0	614,553	
Interest payments	15,746	0	0	(15,746)	0	0	94,797	94,797	
Precepts and levies	0	0	0	0	0	0	460	460	
Payment to housing capital receipts pool	0	0	0	0	0	0	1,389	1,389	
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	(8,594)	(8,594)	
(Surplus) / deficit of trading undertakings or other operations	1,757	0	0	(1,757)	0	0	(487)	(487)	
Pension interest cost and expected return in pension assets	0	0	0	0	0	0	31,941	31,941	
Total Expenditure	1,492,601	336,076	434,959	(141,652)	(193,432)	1,928,552	119,506	2,048,058	
(Surplus) or deficit on the provision of services	(5,877)	(1,687)	436,850	495,640	0	924,926	(599,271)	325,655	

Assets and Liabilities

Sheffield City Council does not internally report on the assets and liabilities of individual segments and so therefore no segmental analysis is required to be disclosed.

30. Trading Operations

On 2 January 2000 Section 21 of the Local Government Act 1999 repealed the compulsory competitive tendering provisions requiring DSO accounts and replaced them with the provision of trading accounts under the Service Reporting Code of Practise (SeRCOP).

The Council has established a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. The main trading units are:

Street Force

Street Force is the Council's provider of Consultancy and Contracting Services for the city's highway network and streetscene, general infrastructure within the public realm predominantly on behalf of other Council services with some contracted work for external clients.

Sheffield Design and Project Management

Design and Project Management consists of a number of disciplines, Architects, Quantity Surveyors, Structural Engineers and Mechanical and Electrical Engineers, who provide a consultancy service to both internal and external clients.

Transport

The Transport service is responsible for the procurement and management of the Council's transport fleet (including maintenance) for the benefit of the Council departments, partners and members of the public.

Markets

The Market Service in Sheffield is responsible for operating all the retail markets and the wholesale market owned or leased by Sheffield City Council. As the Council owns the exclusive Market Rights to operate all markets within its zone of control, the service is also responsible for ensuring all other markets not operated by the Council are either correctly licensed or prevented from trading if they do not comply with the Council's licensing policy. As well as operating the fixed market assets of the Council, the service also provides through direct provision or facilitation of others, a wide and varied range of specialist markets throughout the year both in the city centre and in the parks.

There are two distinct types of customers - traders and shoppers. There are no internal customers and the service receives no external funding.

Catering

The Catering Service is responsible for the provision of catering, supplies and related advice.

Commercial Estate

Management and delivery associated with the Council's Agricultural, Property and Land estate.

Schools Traded Service

Provision of services provided to schools on a traded basis.

2011/12					
	Income	Expenditure	Operating (Surplus)/ Deficit	Accounting Adjustments	Accounting (Surplus)/ Deficit
	£000	£000	£000	£000	£000
Street Force	(2,112)	446	(1,666)	(6)	(1,672)
Sheffield Design and Project Mgt.	(473)	739	266	(140)	126
Transport	(1,008)	2,844	1,836	(1,993)	(157)
Markets	(2,001)	2,767	766	0	766
Catering	0	(1)	(1)	0	(1)
Commercial Estates (Property)	(1,696)	1,521	(175)	(2,143)	(2,318)
Schools Traded Services	(1,424)	1,172	(252)	0	(252)
	(8,714)	9,488	774	(4,282)	(3,508)

2010/11 – Comparative Information					
	Income	Expenditure	Operating (Surplus)/ Deficit	Accounting Adjustments	Accounting (Surplus)/ Deficit
	£000	£000	£000	£000	£000
Street Force	(2,593)	1,859	(734)	(528)	(1,262)
Sheffield Design and Project Mgt.	(52)	275	223	(132)	91
Transport	(1,321)	1,197	(124)	(156)	(280)
Markets	(2,732)	4,086	1,354	(37)	1,317
Catering	0	0	0	0	0
Commercial Estates (Property)	0	0	0	0	0
Schools Traded Services	0	0	0	0	0
	(6,698)	7,417	719	(853)	(134)

The (surpluses) and deficits were transferred to the General Fund as at 31 March.

31. 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 focusing 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.

The following table summarises the pooled arrangements Sheffield City Council has entered into, along with Sheffield City Councils contributions to and from the pool and details of previous year's comparatives:

Service Area	Contribution to the Pool		Contribution from the Pool	
	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000
Intermediate Care	108	108	0	0
Learning Disabilities Accommodation	3,174	2,723	2,841	2,650
Equipment and adaptations	914	1,001	914	1,001

The following tables provide the detail of each of the pooled arrangements:

Intermediate Care

The pool is hosted by Sheffield PCT, and the money is allocated to a range of intermediate care provider services.

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000
Sheffield PCT	299	304	0	193
Sheffield City Council	108	108	0	0
Sheffield Teaching Hospitals	0	0	407	219
Sheffield Care Trust	0	0	0	0
Total	407	412	407	412

Learning Disabilities Accommodation

The pool is hosted by Sheffield City Council and the money is used to purchase accommodation and support provider services both in the independent sector and NHS and Community Care in-house services.

From 2011/12 the Sheffield PCT contribution ended. It has been replaced by £13.5m Learning Disability Transfer Grant received via the Department of Health. The two organisations are running 'shadow finance arrangements' until 1 April 2013 when the funding stream will be de-linked from the PCT. Currently a PCT Finance Representative attends the Strategy and Delivery Group (Ex Pool Board) and retains overview of the joint funding.

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000
Sheffield PCT	0	12,507	203	12,426
Sheffield City Council	3,174	2,723	2,841	2,650
Carried Forward	0	0	2,010	1,880
Total	3,174	15,230	5,054	16,956

Equipment and Adaptations

The pool is hosted by Sheffield PCT and the money is used to purchase equipment for clients who have received an Occupational Therapy assessment.

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000
Sheffield PCT	1,590	1,704	1,590	1,704
Sheffield City Council	914	1,001	914	1,001
Other Local Authorities	5	5	5	5
Carried Forward	0	0	0	0
Total	2,509	2,710	2,509	2,710

32. Members' Allowances

The Council paid the following amounts to Council Members and Co-optees' during 2011/12:

2010/11 £000		2011/12 £000
	Councillors:	
991	Basic Allowance	986
341	Special Responsibility Allowance	297
26	Expenses	32
1,358		1,315
	Co-optees:	
5	Basic Allowance	6
1,363	Total	1,321

Further details of this, including the amount paid to each Member, will be published separately as required by Government Regulations.

33. Officers' Remuneration

Under the Accounts and Audit Regulations 2011, Local Authorities are required to disclose information on their employees' remuneration in two sections. Full details are required for those employees defined in the Regulations as senior employees whose salary is above £50,000 per annum, and an additional summary disclosure is required of the numbers of other staff whose total remuneration (i.e. salary plus overtime and

allowances etc.) is above £50,000. In addition, those senior officers whose salary is above £150,000 are required to be named.

The following table provides the analysis of the number of employees (excluding senior officers) whose remuneration in the year, excluding pension contributions, was £50,000 or more.

2010/11			Remuneration Band	2011/12		
Teachers	Other	Total		Teachers	Other	Total
*91	*54	145	£50,000 - 54,999	*74	*44	118
*68	*58	126	£55,000 - 59,999	*76	*43	119
*43	*33	76	£60,000 - 64,999	*43	*18	61
*27	*24	51	£65,000 - 69,999	26	*12	38
9	*17	26	£70,000 - 74,999	12	*19	31
*5	*28	33	£75,000 - 79,999	2	*15	17
*4	*6	10	£80,000 - 84,999	5	*11	16
3	*4	7	£85,000 - 89,999	*3	*3	6
4	*1	5	£90,000 - 94,999	3	*2	5
4	*5	9	£95,000 - 99,999	6	3	9
2	1	3	£100,000 - 104,999	*3	0	3
1	*2	3	£105,000 - 109,999	2	1	3
1	*1	2	£110,000 - 114,999	0	0	0
0	*2	2	£120,000 - 124,999	0	1	1
0	0	0	£125,000 - 129,999	1	0	1
*1	0	1	£130,000 - 134,999	0	0	0
0	*1	1	£140,000 - 144,999	1	0	1
0	*1	1	£160,000 - 164,999	0	0	0
263	238	501	Total	257	172	429
255	168	423	Total Excluding redundancies	248	143	391

The asterisks in the above table indicate where a number of officers and teachers have received severance pay that serves to inflate the numbers in that pay band. The total figure for 'other' officers would reduce to 143 for 2011/12 (168 for 2010/11) individuals and teachers to 248 for 2011/12 (255 for 2010/11) individuals if salary was to be shown net of severance pay.

Disclosure of Remuneration for Senior Employees

The following table sets out the disclosure of the remuneration of the Council's senior officers. No bonuses were payable to any of the senior officers in the table below for 2010/11 and 2011/12. No additional benefits, either cash or otherwise, were paid during 2010/11 and 2011/12.

2011/12							
Post Holder Information	Note	Salary - including Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
		£	£	£	£	£	£
Chief Executive - John Mothersole	1	175,359	0	0	175,359	34,149	209,508
Deputy Chief Executive	2	98,576	0	57,785	156,361	19,200	175,561
Executive Director of Resources	3	127,847	0	0	127,847	23,652	151,499
Executive Director - Place		123,066	77	0	123,143	22,767	145,910
Executive Director - Communities		129,217	0	0	129,217	23,905	153,122
Executive Director - Children Young People and Families		141,516	198	0	141,714	26,181	167,895
Total		795,581	275	57,785	853,641	149,854	1,003,495

Notes:

- 1 The Chief Executive has reduced pay during the period by £9,229 via the salary sacrifice scheme, which is included in the salary figure above. Their full time equivalent salary is £184,588 per year.
- 2 The Deputy Chief Executive took Flexible Retirement during 2011/12, which incurred Pension Costs of £57,785. Their full time equivalent salary is £135,368 per year. The Deputy Chief Executive also purchased additional annual leave via the additional annual leave salary sacrifice scheme at a cost of £5,206, which is included in the salary figure above.
- 3 The Executive Director of Resources, in 2011/12, has been assimilated to a permanent spinal column point. Their full time equivalent salary is now £129,217 per year.

2010/11 – Comparative Information							
Post Holder Information	Note	Salary - including Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
		£	£	£	£	£	£
Chief Executive - John Mothersole		184,588	0	0	184,588	33,226	217,814
Deputy Chief Executive		135,368	0	0	135,368	24,366	159,734
Executive Director of Resources	1	127,740	0	0	127,740	22,993	150,733
Executive Director - Place		123,066	0	0	123,066	22,152	145,218
Executive Director - Communities		129,217	0	0	129,217	23,259	152,476
Executive Director - Children Young People and Families		141,516	23	0	141,539	25,473	167,012
Total		841,495	23	0	841,518	151,469	992,987

Notes:

- 1 The Executive Director of Resources received an honorarium during the year of £11,613. Their full time equivalent salary was £116,127.

34. External Audit Fees

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:

2010/11 £000		2011/12 £000
428	Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor.	413
17	Fees payable to the External Auditors in respect of statutory inspection.	0
110	Fees payable to the External Auditors for the certification of grant claims and returns.	98
0	Fees payable to the External Auditors in respect of any other services provided over and above those listed above.	7
555	Total	518

35. 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). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on a Council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

2011/12			
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2011/12	36,076	304,468	340,544
Brought forward from 2010/11	5,440	0	5,440
Carry forward to 2012/13 agreed in advance	0	0	0
Agreed DSG budget distribution in 2011/12	41,516	304,468	345,984
Less:			
Actual central expenditure	35,338	0	35,338
Actual ISB deployed to schools	0	304,468	304,468
Local Authority contribution for 2011/12	0	0	0
Carry forward to 2012/13	6,178	0	6,178

2010/11 – Comparative Information			
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2010/11	34,049	256,954	291,003
Brought forward from 2009/10	7,590	0	7,590
Carry forward to 2011/12 agreed in advance	0	0	0
Agreed DSG budget distribution in 2010/11	41,639	256,954	298,593
Less:			
Actual central expenditure	36,199	0	36,199
Actual ISB deployed to schools	0	256,954	256,954
Local Authority contribution for 2010/11	0	0	0
Carry forward to 2011/12	5,440	0	5,440

The DSG allocation in 2011/12 is considerably higher than 2010/11 due to significant changes to DSG for 2011/12. Grants for schools that have previously been ring fenced for specific purposes are now included as part of the DSG allocation.

36. Grant Income

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

2010/11 £000		2011/12 £000
	Credited to Services:	
(46)	Department for Business Innovation and Skills	(1,377)
(42,105)	Department for Communities and Local Government	(35,293)
(402,480)	Department for Education	(413,877)
(3,042)	Department for Transport	(421)
(2,294)	Department of Health	(16,150)
(222,803)	Department for Work and Pensions	(229,439)
(2,838)	European Regional Development Fund	(3,656)
(10,436)	Homes and Communities Agency	(2,760)
(4,981)	Learning and Skills Council	(2,407)
(3,259)	Yorkshire Forward	(1,802)
(1,450)	Youth Justice Board	(1,345)
(59,697)	Other	(3,991)
(755,431)	Total	(712,518)
	Credited to Taxation and Non Specific Grant Income	
	Non-ring fenced Government Grants:	
(35,199)	Revenue Support Grant (RSG)	(66,983)
(24,186)	PFI Grant	(24,186)
0	Local Growth Funds	(2,231)
(65,091)	Area Based Grant (ABG)	0
0	Council Tax Freeze Grant	(4,919)
0	Funding from the Health Service	(7,605)
0	Local Support Services Grant	(1,491)
0	Other Grants	(116)
(124,476)		(107,531)
	Capital Grants and Contributions	
(113,996)	Department for Education	(113,835)
(11,824)	Department for Transport	(9,536)
(6,936)	Department for Communities and Local Government	(2,866)
0	Department of Health	(1,463)
0	European Regional Development Fund	(1,216)
(642)	Homes and Communities Agency	(1,985)
(309)	Heritage Lottery Fund	(78)
(1,296)	Big Lottery Fund	(1,358)
(2,428)	Yorkshire Forward	0
(15,003)	Other	(1,638)
(152,434)		(133,975)
0	HRA Self Financing Transaction	(590,084)
(152,434)		(724,059)
(276,910)	Total	(831,590)

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 giver. The balances at year end are as follows:

1 April 2010 £000	31 March 2011 £000		31 March 2012 £000
		Revenue Grants Receipts in Advance:	
(4,140)	(4,984)	Department for Education	(432)
(3,335)	(4,894)	Department of Health	(2,640)
(1,424)	(123)	English Partnerships	(123)
(329)	(1,103)	European Regional Development Fund	(9)
(0)	(2,298)	Homes and Communities Agency	(499)
(1,216)	(1,318)	Learning and Skills Council	(340)
(9,463)	(1,525)	Other	(2,534)
(19,907)	(16,245)	Total	(6,577)
		Capital Grants Receipts in Advance:	
(35,672)	(74,404)	Department for Education	(36,171)
(3,984)	(3,638)	Department for Communities and Local Government	(22,280)
(1,446)	(1,161)	Section 106 Developers Contributions	(3,218)
(971)	(1,002)	Yorkshire Forward	0
(1,697)	(1,384)	Other	(905)
(43,770)	(81,589)	Total	(62,574)

37. 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 amounted to net payments of £328m (£380m for 2010/11), with £11m (£8m for 2010/11) accrued. All such material related party transactions are disclosed either individually or in aggregate below.

Council Members

In respect of financial year 2011/12 a large 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.

Significant transactions include:

2011/12						
	Receipts	Payments	Net	Receivables	Payables	Net
Related Party	£000	£000	Payments	£000	£000	Assets
			£000			£000
Sheffield Homes	(6,793)	43,933	37,140	616	0	616
Sheffield City Trust	(74)	30,897	30,823	33	(15)	18
Building Schools for the Future (Paradigm)	0	10,951	10,951	0	0	0
Sheffield Futures	(55)	7,072	7,017	57	0	57
South Yorkshire Housing Association	(8)	6,414	6,406	0	0	0
Sheffield Galleries and Museum Trust	(203)	3,185	2,982	66	(9)	57
Sheffield Lyceum Theatres Trust	0	2,008	2,008	0	0	0
Autism Plus	0	1,082	1,082	0	0	0
Roundabout	0	1,056	1,056	0	0	0
Sheffield Industrial Museums Trust	(29)	715	686	258	0	258
Burngreave New Deal	(1)	2	1	0	(2)	(2)

2010/11 – Comparative Information						
	Receipts	Payments	Net	Receivables	Payables	Net
Related Party	£000	£000	Payments	£000	£000	Assets
			£000			£000
Sheffield Homes	(7,525)	46,847	39,322	1,682	(68)	1,614
Sheffield City Trust	(67)	34,165	34,098	19	(97)	(78)
Building Schools for the Future (Paradigm)	0	11,615	11,615	0	(888)	(888)
Sheffield Futures	(80)	9,719	9,639	64	(7)	57
South Yorkshire Housing Association	(89)	6,804	6,715	1	(8)	(7)
Sheffield Galleries and Museum Trust	(246)	3,287	3,041	958	0	958
Lyceum Theatres Trust	0	1,914	1,914	0	0	0
Autism Plus	0	1,163	1,163	0	0	0
Roundabout	(1)	1,197	1,196	0	0	0
Sheffield Industrial Museums Trust	(27)	775	748	25	0	25
Burngreave New Deal	0	161	161	0	(8)	(8)

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, the Deputy Chief Executive, the Executive Directors and Director of Finance. The note also covers members of those officers' close families or households. The Council's Chief Officers are required to declare positions of general control or management in third party organisation during the financial year. The only such relationship which is not disclosed elsewhere in this note is with the Source at Meadowhall where we made net payments totalling £0.8m (£1.5m in 2010/11) during the year.

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 Income and Expenditure Account and Collection Fund. However, the following table shows the significant transactions with public bodies in the area:

2011/12						
	Receipts	Payments	Net	Receivables	Payables	Net
	£000	£000	Payments	£000	£000	Accruals
Related Party			£000			£000
South Yorkshire Pensions Authority	(47)	73,411	73,364	38	(1,487)	(1,449)
South Yorkshire Integrated Transport Authority*	(4,172)	42,726	38,554	606	(14)	592
South Yorkshire Police Authority*	(253)	20,997	20,744	2	(11)	(9)
Other Local Authorities	(2,189)	8,112	5,923	8,368	(206)	8,162
NHS bodies within Sheffield and regional health organisations	(22,495)	18,444	(4,051)	2,618	(423)	2,195
South Yorkshire Fire and Rescue Authority*	(17)	9,237	9,220	1	0	1

*Figures inclusive of precepts and levies

2010/11 – Comparative Information						
	Receipts	Payments	Net	Receivables	Payables	Net
	£000	£000	Payments	£000	£000	Accruals
Related Party			£000			£000
South Yorkshire Pensions Authority	0	73,580	73,580	0	(1,675)	(1,675)
South Yorkshire Integrated Transport Authority*	(1,109)	40,665	39,556	304	(11)	293
South Yorkshire Police Authority*	(484)	21,445	20,961	32	(263)	(231)
Other Local Authorities	(2,512)	6,518	4,006	8,746	(497)	8,249
NHS bodies within Sheffield and regional health organisations	(19,839)	18,521	(1,318)	2,330	(989)	1,341
South Yorkshire Fire and Rescue Authority*	(25)	9,380	9,355	7	(7)	0

*Figures inclusive of precepts and levies

Other Material Transactions

During 2011/12 the Council made net payments of £80.9m (£93.5m for 2010/11) to Kier Sheffield LLP. This includes nil accrualment at 31 March 2012 (nil accrualment for 2010/11).

38. 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.

2010/11 £000		2011/12 £000
Capital Investment		
237,333	Property, Plant and Equipment	175,979
0	Investment Properties	0
1,426	Intangible Assets	0
272	Loans Advanced	8,152
0	Assets Held for Sale	427
41,279	Revenue Expenditure Funded from Capital Under Statute	42,090
280,310		226,648
Sources of Finance		
73,074	Borrowing	28,553
175,607	Government Grants and Other Contributions	162,530
24,516	Major Repairs Allowance	26,857
7,113	Capital Receipts	8,708
280,310		226,648
Capital Financing Requirement		
1,504,331	Opening Balance	1,557,061
67,455	Borrowing in Year	16,173
5,619	Capitalisations	12,380
0	HRA Self Financing Transaction	(518,353)
(20,344)	MRP / VRP and Other	(23,387)
1,557,061	Closing Balance	1,043,874

39. Leases and Lease Type Arrangements

Council as Lessee

Finance Leases

The Council has not classified any leases as Finance Leases.

Operating Leases

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

2010/11 £000		2011/12 £000
2,736	Not later than one year	2,197
5,971	Later than one year and not later than five years	5,305
2,741	Later than five years	3,653
11,448	Total	11,155

The above principally consists of Council office accommodation leases and leases for vehicles, plant and equipment.

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:

2010/11 £000		2011/12 £000
2,593	Not later than one year	2,646
9,330	Later than one year and not later than five years	9,253
103,524	Later than five years	100,594
115,447	Total	112,493

The above mainly consists of a large number of small value, long term leases, principally for the lease of land.

40. Private Finance Initiatives (PFI) and Public Private Partnership Arrangements (PPP)

PFI and Similar Contracts

At 31 March 2012 the Council had five long term contracts under Private Finance Initiative (PFI) arrangements.

The first PFI contract is for the provision of office accommodation at Howden House for a period of 30 years from February 2001. Payments to the contractor during the year amounted to £4.9m (£4.8m in 2010/11) and payments will continue for the duration of the contract, subject to availability and performance related deductions and to contractually agreed inflation adjustments.

The 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 and total payments to the contractor during the year were £9.7m (£8.0m in 2010/11). The Schools Phase Two PFI contract, which is for the provision of two secondary schools. The contract is for 25 years and became fully operational during the financial year 2005/06 with total payments to the contractor during the year amounting to £3.9m (£3.8m in 2010/11). The Schools Phase Three PFI contract, which is for 25 years, became operational during the financial year 2006/07 and total payments during the year were £7.2m (£7.0m in 2010/11). The Building Schools for the Future (BSF) Wave One contract is for 25 years. It became operational in January 2009 and total payments during the year were £9.0m (£8.9m in 2010/11).

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. Payments to the contractor during the year totalled £27.4m (£28.1m in 2010/11). 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.

In accordance with the Accounting Policy for Private Finance Initiatives and Similar Contracts, note 1 xxiii, the five 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.

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 12.

PFI Finance Lease Liability

The value of liabilities resulting from PFI and similar contracts are as follows:

2010/11 £000		2011/12 £000
(236,346)	Value of the liability as at 1 April	(232,378)
0	Recognition of fixed assets	0
3,968	Finance lease rental	5,574
0	Lifecycle replacement costs	0
(232,378)	Value of liability as at 31 March	(226,804)

PFI Payments Due to be Made

Details of the payments due to be made under PFI and similar contracts are as follows:

2010/11 Total £000		Repay- ment of Liability £000	Interest Charge £000	2011/12 Service Charge £000	Contin- gent Rents £000	Total £000
65,036	Within one year	4,990	24,805	31,484	5,387	66,666
274,550	Between two and five years	24,662	94,180	135,886	26,758	281,486
378,662	Between six and ten years	45,721	102,553	192,098	48,021	388,393
423,486	Between eleven and fifteen years	57,202	78,319	230,134	61,857	427,512
412,796	Between sixteen and twenty years	59,921	48,875	223,260	69,283	401,339
336,271	Between twenty-one and twenty-five years	34,308	16,353	172,168	64,288	287,117
22,133	Between twenty-six and thirty years	0	0	0	0	0
1,912,934	Total	226,804	365,085	985,030	275,594	1,852,513

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.

41. Long Term Contracts

In addition to the PFI and similar contracts disclosed in Note 40, the Council has a number of other Long Term Contracts in place.

The Council has agreed to meet the cost of arrangements that Sheffield City Trust has entered into with certain leasing banks in respect of the provision of funding for sporting facilities in the city. The cost of this commitment during the year was £16.5m (£15.9m in 2010/11). The agreement will end in 2024 when the amount of capital owing to the leasing banks will be met from the proceeds of the £140m Sheffield Investment Bond which was issued by the Trust in 2000. The Bond, which is guaranteed by the Council, is under an interest only arrangement until 2014, whereupon it will be repaid by equal instalments of interest and capital over a ten year period. The current cost of servicing the Bond is met from interest received from fixed rate deposits of the Bond proceeds.

With effect from 5 January 2009 the Council entered into a contract with Capita Business Services Limited to provide various professional support services including:

- HR transactional
- Revenues and Benefits
- Financial Business Processing
- ICT
- Payroll Services

The contract value is around £221m over the initial seven year period, there is an option to extend the contact by up to a further six years.

Payments to Capita Business Services Limited under the contract in 2011/12 totalled £41.2m (£38.2m in 2010/11).

With effect from 1 July 2009 the Council entered into a contract with Kier Limited to provide corporate property and facilities management services. The £55m contract is for an initial period of seven years, with an option to extend by up to a further six years.

Payments to Kier Limited under the contract in 2011/12 totalled £9.5m (£8.8m in 2010/11).

42. Impairment Losses

During 2011/12, £23.9m of previous impairments were reversed following subsequent valuations, offset by an impairment loss of £4m in long term debtors (note 17) totalling net £19.9m reversals.

Last years impairment losses were £583m with £555m (and depreciation adjustment of £45m) relating to a change in the valuation basis for Council Dwellings, as set out by the Department for Communities and Local Government (CLG).

43. Termination Benefits

The Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £13.5m (£11.5m in 2010/11). This includes redundancy and pension payments.

This amount was payable to 772 people (628 people in 2010/11) from across the Council, who were made redundant as part of the Council's workforce reductions in response to budget reductions.

Of the 2011/12 total, £58k was paid to one senior employee, in the form of compensation for loss of office, as disclosed in Note 33.

Exit Packages

The numbers of exit packages with total cost per band are set out in the table below:

2010/11			2011/12		
Total number of exit packages by cost band	Total cost of exit packages in each band £000	Exit package cost band (including special payments)	Total number of exit packages by cost band	Total cost of exit packages in each band £000	
415	2,941	£0 - £20,000	548	4,639	
132	3,686	£20,001 - £40,000	145	4,006	
50	2,452	£40,001 - £60,000	46	2,251	
21	1,461	£60,001 - £80,000	18	1,241	
6	523	£80,001 - £100,000	10	869	
4	465	£100,001 - £150,000	5	576	
628	11,528	Total	772	13,582	

We are unable to analyse the above figures between compulsory redundancies and other departures.

In 2011/12 contributions of £890k for the termination costs under contract / partnership obligations were incurred, (nil for 2010/11), these are not included in the above table.

44. 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 two 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 two pension schemes in respect of its employees.

Teachers' Pension Scheme

In 2011/12 the City Council paid £20.2m (£19.5m 2010/11) to Department for Education (DfE) in respect of Teachers' pension costs, which represented 14.1% (14.1% 2010/11) of Teachers' pensionable pay. In addition, the City Council is responsible for all pension

payments relating to added years it has awarded, together with the related increases. In 2011/12 these amounted to £4.5m (£4.5m 2010/11), representing 3.12% (3.25% 2010/11) 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.

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 Balance via the Movement in Reserves Statement during the year:

2010/11 £000		2011/12 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
42,850	Current service cost	35,910
(114,212)	Past service costs	226
0	(Gains) and Losses on Settlements	(1,548)
1,448	Settlements and curtailments	2,755
(69,914)	Charge to Net Cost of Services	37,343
	Financing and Investment Income and Expenditure:	
111,276	Interest cost	101,372
(79,335)	Expected return on assets in the scheme	(83,691)
31,941	Total Post Employment Benefits charged to the (Surplus) / Deficit on the Provision of Services	17,681
	Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	
(81,608)	Actuarial (gains) and losses	94,918
(119,581)	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	149,942

2010/11 £000		2011/12 £000
	Movement in Reserves Statement	
37,973	Reversal of net charges made to the (Surplus) / Deficit for the Provision of Services for post employment benefits in accordance with the Code	(55,024)
	Actual amount charged against the General Fund Balance for pensions in the year:	
55,971	Employers contributions payable to scheme	54,329

The cumulative amount of actuarial (gains) and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £264.7m (£169.8m 2010/11).

Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2010/11		2011/12
£000		£000
(1,992,120)	Opening Balance at 1 April	(1,859,352)
(42,850)	Current service cost	(35,910)
(111,276)	Interest cost	(101,372)
(15,906)	Contributions by scheme participants	(14,228)
117,381	Actuarial gains and (losses)	(67,192)
0	Settlements	1,548
72,655	Benefits Paid	80,856
(1,448)	Curtailments	(2,755)
114,212	Past Service Costs	(226)
(1,859,352)	Closing Balance at 31 March	(1,998,631)

Reconciliation of fair value of the scheme (plan) assets:

2010/11		2011/12
£000		£000
1,253,255	Opening balance at 1 April	1,296,039
79,335	Expected rate of return on scheme (plan) assets	83,691
(35,773)	Actuarial gains and (losses)	(27,726)
55,971	Employer contributions	54,329
15,906	Contributions by scheme participants	14,228
(72,655)	Benefits paid	(80,856)
1,296,039	Closing Balance at 31 March	1,339,705

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 £56m (£113m 2010/11).

Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Present value of liabilities	(1,712,510)	(1,452,504)	(1,992,120)	(1,859,352)	(1,998,631)
Fair value of assets in the Local Government Pension Scheme	1,137,755	948,202	1,253,255	1,296,039	1,339,705
Surplus / (deficit) in the scheme	(574,755)	(504,302)	(738,865)	(563,313)	(658,926)

The liabilities show the underlying commitments that the Council has, in the long run, to pay post employment benefits. The total liability of £659m (£563m 2010/11) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, reducing the balance from £1.8bn to £1.2bn (£1.4bn to £861m 2010/11). 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.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £52m.

Basis for Estimating Assets and Liabilities

The pension fund liabilities have been assessed by the actuaries Mercer Human Resourcing Ltd 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:

2010/11		2011/12
	Long term expected rate of return on assets in the scheme:	
7.5%	Equity investments	7.0%
4.4%	Government bonds	3.1%
5.1%	Other bonds	4.1%
6.5%	Property	6.0%
0.5%	Cash / Liquidity	0.5%
7.5%	Other assets	7.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.4	Men	21.5
24.1	Women	24.1
	Longevity at 65 for future pensioners:	
22.8	Men	22.8
25.7	Women	25.8
2.9%	Rate of CPI inflation	2.5%
4.65%	Rate of increase in salaries	4.25%
2.9%	Rate of increase in pensions	2.5%
5.5%	Rate for discounting scheme liabilities	4.9%
50.0%	Take up of option to convert annual pension into retirement lump sum	50.0%

Details of the assets held in Sheffield City Council's part of the South Yorkshire Local Government Pension Scheme fund are shown below, by proportion of the total assets held:

2010/11		2011/12
67.4%	Equities	62.3%
14.6%	Government Bonds	17.0%
7.2%	Other Bonds	7.7%
9.8%	Property	9.9%
1.0%	Other Assets	3.1%
100%	Total	100%

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserves in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	-8.6	-26.5	19.4	-2.8	-2.1%
Experience gains and losses on liabilities	1.8	-23.4	-23.1	-6.3	3.4%

To satisfy the auditors of Sheffield Homes Limited that the company is a going concern, the Council has issued a letter of support to Sheffield Homes that subject to certain conditions it will guarantee the full amount of their deficit on the South Yorkshire Pension Fund. Under IAS 19 this deficit is £23m for 2011/12 (£16m 2010/11), this sum is included within the Council's overall IAS 19 deficit above.

45. Contingent Liabilities

When it can estimate contingent losses with some certainty, the Council accrues them into the financial statements. This note summarises other contingent losses, which may result in future costs but cannot be estimated accurately or are considered sufficiently uncertain.

The Council has given various guarantees to financial institutions and to Central Government for European Regional Development Fund grants that have been made to the following bodies:

Exposure 2010/11 £000		Exposure 2011/12 £000
2,857	Sheffield City Trust City Hall	2,519
8,347	Sheffield Lyceum Theatre Trust Ltd	6,339
983	Sheffield City Trust Ice Centre	666
1,963	Clear Future Ltd	0
169	Sheffield Science Park Co Ltd	156
14,319		9,680

Should any calls be made on any of the guarantees detailed above, then the settlement required would be the exposure at the time of the call plus, in certain cases, related costs and any accrued interest outstanding.

The Council has also undertaken the accountable body role, or has guaranteed that capital schemes funded by grant will continue to provide specified output in relation to a number of projects. These projects have been funded from a variety of grant regimes including European Union sources, the Single Regeneration Budget and Lottery distribution bodies. In the event of projects not achieving their originally stated objectives, grants can be subject to 'clawback' by the funding organisations. These

projects are subject to appropriate monitoring and in a situation where any liability of the Council is agreed, it will be disclosed and an appropriate provision made in the relevant year's Accounts.

There are a number of organisations, such as Kier Sheffield LLP and Veolia, that 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 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.

The Council has also issued a letter of support to Sheffield Health and Social Care NHS Foundation Trust (SHSC) that, subject to certain conditions it will guarantee the full amount of their deficit on the South Yorkshire Pension Fund.

Equal Pay Claims

During 2011/12 the Council made a number of settlement payments to individuals in relation to back dated Equal Pay claims. The bulk of offers have been made to those individuals with outstanding claims, and a small provision is held for those individuals not yet settled with. However, the Council recognises the potential that further equal pay claims may arise, some of which may lead to additional compensation agreements. It is not possible to estimate with any certainty the likely financial impact in advance of such claims being made.

Property Searches

In 2010/11 the Ministry of Justice stated that the Government would revoke the current £22 fee for a personal search by amending the Local Land Charge Rules 1977. The Council may potentially need to refund some of the fees received since 2005. It is not possible to estimate with any certainty the likely financial impact of this risk at present.

Museums Sheffield

The Council has given a guarantee to Museums Sheffield to underwrite their overdraft at the bank to the value of £250,000. Furthermore, if Museums Sheffield validly served a determination notice, the Council would have to pick up all of its assets and liabilities.

Breach of Contract

The Council is in receipt of a breach of contract claim for financial loss. In the event that the claim was successful it is likely that the majority of any liability will be recovered from the Council's insurers with the Council being responsible for a maximum amount equal to the insurance policy excess of £250,000.

Termination Benefits

A provision has been recognised in 2011/12 accounts for individuals who the Chief Officer Panel have approved to leave the Council, via voluntary early retirement and voluntary redundancy, but as at 31 March 2012 have not yet left the Council (see note 22). However, there is still some uncertainty surrounding the number of other potential redundancies and related costs. We are unable to quantify the number of employees or costs involved.

46. Trust Funds

The Council administers trust funds which principally relate to legacies left by various individuals, groups etc. There are 27 such accounts, where the Council is sole trustee, with a total value of £1.6m (£1.7m 2010/11). These are:

Income £000	2010/11 Expend- iture £000	Trust Value £000		Income £000	2011/12 Expend- iture £000	Trust Value £000
1	0	296	Beet Street Nursery Charitable Account	2	0	298
1	0	252	Norfolk Park Trust	9	(25)	236
1	0	230	Chelsea Park	1	(1)	230
1	(2)	166	Earl Marshal Street Recreation Ground Trust	1	(1)	166
1	0	180	Wincobank Wood Recreation Ground Trust	1	(1)	180
1	0	126	Sutherland Road Recreation Trust	1	(86)	41
0	0	57	Comfort Funds	0	(5)	52
0	0	107	Wilkinson Scholarship Fund	1	0	108
15	(7)	59	Land at Fulwood / Whirlow	23	(25)	57
0	0	63	Sir George Franklin Trust Fund (Scholarships)	0	0	63
1	0	163	Other	1	(1)	163
22	(9)	1,699	Total	40	(145)	1,594

These Trust Funds are invested in the Council's Consolidated Loans Account. They are not, however, included in the net position of the Balance Sheet as they do not represent assets of the Council. There are no contingent liabilities in relation to the trusts.

47. Events After the Reporting Date

The Statement of Accounts was authorised for issue by Laraine Manley, Executive Director of Resources on 26 September 2012. 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 31 March 2012, the figures in the

financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2012 as this provides information that is relevant to an understanding of the Authority's financial position but does not relate to conditions at that date:

- On 31 July 2012, Sheffield City Council signed a 25 year contract with private sector contractor Amey for the Highways Maintenance PFI project. Amey are now tasked with delivering the Streets Ahead Contract and will be responsible for bringing Sheffield's highway network up to a high standard within the first 5 years of the contract and then maintaining that standard for the remaining 20 years of the contract. The contract is worth £2 billion and service delivery began on the 20 August 2012.

Housing Revenue Account

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. Authorities charge rents to cover expenditure in accordance with regulations, this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Housing Revenue Account Income and Expenditure Statement			
2010/11 Restated £000		Note	2011/12 £000
	Expenditure:		
32,593	Repairs and maintenance		33,270
51,217	Supervision and management		54,984
1,162	Rents, rates, taxes and other charges		658
544,625	Depreciation and impairment / losses of non current assets	7 / 8	66,968
401	Debt management costs		421
654	Movement in the allowance for Bad or Doubtful Debts		780
630,652	Total Expenditure		157,081
	Income:		
(118,569)	Dwelling rents	11	(126,622)
(1,467)	Non-dwelling rents - garages, garage sites, shops	11	(1,477)
(7,182)	Charges for services and facilities		(6,648)
(2,057)	Contributions towards expenditure		(611)
(35,843)	HRA subsidy receivable	9	(28,068)
(165,118)	Total Income		(163,426)
465,534	Net Income / Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement		(6,345)
643	HRA share of Corporate and Democratic Core		478
466,177	Net Income / Cost of HRA Services		(5,867)
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:		
(34)	(Gain) or loss on sale of HRA non-current assets		(1,100)
45,041	Interest payable and similar charges		46,198
0	Interest payable and similar charges – HRA Self Financing Transaction		71,731
(296)	Interest and investment income		(1,911)
(147)	Capital grants and contributions receivable		0
0	Capital grants and contributions receivable – HRA Self Financing Transaction		(590,084)
510,741	(Surplus) / Deficit for the year on HRA services		(481,033)

Movement on the Housing Revenue Account Statement				
2010/11				2011/12
Restated			Note	£000
£000				£000
(13,606)	Balance on the Housing Revenue Account as at 1 April			(16,729)
510,741	(Surplus) / Deficit on the HRA Income and Expenditure Statement			(481,033)
(517,352)	Adjustments between accounting basis and funding basis under regulation		1	472,245
(6,611)	Net (increase) / decrease before transfers to reserves			(8,788)
3,488	Transfer to reserves		2	11,108
(3,123)	(Increase) / decrease in year on the HRA			2,320
(16,729)	Balance on the Housing Revenue Account as at 31 March			(14,409)

Notes to the Housing Revenue Account

01. Adjustments Between Accounting Basis and Funding Basis Under Regulation

2010/11 £000		2011/12 £000
34	Gain / (loss) on sale of HRA non-current assets	1,100
20	Capital Expenditure funded by the HRA	(47)
(520,149)	Impairment / losses of non current assets	(50,572)
0	HRA Self Financing Transaction	518,353
2,595	Difference between interest payable and similar charges (including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with Statute)	1,238
148	Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statutory HRA requirements	2,173
(517,352)	Total	472,245

02. Transfer (to) / from Reserves

2010/11 £000		2011/12 £000
3,488	Transfer to the Major Repairs Reserve	11,108
3,488	Total	11,108

03. Housing Stock

The Council was responsible for managing, on average 41,494 dwellings during 2011/12 (41,712 for 2010/11). The movement in stock can be summarised as follows:

2010/11		2011/12
41,799	Housing Stock as at 1 April	41,626
(94)	Less: Sales	(151)
(109)	Less: Demolitions and other deductions	(120)
30	Add: New build and acquisitions	8
41,626	Housing Stock as at 31 March	41,363

The housing stock can be analysed by type as follows:

2011/12	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	12,024	1,704	13,728
2 Bedrooms	5,741	9,122	14,863
3 Bedrooms	974	10,948	11,922
4 Bedrooms	15	344	359
5 Bedrooms	3	13	16
6 Bedrooms or more	0	4	4
Bedsits	468	2	470
Multi Occupied	0	1	1
Total	19,225	22,138	41,363

2010/11 – Comparative Information			
	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	12,062	1,706	13,768
2 Bedrooms	5,799	9,153	14,952
3 Bedrooms	973	11,057	12,030
4 Bedrooms	16	345	361
5 Bedrooms	3	13	16
6 Bedrooms or more	0	4	4
Bedsits	492	2	494
Multi Occupied	0	1	1
Total	19,345	22,281	41,626

The opening and closing balances of HRA fixed assets are as follows:

2010/11		2011/12		
Value at 1 April £000	Value at 31 March £000	Value at 1 April £000	Value at 31 March £000	
				Operational Assets:
1,342,535	864,123	864,123	835,821	Council Dwellings
15,932	17,402	17,402	20,045	Other Land and Buildings
77,182	72,578	72,578	41,314	Surplus Assets
719	722	722	1,911	Assets Held for Sale
1,436,368	954,825	954,825	899,091	Total

04. Vacant Possession

The vacant possession value of Council dwellings as at 1 April 2011 was £2.78bn (£2.86bn at 1 April 2010).

The difference between the vacant possession value of dwellings and the Balance Sheet value as at 1 April 2011 and 31 March 2012 represents the economic cost to government of providing council housing at less than open market rents.

05. 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).

The table below shows the movement on the reserve:

2010/11 £000		2011/12 £000
(6,012)	Balance at 1 April	(9,460)
(24,476)	Transfers from the Capital Adjustment Account (re. Depreciation)	(16,395)
(3,488)	Transfers from the HRA (re. Excess of MRA over depreciation)	(11,108)
24,516	Expenditure on capital assets	26,857
(9,460)	Balance at 31 March	(10,106)

06. Capital Expenditure

During the financial year total capital expenditure was £31.6m, (£78m 2010/11) split between houses £30m (£75m in 2010/11) and other property within the Housing Revenue Account £1.4m (£2m in 2010/11) and land £0.2m (£1m in 2010/11).

The table below provides details of how this expenditure was financed:

2010/11 £000		2011/12 £000
24,516	Major Repairs Reserve	26,857
50,873	Borrowing	80
1,170	Usable Capital Receipts	4,647
1,512	Capital Grants	0
0	Capital Contributions	0
78,071	Total	31,584

Capital receipts amounting to £8.5m (£5m 2010/11) were generated in the financial year from the disposal of land, houses and other property.

07. Depreciation

A depreciation charge of £16.4m (£24.5m 2010/11) was made to the HRA during the financial year. The split of the depreciation charge is detailed below:

2010/11 £000		2011/12 £000
24,476	Council Dwellings	15,936
0	Other Land and Buildings	309
0	Surplus Assets	150
24,476	Total	16,395

08. Impairment

In 2011/12 there were no charges for impairments. Reversals of previous impairments and depreciation adjustments of £18m, together with revaluation losses of £58m on Council Dwellings and £11m for other assets, resulted in a net charge of £51m to the Housing Revenue Account.

In 2010/11 significant impairments of £555m (depreciation adjustment of £45m) were due to change in the valuation adjustment factor for Council Dwellings, as prescribed by the Department for Communities and Local Government in the guidance Stock Valuation for Resource Accounting 2010.

09. HRA Subsidy

The following table analyses the HRA subsidy payable to the Council for the financial year in accordance with the elements set out in the general formula in paragraph 3.1 of the General Determination of HRA subsidy for the year:

2010/11 £000		2011/12 £000
50,376	Charges for Capital	49,662
50,689	Allowance for Maintenance	50,293
27,965	Allowance for Major Repairs	27,504
26,568	Allowance for Management	27,247
0	Housing Subsidy in respect of previous years	189
46	Other Expenditure	46
(119,792)	Guideline Rent Income	(126,866)
(9)	Interest on Receipts	(7)
35,843	TOTAL	28,068

10. Rent Arrears

Rent arrears (excluding amounts collectable on behalf of other agencies) as at 31 March 2012 amounted to £7.7m (£7.8m as at 31 March 2011).

The provision for doubtful debts in respect of these rent arrears is £5.6m (£5.8m as at 31 March 2011).

11. Rent Income

The total rent income due for the year after allowance has been made for vacant property is as follows:

Dwellings	2010/11 Non- Dwellings	Total		Dwellings	2011/12 Non- Dwellings	Total
£000	£000	£000		£000	£000	£000
120,990	2,088	123,078	Gross rent income before allowances	128,840	2,190	131,030
(2,421)	(621)	(3,042)	Less vacant properties	(2,218)	(713)	(2,931)
118,569	1,467	120,036	Gross rent income after allowances	126,622	1,477	128,099

12. Dwellings Rents

This represents rent income due from tenants. The average rent per week at 31 March 2012 was £62.30 compared with £58.31 per week at 31 March 2011, an increase of £3.99 or 6.8%.

13. Rebates

Rent rebates are available through the Housing Benefits scheme. As at 31 March 2012, 69% (68% as at 31 March 2011) of Council tenants were receiving assistance from the scheme.

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 non-domestic rates.

Collection Fund Statement				
2010/11			2011/12	
£000		Notes	£000	£000
	Income:			
(183,288)	Income from Council Tax	1		(184,787)
	Transfer from General Fund:			
(45,988)	Council Tax Benefits			(46,425)
(229,276)				(231,212)
(184,655)	Income collectable from business ratepayers	2		(197,393)
(413,931)	Total Income			(428,605)
	Expenditure:			
	Precepts and Demands:			
196,311	Sheffield City Council			197,227
	South Yorkshire Joint Authorities:			
20,200	SY Police Authority		20,298	
9,185	SY Fire and Rescue Authority		9,230	29,528
225,696				226,755
	Business Rate:			
182,143	Payment to National Pool		194,565	
762	Costs of Collection		765	195,330
408,601				422,085
	Impairment of debts:			
1,643	Write Offs - Council Tax		2,674	
1,750	Write Offs - NNDR		2,063	
1,200	Provision for Non-Payment of Council Tax		460	5,197
413,194				427,282
319	Contributions towards previous years estimated Surplus / Deficit			(192)
413,513	Total Expenditure			427,090
(418)	(Surplus) / Deficit for the Year			(1,515)
723	Balance Brought Forward			305
305	Balance Carried Forward	3		(1,210)

Notes to the Collection Fund

01. Council Tax

There are an estimated 237,900 (236,854 for 2010/11) residential properties in Sheffield and each is placed into one of eight valuation bands (A to H), by the Inland Revenue Valuation Office Agency, 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 153,391.37 for 2011/12 (152,681.58 for 2010/11). 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 £1,476.63 for 2011/12 (£1,476.63 for 2010/11). 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:

2011/12						
Band	Number of Properties in Band	Less Reductions	Chargeable Dwellings	Adjusted Chargeable Dwellings	Proportion of Band D Tax	Band D Equivalent Dwellings
Disabled Band A		498	498	453.00	5:9	251.67
A	140,134	(8,485)	131,649	115,387.70	6:9	76,925.13
B	37,398	(2,616)	34,782	32,026.80	7:9	24,909.73
C	29,982	(2,703)	27,279	25,421.45	8:9	22,596.84
D	14,977	(819)	14,158	13,335.70	9:9	13,335.70
E	8,643	(361)	8,282	7,888.45	11:9	9,641.44
F	4,000	(50)	3,950	3,767.40	13:9	5,441.80
G	2,603	(82)	2,521	2,408.40	15:9	4,014.00
H	163	(54)	109	100.65	18:9	201.30
	237,900	(14,672)	223,228	200,789.55		157,317.61
Less: Allowance for non-collection						(3,932.94)
Add: Defence-exempt properties						6.70
Tax Base for the calculation of 2011/12 Council Tax						153,391.37

2010/11 – Comparative Information						
Band	Number of Properties in Band	Less Reductions	Chargeable Dwellings	Adjusted Chargeable Dwellings	Proportion of Band D Tax	Band D Equivalent Dwellings
Disabled Band A		480	480	437.75	5:9	243.19
A	139,873	(8,674)	131,199	115,069.85	6:9	76,713.23
B	37,101	(2,630)	34,471	31,768.90	7:9	24,709.14
C	29,676	(2,614)	27,062	25,232.15	8:9	22,428.58
D	14,928	(780)	14,148	13,331.15	9:9	13,331.15
E	8,534	(338)	8,196	7,816.85	11:9	9,553.93
F	3,988	(42)	3,946	3,762.35	13:9	5,434.51
G	2,593	(94)	2,499	2,391.15	15:9	3,985.25
H	161	(57)	104	96.65	18:9	193.30
	236,854	(14,749)	222,105	199,906.80		156,592.28
Less:	Allowance for non-collection					(3,914.81)
Add:	Defence-exempt properties					4.10
Tax Base for the calculation of 2010/11 Council Tax						152,681.58

The income of £228.5m for 2011/12 (£227.6m 2010/11), which is net of write offs, is receivable from the following sources:

2010/11 £000		2011/12 £000
181,645	Billed to Council Tax Payers (net of write offs)	182,113
45,988	Council Tax Benefits	46,425
227,633	Total	228,538

02. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specify an amount of 43.3p in 2011/12 (41.4p 2010/11) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Fund on the basis of a fixed amount per head of population.

The NNDR income of £197.4m for 2011/12 (£184.7m 2010/11) (after allowing for relief's and provisions) was based on a total rateable value for the Council's area of £530,055,973 for the year (£530,591,365 for 2010/11).

03. Breakdown of Collection Fund (Surplus) / Deficit

The following table provides an analysis of the final collection fund (surplus) / deficit.

2010/11	Authority	2011/12
£000		£000
266	Sheffield City Council	(1,055)
27	South Yorkshire Police Authority	(107)
12	South Yorkshire Fire and Rescue Authority	(48)
305	Total	(1,210)

Glossary

Term	Definition
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.
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.
Capital Expenditure	Expenditure that is incurred to create or add value to a non current asset.
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 mainly from Council Tax, National non-domestic rates and payments to the General Fund.

Community Assets	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	An amount owed by the Council for work done, goods received or services rendered, but for which no payment has been made.
Debtors	An amount owed to the Council for work done, goods received or services rendered, but for which no payment has been received.
Defined Benefit Scheme	A pension or other retirement benefit 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	IFRS does not have a consistent definition of fair value as different definitions apply in different circumstances. However, the general definition is: Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Finance Lease	An agreement that transfers all the risks and rewards of ownership of an asset. 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 covers both financial assets and financial liabilities and includes both the most straightforward financial assets such as trade receivable (debtors) and trade payable (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.
Hire Purchase	An agreement for the hire of an asset that contains a provision giving the Council the option to acquire the legal title to the asset upon the fulfilment of certain conditions stated in the contract.
Impairment	A reduction in the value of a non current asset below its carrying amount on the Balance Sheet.
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: <ul style="list-style-type: none"> • in the form of materials or supplies to be consumed in the production process 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.
Net Book Value	The amount at which non current assets are included in 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 poundage, Local Authorities collect the sums due, but the proceeds are pooled to Central Government, who redistribute the sums back to Authorities on a pro-rata basis to the Council's population.
Operating 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.
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 dependent upon the situation, though key indicators of related parties are if: <ul style="list-style-type: none"> • One party has direct or indirect control of the other party • One party has influence over the financial and operating policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.
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	The cost of running Local Council services within the financial year, 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.

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

Opinion on the Authority financial statements

I have audited the financial statements of Sheffield City Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Sheffield City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director of Resources and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Sheffield City Council as at 31 March 2012 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 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Sheffield City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

[Signature]

John Prentice
District Auditor

Audit Commission
3 Leeds City Office Park
Holbeck
Leeds
LS11 5BD

September 2012

Note – the final wording of the auditor's report will depend upon the outcome of outstanding work, particularly on the potential objections, and will not necessarily be an unqualified opinion as included above.



Resources

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John Prentice

District Auditor

Audit Commission

c/o Sheffield City Council

Room 403 Town Hall

Pinstone Street

SHEFFIELD

S1 2HH

Dear John,

Sheffield City Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Sheffield City Council the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31st March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice for Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in Appendix 3 of the Annual Governance Report are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance and we have agreed it appropriate to resolve the misstatements in next years accounts.

Supporting records

I have made available all relevant information and access to persons within the Council has been made available to you for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Council.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

There have been no instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

For the assumptions, I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the process;

- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council, where relevant to the accounting estimates and disclosures;
- the disclosures relating to the accounting estimates are complete and appropriate under the Code; and
- that no subsequent event requires adjustment to accounting estimates and disclosures included within the financial statements.

Related party transactions

I confirm that I have disclosed the identity of Sheffield City Council related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Comparative financial statements

A restatement of £10m was made to correct a misstatement in the prior period financial statements. Written representations previously made in respect of the prior period remain appropriate.

Signed on behalf of Sheffield City Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 26th September 2012.

Signed

Name Laraine Manley

Position Executive Director of Resources

Date 26th September 2012

Signed

Name Cllr Ray Satur

Position Chair of Audit Committee

Date 26th September 2012