

**SHEFFIELD CITY COUNCIL**

**STATEMENT OF ACCOUNTS**

**2021/22**

**Audited**

**For the period**  
**1 April 2021 to 31 March 2022**

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## Narrative Report by the Director of Finance and Commercial Services

### 1) INTRODUCTION

#### Purpose of the Narrative Report

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

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

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

### 2) THE IMPACT OF THE PANDEMIC

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

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

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

Figure 1. COVID-19 related grants and their purposes

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

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

### 3) SHEFFIELD AS A PLACE

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

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

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

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

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

#### 4) SHEFFIELD CITY COUNCIL

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

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

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

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

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

The Council employs approximately 8,800 people in full-time and part-time positions, with a further 4,900 people approximately employed by schools. The Council is committed to ensuring that its workforce is representative of the communities that it serves, and whilst this is not yet fully the case, we are taking significant steps through our workforce planning, recruitment, learning and development, and employee engagement work to rapidly improve this picture.

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

## 5) THE CITY COUNCIL'S CORPORATE AIMS AND OBJECTIVES

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

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

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

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

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

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

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

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

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

### [Our Sheffield Delivery Plan 2022-23](#)

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

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



## 6) PERFORMANCE

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

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

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

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

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

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

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

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

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

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

## 7) FINANCIAL HIGHLIGHTS

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

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

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

**Figure 2. General Fund Service Savings by Portfolio**

<i>Portfolio</i>	<i>Approved Savings £m</i>
<i>People</i>	9.7
<i>Place</i>	4.6
<i>Resources</i>	0.6
<b>Total</b>	<b>14.9</b>

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

Figure 3. Financial results by Portfolio

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

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

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

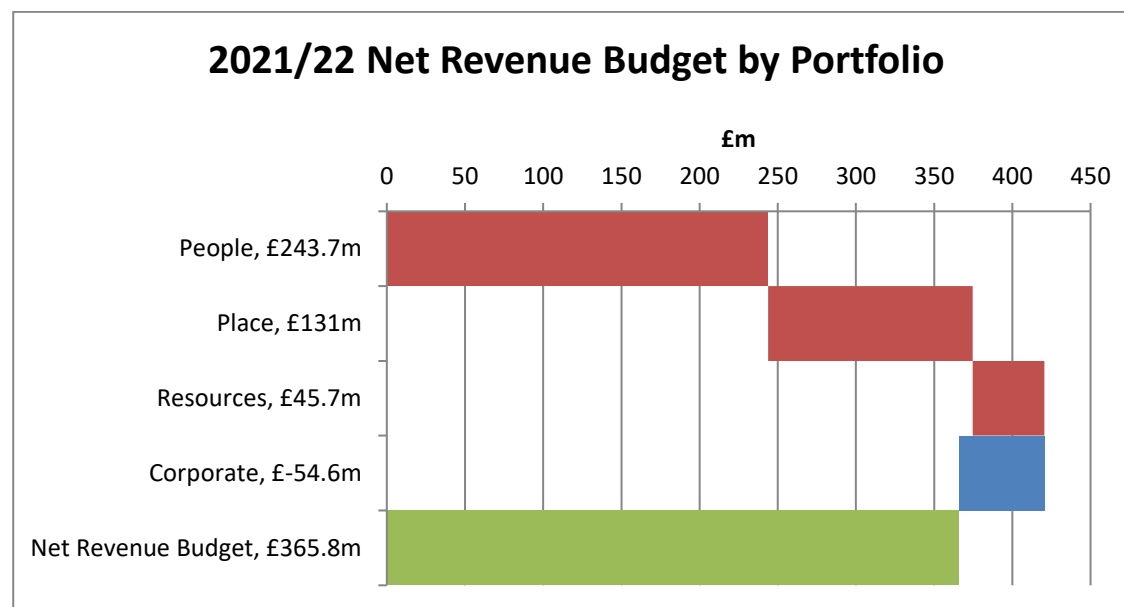


Figure 4 •shows the Net Revenue Budget of the Council for the financial year 2021/22 split by Portfolio, with the overall net revenue budget at £365.8m. It is worth noting this net budget is affected by a £55m collection fund account adjustment.

## CAPITAL EXPENDITURE

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

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

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

**Image 1: Grey to Green 2, improving flood resilience**



**Image 2: Improvements to Porter Brook Pocket park**



**Image 3: Revitalised playground at Norfolk Park**



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



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



**Image 6: Proposed council houses at Newstead**



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

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

[Strategy and Resources Policy Committee - Tuesday 5 July 2022 2.00 pm](#)

## 8) KEY SECTIONS INCLUDED IN THE STATEMENT OF ACCOUNTS

### Statement of Responsibilities

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

### Comprehensive Income and Expenditure Statement

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

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

### Movement in Reserves Statement

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

### Balance Sheet

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

### Cash Flow Statement

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



## **Expenditure and Funding Analysis Statement**

The statement shows how annual expenditure is used and funded from resources (Government grants, rents, Council Tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

## **Notes to the Core Financial Statements**

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

## **Housing Revenue Account (HRA)**

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

## **Collection Fund Statement**

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

## **Usable Reserves (Note 34)**

Reserves are reported in two categories, usable and unusable. This section is concerned with usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

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

## **Significant changes in accounting policies**

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

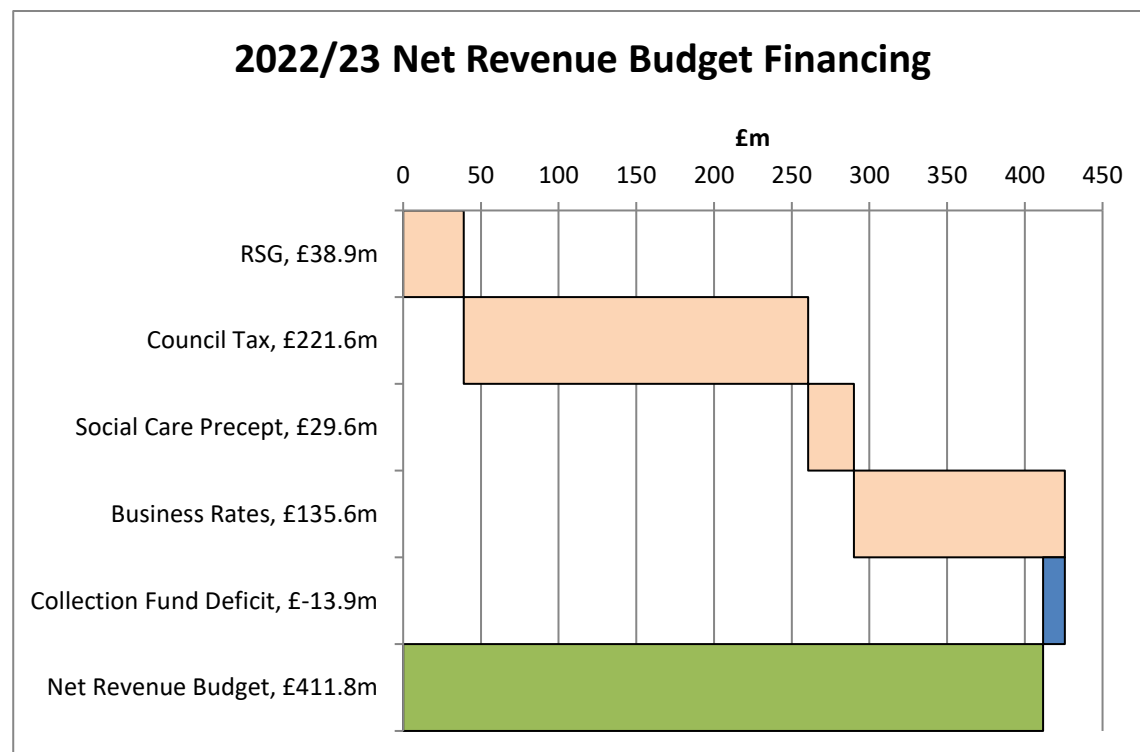
There have been no significant changes in accounting policies during 2021/22.

## 9) FINANCIAL OUTLOOK

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

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

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



## Local Government Finance Settlement

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

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

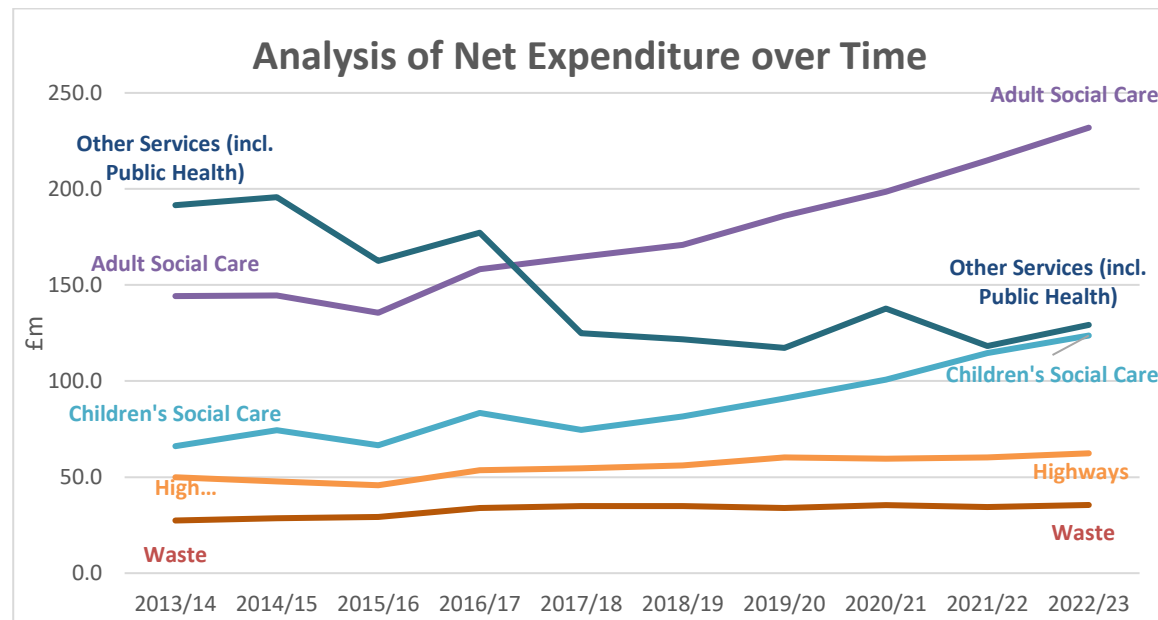
When compared to the early 2010s, the proportion of each of these income sources has changed significantly. Revenue Support Grant (RSG), funding from Central Government, has steadily reduced over the past decade, reducing from £192m in 2013/14 to £39m for 2022/23. As a result RSG now only accounts for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

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

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

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

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



### 10) KEY RISKS

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

We have identified the following key risks:

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

	solvent. Additionally, the impact of the COVID-19 Pandemic, Brexit and now the cost of living crisis have all added to the pressures.	Performance & Delivery Board on the financial position. This has enabled the Council to deliver to date whilst maintaining satisfactory level of reserves.
Service demands for both Adults and Children's & Families	The risks and resource requirements to meet increased demand within each Portfolio have been further impacted by external events e.g.: COVID-19. Services are very challenged due to reduced available staff, budget limitations etc.	Continual review and reporting of services and processes to maximise use of resources and manage caseloads.
Universal Credit (UC) – HRA & Council Tenants	The roll out of UC poses a significant financial risk to the HRA as income will be paid to tenants rather than directly to the HRA. Currently over 10,000 tenants have moved to UC and this could result in unpaid rent, increased arrears and reduced HRA income. The cost of living crisis will further impact this risk.	Extensive work has been undertaken with customers and stakeholders to minimise the impact UC has on rent arrears. This includes: <ul style="list-style-type: none"> <li>• Dedicated team to support new UC claimants.</li> <li>• Budgeting support.</li> <li>• Access to HRA hardship funds.</li> <li>• Supporting tenants to understand and make claims.</li> <li>• Promotion of DD as preferred payment method.</li> <li>• Close relationship with Sheffield Credit Union.</li> <li>• Close working with partners such as DWP, Citizens Advice.</li> </ul>
Health & Safety & Wellbeing in the Workplace	Having inadequate health, safety and wellbeing arrangements in place and failing to comply with statutory duties under Health & Safety legislation could lead to prosecution, intervention fees, litigation and reputational risk.	Continuous development, maintenance, improvement of the Health and Safety Management System (aligned to ISO 45001:2018 and HSE HS(G)65 Successful Health and Safety Management model Plan Do Check Act). <ul style="list-style-type: none"> <li>• Workplace audit and inspection programme.</li> <li>• Publication of risk information, risk assessments, Standard Operating Procedures, safe systems of work etc.</li> </ul>

		<ul style="list-style-type: none"> <li>• External audit and scrutiny through external auditors.</li> <li>• Health and Safety consultation meetings monitor performance.</li> </ul>
Supertram financial sustainability	Non provision of COVID-19 financial support could lead to Stagecoach Supertram ceasing or a significant reduction in Supertram services in Sheffield.	Work is ongoing with partners to look at the mitigations for this event both on day-to-day operations and renewal options.
Care Home Provider - Financial Sustainability	Unmanaged or closures of Care Homes, present significant risks to vulnerable residents.	<p>The Care Home strategic review has assessed future demand and recommended market management to reshape provision over the next few years to meet longer term demand and expectations.</p> <p>The volatility of the market due to high vacancies means part and whole provider led closures are still expected over the coming year. Although, intelligence gathering from care homes in the city suggests that these will be managed and ensure continuity of care for residents needing to move - and are less likely to result in market failure than previously feared.</p> <p>The overriding concern is the safety and welfare of residents.</p>
Home care provision	The Pandemic has exacerbated the challenges for home care in the city regarding recruitment and retention, alongside increasing demand for this type of care.	<p>A detailed Home Care Crisis Response Plan has been put in place with a wide range of risk treatments, across the short, medium and longer term, involving colleagues in a wide spectrum of health and social care.</p> <p>The adult social care home care transformation programme will deliver the systemic changes needed to ensure excellent quality and sustainable home care that will be contractually embedded in the re-procurement of homecare</p>

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

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

## 11) GOVERNANCE

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

## 12) CONCLUSION

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

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

Since the balance sheet date, the level of inflation in the UK and across much of the world has increased materially with CPI running at historically high levels and expected to continue to be high throughout the 2022/23 financial year. This will inevitably place additional strain on Council finances if



government funding does not increase to offset inflationary pressures. This strain will affect the Council in two ways, firstly direct and indirect cost pressures as prices and wages rise, but also because the financial hardship that inflation causes for people on lower incomes is likely to increase demand for Council services. At the time of writing, it is hard to assess the full impact, but this will have to be built into the Council's financial planning for 2023/24 and beyond.

### 13) FURTHER INFORMATION

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

[financialplanning&accounts@sheffield.gov.uk](mailto:financialplanning&accounts@sheffield.gov.uk)

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

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

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

## Statement of Accounts

## Statement of Responsibilities

### The Council's Responsibilities

The Council is required to:

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

### The Responsibilities of the Director of Finance and Commercial Services

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

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

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

The Director of Finance and Commercial Services has also:

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

Philip Gregory  
Director of Finance & Commercial Services (Section 151 Officer)  
25 March 2024

The Core Financial Statements

Comprehensive Income and Expenditure Statement (CI&ES)

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

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

### Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. It includes both revenue and capital usable reserves, most of which are held pending future spending commitments.

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

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

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

## Balance Sheet

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use. For example, the capital receipts reserve may only be used to fund capital expenditure or repay debt. The second category of reserves is unusable reserves i.e. those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

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

The Statement of Accounts was approved and authorised for issue by the Director of Finance and Commercial Services and the Audit and Standards Committee, in accordance with the Accounts and Audit (England) Regulations 2015 on 25 March 2024.

Philip Gregory  
Director of Finance & Commercial Services (Section 151 Officer)  
25 March 2024

Councillor Mohammed Mahroof  
Chair of the Audit & Standards Committee  
25 March 2024

## Cash Flow Statement

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

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



## Expenditure and Funding Analysis (EFA) Statement

The Expenditure and Funding Analysis (EFA) Statement is a supporting statement to the primary statements and shows how annual expenditure is used and funded from resources (Government grants, rents, Council Tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

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

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

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

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

## Notes to the Core Financial Statements

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

### 01. Prior Period Restatement

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

### 02. Events After the Reporting Date

The Statement of Accounts was authorised for issue by Philip Gregory, Director of Finance and Commercial Services on 25 March 2024. 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<sup>st</sup> March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### 03. Material Items of Income and Expense

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

### 04. Acquired and Discontinued Operations

#### Acquired Operations

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

#### Discontinued Operations

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

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

<b>2021/22</b>				
<b>Adjustments from General Fund to arrive at the CI&amp;ES Amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustment</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
People	10,390	17,970	(2,310)	26,050
Schools	0	6,827	0	6,827
Place (excluding HRA)	73,247	15,654	(33,961)	54,940
Policy, Performance & Communications	0	0	1,143	1,143
Resources	12,947	9,715	(18,846)	3,816
Corporate	37,537	22,418	10,513	70,468
<b>Total General Fund (GF)</b>	<b>134,121</b>	<b>72,584</b>	<b>(43,461)</b>	<b>163,244</b>
Housing Revenue Account (HRA)	81,567	0	0	<b>81,567</b>
<b>Net Cost of Services</b>	<b>215,688</b>	<b>72,584</b>	<b>(43,461)</b>	<b>244,811</b>
Other Income & Expenditure	0	0	0	<b>0</b>
<b>Difference between General Fund Surplus / Deficit and CI&amp;ES Surplus / Deficit</b>	<b>215,688</b>	<b>72,584</b>	<b>(43,461)</b>	<b>244,811</b>

<b>2020/21 Comparative Information</b>				
<b>Adjustments from General Fund to arrive at the CI&amp;ES Amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustment</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
People	19,212	13,176	(35,089)	(2,701)
Schools	0	5,697	3,485	9,182
Place (excluding HRA)	1,133	10,767	(415)	11,485
Policy, Performance & Communications	749	0	0	749
Resources	(20,513)	4,514	(5,489)	(21,488)
Corporate	12,115	26,336	110,421	148,872
<b>Total General Fund (GF)</b>	<b>12,696</b>	<b>60,490</b>	<b>72,913</b>	<b>146,099</b>
Housing Revenue Account (HRA)	(3,576)	0	0	<b>(3,576)</b>
<b>Net Cost of Services</b>	<b>9,120</b>	<b>60,490</b>	<b>72,913</b>	<b>142,523</b>
Other Income & Expenditure	0	0	0	<b>0</b>
<b>Difference between General Fund Surplus / Deficit and CI&amp;ES Surplus / Deficit</b>	<b>9,120</b>	<b>60,490</b>	<b>72,913</b>	<b>142,523</b>

## Adjustments for Capital Purposes

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

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

## Net Change for the Pensions Adjustments

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

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

## Other Differences

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

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

**06. Segmental Income**

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

**07. Expenditure and Income Analysed by Nature**

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

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

**08. Adjustments Between Accounting Basis and Funding Basis Under Regulations**

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

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

2020/21 – Comparative Information

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



## 09. Other Operating Expenditure

The following table provides a breakdown of Other Operating Expenditure:

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

## 10. Financing and Investment Income and Expenditure

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

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



## 12. Grant Income

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

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

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

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

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

### 13. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped to by the Department to fund academy schools in the council's area.

DSG is ringfenced and can only be applied to meet expenditure properly included in the School's Budget, as defined in the School Finance and Early Years (England) Regulations 2011. The School's Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2021/22 are as follows:

2021/22				2020/21 Comparative Information			
	Central Expenditure £000	Individual Schools Budget £000	Total £000		Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2021/22 before Academy recoupment	38,360	463,467	<b>501,827</b>	Final DSG for 2020/21 before Academy recoupment	32,911	430,891	<b>463,802</b>
Academy figure recouped for 2021/22	(2,094)	(283,143)	<b>(285,237)</b>	Academy figure recouped for 2020/21	(1,936)	(255,435)	<b>(257,371)</b>
<b>Total DSG after Academy recoupment for 2021/22</b>	<b>36,266</b>	<b>180,324</b>	<b>216,590</b>	<b>Total DSG after Academy recoupment for 2020/21</b>	<b>30,975</b>	<b>175,456</b>	<b>206,431</b>
Brought forward from 2020/21	12,555	0	<b>12,555</b>	Brought forward from 2019/20	11,530	0	<b>11,530</b>
Carry forward to 2022/23 agreed in advance	0	0	<b>0</b>	Carry forward to 2021/22 agreed in advance	0	0	<b>0</b>
<b>Agreed initial budgeted DSG distribution in 2021/22</b>	<b>48,821</b>	<b>180,324</b>	<b>229,145</b>	<b>Agreed initial budgeted DSG distribution in 2020/21</b>	<b>42,505</b>	<b>175,456</b>	<b>217,961</b>
In year adjustments	0	(478)	<b>(478)</b>	In year adjustments	0	109	<b>109</b>
<b>Final budgeted distribution for 2021/22</b>	<b>48,821</b>	<b>179,846</b>	<b>228,667</b>	<b>Final budgeted distribution for 2020/21</b>	<b>42,505</b>	<b>175,565</b>	<b>218,070</b>
Less Actual central expenditure	(40,343)	0	<b>(40,343)</b>	Less Actual central expenditure	(29,950)	0	<b>(29,950)</b>
Less Actual ISB deployed to schools	0	(179,846)	<b>(179,846)</b>	Less Actual ISB deployed to schools	0	(175,565)	<b>(175,565)</b>
<b>Plus Local Authority contribution for 2021/22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>Plus Local Authority contribution for 2020/21</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carry forward to 2022/23</b>	<b>8,478</b>	<b>0</b>	<b>8,478</b>	<b>Carry forward to 2021/22</b>	<b>12,555</b>	<b>0</b>	<b>12,555</b>

#### 14. Financial Instruments

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

## Financial Liabilities

All the Council's borrowing is presented in the Balance Sheet at amortised cost and represents the outstanding principal repayable plus accrued interest. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest.

## Financial Assets

Financial assets are classified based on a measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial asset i.e., those measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those assets whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

## Financial Instrument Balances

31 March 2021			31 March 2022	
Current £000	Long Term £000		Current £000	Long Term £000
<b>Financial Assets</b>				
120,000	0	- Investments	182,000	0
53	0	- Accrued Interest	92	0
<b>120,053</b>	<b>0</b>	<b>Total Investments (at amortised cost)</b>	<b>182,092</b>	<b>0</b>
144,601	0	- Short-term deposits	205,215	0
1	0	- Accrued Interest	72	0
<b>144,602</b>	<b>0</b>	<b>Total short-term deposits &amp; accrued interest (at amortised cost)</b>	<b>205,287</b>	<b>0</b>
99,666	4,674	- Debtors (at amortised cost)	104,084	4,268
0	103,636	- Debtors (at FVPL)	0	103,636
<b>99,666</b>	<b>108,310</b>	<b>Total Debtors</b>	<b>104,084</b>	<b>107,904</b>
<b>364,321</b>	<b>108,310</b>	<b>Total Financial Assets</b>	<b>491,463</b>	<b>107,904</b>
<b>Financial liabilities (at amortised cost)</b>				
(9,326)	(848,418)	- Borrowings	(8,000)	(890,418)
(7,651)	0	- Accrued Interest	(7,665)	0
0	(7,149)	- Accounting Adjustments	0	(7,071)
<b>(16,977)</b>	<b>(855,567)</b>	<b>Total borrowing</b>	<b>(15,665)</b>	<b>(897,489)</b>
(19,631)	(340,777)	PFI and finance lease liabilities	(20,657)	(320,120)
<b>(36,608)</b>	<b>(1,196,344)</b>	<b>Total other long-term liabilities</b>	<b>(36,322)</b>	<b>(1,217,609)</b>
<b>(107,066)</b>	<b>(43,605)</b>	<b>- Creditors</b>	<b>(124,566)</b>	<b>(40,783)</b>
<b>(143,674)</b>	<b>(1,239,949)</b>	<b>Total Financial Liabilities</b>	<b>(160,888)</b>	<b>(1,258,392)</b>
<b>0</b>	<b>96</b>	<b>Soft Loans Provided</b>	<b>0</b>	<b>78</b>

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

**Note 1** – Carrying amounts of financial instruments in the balance sheet include principal borrowed / lent, adjustments for breakage costs and accrued interest. For clarity accrued interest is identified separately.

**Note 2** - The value of debtors and creditors reported in the table are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 26 and 27 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

**Note 3** – Total Borrowing has Increased as £90m of new loans finance the Capital Programme and reduce the Under borrowed position.

## Soft Loans

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (CIES), which is debited to the appropriate service, for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the third party, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year (the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement).

The Council made a £141k cash flow loan to Manor & Castle Development trust at 0% interest which was less than market rates of approximately 1.65%. The soft loan balance and movement in 2021/22 consists exclusively of this loan.

The detailed soft loans information is shown in the table below:

31 March 2021		31 March 2022
£000		£000
114	<b>Opening Balance</b>	96
0	New Loans	0
2	Increase /(Decrease) in the Discounted Amount	2
0	Fair Value Adjustment	0
(20)	Loan Repayment	(20)
<b>96</b>	<b>Balance Carried Forward</b>	<b>78</b>
<b>101</b>	<b>Nominal Value Carried Forward</b>	<b>81</b>

## Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised,



losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Expected credit losses will be calculated on individual assets where reasonable to do so. Where the Authority cannot gather reasonable and supporting information without undue cost or effort to support expected credit losses on an individual basis, it will assess losses on a collective basis. The Adjustments made for Expected Credit losses are shown in the credit risk section below.

### Capitalisation of Interest

We have chosen to apply IAS 32 Financial Instruments, by capitalising borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of those assets. This is in line with our accounting policy for Property, Plant & Equipment set out in the Accounting Policies.

In accordance with this policy, we have capitalised interest of £4.72m (£3.48m 2020/21) using a capitalisation rate of 3.55% (3.86% 2020/21) in relation to the on-going development of the Heart of the City II Project (formerly referred to as the Sheffield Retail Quarter).

### Financial Instrument Gain / Losses

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

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

## Fair Value of Assets and Liabilities Carried at Amortised Cost

The borrowings and investments disclosed in the Balance Sheet are shown at amortised cost. Their fair value can be assessed by calculating the net present value (NPV) of the cash flows that take place over the remaining life of the instruments which provides an estimate of the value of payments in the future in today's terms. The calculations have been made using the following assumptions:

- The discount rate used was the market rates as at 31<sup>st</sup> March 2022 (using bid prices where applicable) for instruments with the same duration (i.e. equal to the outstanding period from valuation date to maturity), loan structure and terms as that of the comparable instrument.
- For loans from the Public Works Loan Board (PWLB) payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.
- As the purpose of the fair value disclosure is to provide a comparison with the carrying value in the Balance Sheet, accrued interest has been included in the fair valuation calculation as this is also reflected in the carrying amount. The accrued interest figure is calculated up to and including the valuation date.
- For loans receivable, the prevailing benchmark market rates have been used to provide the fair value.
- Interest is calculated using the most common market convention ACT/365.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the carrying amount.
- For fixed term deposits it is assumed that interest is received on maturity, or annually if duration is > 1 year.

The fair values calculated are:

31 March 2021			31 March 2022		
Carrying Amount £000	Fair Value £000		Fair Value of Liabilities	Carrying Amount £000	Fair Value £000
(548,854)	(682,342)	PWLB debt		(596,570)	(671,133)
(316,541)	(510,154)	Non-PWLB debt		(309,513)	(457,166)
(360,408)	(360,408)	PFI / PPP Liabilities		(340,777)	(340,777)
(150,671)	(150,671)	Creditors		(165,349)	(165,349)
<b>(1,376,474)</b>	<b>(1,703,575)</b>	<b>Total Financial Liabilities</b>		<b>(1,412,209)</b>	<b>(1,634,425)</b>

The table above reflected the aggregate position of Sheffield City Council's loan portfolio as at the Balance Sheet date. The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates applicable to similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31<sup>st</sup> March 2022) arising from the commitment to pay interest to lenders above current market rates.

Because interest rates have fallen, and the rates payable on our PWLB borrowing are fixed at the time we take out the loan, the amount we would have to pay to redeem our debt is higher than its actual (carrying) value in our accounts. This redemption value (also known as the fair value of the debt) is £671.1m. However, if we sought to pay off our fixed rate debt and replace it with new debt at current interest rates, we would have to pay prohibitive redemption penalties.

31 March 2021			31 March 2022		
Carrying Amount £000	Fair Value £000	Fair Value of Assets	Carrying Amount £000	Fair Value £000	
144,602	144,602	Short term deposits & Accrued Interest (at amortised cost)	205,287	205,287	
120,053	120,101	Investments (at amortised cost)	182,092	181,370	
104,340	104,340	Debtors (at amortised cost)	108,352	108,352	
103,636	103,636	Debtors (at FVPL)	103,636	103,636	
<b>472,631</b>	<b>472,679</b>	<b>Total Financial Assets</b>	<b>599,367</b>	<b>598,645</b>	

The Council holds Investments of £102m in short term loans to Other Local Authorities and £80m across four different call and fixed deposits accounts with UK banks. As the assets mature within 1 year, the fair values of the assets are not materially different from the carrying amount.

Other deposits were held in instant access accounts and Money Market Funds (MMFs) and are classed as Cash or Cash Equivalents.

## 15. Nature and Extent of Risks Arising from Financial Instruments

### Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- *Credit Risk* - the possibility that other parties might fail to pay amounts due to the Council.
- *Liquidity Risk* - the possibility that the Council might not have funds available to meet its commitments to make payments.
- *Re-financing Risk* - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest or terms.
- *Market Risk* - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

### Overall Procedures for Managing Risk

The Council's overall risk management procedures focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services.

The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code and CIPFA Code of Practice on Treasury Management in Public Services and investment guidance – issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Code of Practice on Treasury Management.
- By the adoption of a Treasury Policy Statement and treasury management clauses within the Council's Financial Regulations / Standing Orders / Constitution.
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing.
  - The maximum and minimum exposure in regard to the maturity structure of debt.
  - Its management of interest rate exposure.
  - The maximum annual exposures to investments maturing beyond a year.
- By approving an Investment Strategy for the forthcoming year setting out the criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 02/03/2022 and is available on the Council website.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies (covering areas such as Interest rate risk, credit risk and investment of surplus balances).

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which is available on the Council's website.

## Credit Risk Management Practices

The authority's credit risk management practices are set out in the Annual Investment Strategy, with particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies.
- CDS spreads to give early warning of likely changes in credit ratings.
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2021/22 was approved by Full Council and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £30m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all the Authority's deposits, but there was no evidence at the 31<sup>st</sup> March 2022 that this was likely to crystallise.

The changes in loss allowance for investments at amortised cost during the year are as follows:

Asset Class – Investments at Amortised Costs	12 Month Expected Credit Losses	Lifetime Expected Credit Losses - Not Credit Impaired	Lifetime Expected Credit Losses - Credit Impaired	Lifetime Expected Credit Losses - Simplified Approach	Total
	£000	£000	£000	£000	£000
<b>Opening balance as at 1 April 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,047</b>	<b>4,047</b>
Adjustment - ECL	0	0	0	0	0
<b>Adjusted opening balance as at 1 April 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,047</b>	<b>4,047</b>
Transfers:					
Individual financial assets transferred to 12 month ECL	0	0	0	0	0
Individual financial assets transferred to lifetime ECL	0	0	0	0	0
Individual financial assets transferred to lifetime ECL impaired	0	0	0	0	0
New financial assets originated or purchased	0	0	0	0	0
Amounts written off	0	0	0	0	0
Financial assets that have been de-recognised	0	0	0	0	0
Changes due to modifications that did not result in de-recognition	0	0	0	0	0
Changes in models/risk parameters	0	0	0	0	0
Other changes	0	0	0	(4)	(4)
<b>As at 31 March 2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,043</b>	<b>4,043</b>

The table below shows that the Council's outstanding investment balance as at 31<sup>st</sup> March 2022 was £182m, (£120m at 31<sup>st</sup> March 2021):

31 March 2021 – Comparative Information					31 March 2022			
	Financial Institution	Rating of Counterparty	Country	Gross Carrying Amount (£000)	Financial Institution	Rating of Counterparty	Country	Gross Carrying Amount (£000)
<b>12-month expected credit losses</b>	Barclays Bank	A	UK	20,000	Barclays Bank	A	UK	20,000
	Bank of Scotland	A+	UK	20,000	Bank of Scotland	A+	UK	20,000
	Santander	A	UK	20,000	Santander	A	UK	20,000
					Standard Chartered	A+	UK	20,000
	Local Authorities	AA-	UK	60,000	Local Authorities	AA-	UK	102,000

As at 31<sup>st</sup> March 2022 the Council held £20m with Barclays Bank (default risk 0.012%), £20m with Bank of Scotland (default risk 0.012%), £20m with Santander (default risk 0.004%), £20m with Standard Chartered (default risk 0.01%) and £102m with Local Authorities. Whilst immaterial this adds up to an expected loss of £8k across these investments. Expected losses with other authorities are required to be excluded.

Other funds held at the year end (£205.3m) were deposited with AAA Money Market Funds (MMFs) and an instant access account. As these funds offer instant access these deposits have been classified as Cash and Cash Equivalents in the accounts.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to its deposits.

The Council does not allow credit for customers therefore the value of £29.8m (£26.4m for 2020/21) shown in the following table are all debtors which are past their due date for payment. The past due amounts can be analysed by age as follows:

31 March 2021		31 March 2022	
	£000		£000
	10,198	Less than three months	12,361
	1,368	Three to six months	2,579
	4,586	Six months to one year	5,201
	10,208	More than one year	9,675
	<b>26,360</b>	<b>Total</b>	<b>29,816</b>

The Council's bad debt impairment at 31<sup>st</sup> March 2022 is £100.8m (£95.3m for 2020/21). Of this, £7.4m (£7.1m for 2020/21) relates to the above outstanding debt (please refer to Note 17 for further details).

## Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through comprehensive cash flow management system as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow needs and, whilst the PWLB provides access to longer term funds, the Council is also required to set a balanced budget in accordance with the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

All sums owing to the Council from funds deposited in MMFs and instant access account is £205.3m as at 31<sup>st</sup> March 2022 and offer instant repayment.

## Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved Treasury and Investment strategies address the main risks and the Treasury Management team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is:

2020/21			2021/22		
Principal	Accrued Interest	Principal plus Interest	Principal	Accrued Interest	Principal plus Interest
£000	£000	£000	£000	£000	£000
9,326	14,800	24,126	8,000	14,736*	22,736
8,000	0	8,000	10,000	0	10,000
40,369	0	40,369	42,068	0	42,068
79,921	0	79,921	86,472	0	86,472
720,127	0	720,127	751,878	0	751,878
<b>857,743</b>	<b>14,800</b>	<b>872,543</b>	<b>898,418</b>	<b>14,736</b>	<b>913,154</b>
		<b>Total</b>			

\* This includes £7,665k of accrued interest, the remaining balance is for the effective interest rate adjustment which reduces over the life of the underlying loans.

The maturity analysis of financial assets is:

2020/21			2021/22		
Principal	Accrued Interest	Principal plus Interest	Principal	Accrued Interest	Principal plus Interest
£000	£000	£000	£000	£000	£000
120,000	53	120,053	182,000	92	182,092
<b>120,000</b>	<b>53</b>	<b>120,053</b>	<b>182,000</b>	<b>92</b>	<b>182,092</b>
		<b>Total</b>			



Cash and Cash Equivalents are not shown in the above table.

All trade debtors and other payables are due to be paid in less than one year and are not shown in the above table.

## Market Risk

### Interest Rate Risk

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

- Borrowing at variable rates - the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowing at fixed rates - the fair value of the borrowing liability will fall (no impact on revenue balances).
- Investments at variable rates - the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- Investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances).

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

The Council has several strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposures. The Treasury Management team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns and the drawing of longer-term fixed rate borrowing would be postponed.

In order to minimise the Council's exposure to loan interest functions the Council's Treasury Management Strategy has set a limit of £120m worth of variable rate debt. At the 31<sup>st</sup> March 2022, the amount of variable rate debt was £120m.

If interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>£000</b>
Increase in interest payable on variable rate borrowings *	1,450
Increase in interest receivable on variable rate investments **	(2,658)
Increase in government grant receivable for financing costs*	0
Impact on Surplus or Deficit on the Provision of Services	<b>(1,208)</b>
Share of overall impact debited to the HRA***	(458)
Decrease in fair value of fixed rate investment assets****	0
Impact on Other Comprehensive Income and Expenditure *****	<b>0</b>
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)	<b>178,778</b>

**Notes:**

\*All of the borrowing raised from the PWLB and £161m of Market loans were at fixed rates in 2021/22 and as a result a change in interest rate on these loans would have no actual effect on the interest actually payable, the amount of government grant received and on the Comprehensive I&E Statement or HRA. There are a number of LOBO loans (£145m) which are out of their "fixed" period and onto calls which are shown in the accounts as variable (although in reality they are fixed at each call period until the next call, so are only affected by a change of interest rates when the loan is "called" at which point the Council would have the option to repay the loan without any premiums being payable. There were no LOBOs called during 2021/22. For the purposes of this note the average rate of these loans (4.67%) has been inflated by 1% to show the impact this may have.

\*\* Based on a 1% increase on the weighted average interest rate and investment balance for 2021/22.

\*\*\* HRA share is 37.90% of total interest payable which is charged to the HRA. Note that under Self Financing it is assumed that no investment balances are attributable to the HRA and therefore they do not benefit from an increase in interest receivable.

\*\*\*\* There were £102m fixed term investments held at the year end which were classified as fixed held with Local Authorities. There were four bank deposits totalling £80m, other investments held by the Council at the year end were in Money Market Funds (MMFs) or bank accounts which offer instant access to funds and therefore classified as Cash or Cash Equivalents on the Balance Sheet.

\*\*\*\*\* The 1% increase in the market rates, as provided in the Link Asset Services Fair Value sensitivity analysis, reduces the net market value of the deposits

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the note – Fair Value of Assets and Liabilities carried at Amortised Cost.

**Foreign Exchange Risk**

The Council has no material financial assets or liabilities denominated in foreign currencies and therefore no exposure to loss arising from movements in exchange rates. As at 31<sup>st</sup> March 2022 the Council has a euro denominated account although the balance was zero.

**16. Long Term Debtors**

The following is an analysis of Long Term Debtors:

31 March 2021 £000		31 March 2022 £000
3,990	Up Front Contributions for Private Finance Initiative (PFI) Schemes	3,551
31	Housing Advances	31
556	Charges Over Assets	556
28,930	Pension Prepayment (Note 45)	0
18,340	Sheffield City Trust Major Sporting Facilities Prepayment	9,170
103,636	Sheffield City Trust	108,519
2,212	Grosvenor - lease rental	1,748
	<i>Loans to Third Parties:</i>	
92	- Manor and Castle Development Trust	93
0	- Business Improvement District	56
1,783	- Sheffield Housing Company	1,783
	<i>LEP Growing Places Fund:</i>	
1,010	- Doncaster Council	0
1,178	- Gallium Finance	0
(2,188)	- Loan Provision for LEP Growing Places Fund	0
<b>159,570</b>	<b>Total</b>	<b>125,507</b>

**Sheffield City Trust**

There are two long term debtor balances relating to Sheffield City Trust, a prepayment and a debtor.

In 2013 the Council advanced Sheffield City Trust £101m to part fund the repayment of bank debt. Repaying the bank debt freed the Trust from the expensive leases that would have otherwise run to 2024, and which were funded by the Council via annual grant. This prepayment is being amortised over eleven years in line with the original lease arrangements. The total current value of the prepayment as at 31<sup>st</sup> March 2022 is £18.3m (£27.5m in 2020/21), £9.1m (£18.3m in 2020/21) is included above as a long term debtor and £9.1m (£9.1m in 2020/21) is shown as a short term debtor.

The debtor of £108.5m as at 31<sup>st</sup> March 2022 (£103.6m in 2020/21) represents the value of the Major Sporting Facilities property assets, which have been revalued in 2021/22 and which are currently held by Sheffield City Trust. The Major Sporting Facilities property assets are due to return to the Council in 2024 at which point they will be accounted for as Property, Plant and Equipment.

**17. Short Term Debtors**

31 March 2021			31 March 2022		
Total Debtors Gross	Less Impairments for Bad Debts	Net of Impairments	Total Debtors Gross	Less Impairments for Bad Debts	Net of Impairments
£000	£000	£000	£000	£000	£000
24,080	0	24,080	28,319	0	28,319
3,054	0	3,054	4,107	0	4,107
4,548	0	4,548	6,303	0	6,303
13,019	(10,476)	2,543	13,254	(10,519)	2,735
165,231	(62,070)	103,161	136,486	(69,738)	66,748
3,631	0	3,631	3,521	0	3,521
9,170	0	9,170	9,170	0	9,170
92,761	(22,722)	70,039	106,806	(20,530)	86,276
<b>315,494</b>	<b>(95,268)</b>	<b>220,226</b>	<b>307,966</b>	<b>(100,787)</b>	<b>207,179</b>

**18. Cash and Cash Equivalents**

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

31 March 2021		31 March 2022	
£000		£000	
15,038	Cash at Bank	7,370	
73	Petty Cash Floats	30	
144,601	Short Term Deposits	205,215	
1,085	Other	(79)	
<b>160,797</b>	<b>Total</b>	<b>212,536</b>	

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

**19. Short Term Creditors**

31 March 2021	31 March 2022
<b>£000</b>	<b>£000</b>
(122,730) Central Government Bodies	(117,947)
(4,657) Other Local Authorities	(4,454)
(437) NHS Bodies	(2,895)
(8) Public Corporations and Trading Funds	0
(4,489) Housing Tenants	(4,734)
(56,371) Local Taxpayers and NNDR	(51,184)
(10,203) Capital Projects	(11,457)
(10,632) Accumulated Absences	(11,271)
(91,931) Other Entities and Individuals	(101,201)
<b>(301,458) Total</b>	<b>(305,143)</b>

**20. Provisions and Deferred Credits**

The Council maintains the following provisions:

	Insurance	Business Rates Appeals	Termination Benefits	HRA - Week 53 Rent Deferred Credit	Other	Total
	£000	£000	£000	£000	£000	£000
<b>Balance</b> At 1 April 2021	(5,896)	(14,069)	(7)	(2,258)	(6,597)	(28,827)
Additional Provisions	0	(1,354)	(116)	0	(887)	(2,357)
Amounts Used	0	0	7	565	574	1,146
Unused Amounts Reversed	167	0		0	1,527	1,694
<b>At 31 March 2022</b>	<b>(5,729)</b>	<b>(15,423)</b>	<b>(116)</b>	<b>(1,693)</b>	<b>(5,383)</b>	<b>(28,344)</b>
<b>Comprising of:</b>						
Short Term	(3,950)	(5,141)	(116)	(564)	(2,336)	(12,107)
Long Term	(1,779)	(10,282)	0	(1,129)	(3,047)	(16,237)
	<b>(5,729)</b>	<b>(15,423)</b>	<b>(116)</b>	<b>(1,693)</b>	<b>(5,383)</b>	<b>(28,344)</b>

## Insurance

The Council operates an Internal Insurance Account covering a variety of risks.

The Council does not in general insure against the theft of the contents of its buildings and other property, although it does provide theft cover for computers in schools and for Art and Museum exhibits on loan to the Council.

## Business Rates Appeals

This provision covers Sheffield City Councils share of the national non-domestic rates appeals provision located within the Collection Fund. This is provided against outstanding appeals on the rateable value of properties within the city.

## Termination Benefits

This provision is for individuals who the Chief Officer Panel have approved to leave the Council via voluntary early retirement and voluntary redundancy. However, as at 31<sup>st</sup> March 2022 they have not yet left the Council.

## HRA - Week 53 Rent Deferred Credit

This account is used to annualise HRA rent. It is used to equalise out the 52 / 53 week years, giving greater stability to the HRA.

## Other

This balance represents the Council's other provisions and includes provisions for equal pay claims, business rates appeals, grant claw back, risks relating to the waste contract and various other smaller provisions.

## 21. Other Long Term Liabilities

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

31 March 2021		31 March 2022
£000		£000
(9,438)	Deferred liabilities – PFI deferred revenue	(15,598)
(34,167)	Deferred liabilities – Sheffield City Trust	(17,608)
<b>(43,605)</b>	<b>Total</b>	<b>(33,206)</b>

## Deferred Liabilities

As at 31<sup>st</sup> March 2022 the Council has recognised deferred revenue of £8.9m that relates to the Council's Waste PPP scheme and £6.7m that relates to the Council's Highways PFI scheme.

The Council also has a Long Term Creditor for Sheffield City Trust, reflecting the obligation to provide £140.4m of funding between 2014 and 2024 for the repayments of the bond financing of the Major Sporting Facilities. The outstanding liability as at 31<sup>st</sup> March 2022 is £34.2m (£49.7m as at 31<sup>st</sup> March 2021) of which £17.6m (£34.2m in 2020/21) is shown in this note, and £16.6m (£15.5m in 2020/21) in Short Term Creditors Note as due within 12 months.

## 22. Contingent Liabilities

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

### Sheffield Museums Trust

Museums Sheffield has merged with Sheffield Industrial Museums Trust to become Sheffield Museums Trust. In the event of a service determination notice the Council would have to pick up all of its assets and liabilities.

### Academies

Before a school converts to an academy, its board of governors signs a Commercial Transfer Agreement with the Council. This agreement is intended to ensure that all information on the staff, assets and contracts that are transferring to the academy are recorded and transferred to the academy trust so that the appropriate arrangements for payment of salaries, pension contributions, etc can be made. In relation to certain recent academy conversions, the Council agrees to consider in good faith reasonable requests on an individual basis to indemnify the relevant academies against losses reasonably incurred in connection with various employment claims. At this stage, there is no indication that the Council is exposed to a specific liability.

### Pensions

There are a number of organisations, such as Sheffield Museums Trust and Veolia, who have admitted body status with South Yorkshire Pension Authority (SYPA) for which the Council has guaranteed payments under the Local Government Superannuation Regulations 1995. This admitted body status is given, usually under TUPE (Transfer of Undertakings Protection of Employment) regulations, where the new employer of the staff transferred from the Council is not a Local Government Organisation and therefore not eligible to become an employing organisation within SYPA.

It is not possible to estimate the extent of the Council's liability under these agreements and in the normal course of events the Council believes that no calls on this contingent liability will arise. The indemnity is in place in case of unforeseen events happening whereby the new employing organisation cannot meet its obligation to the fund. The financial performance of the organisation having admitted body status and SYPA are monitored as a result.

### **Tax - Building Schools for the Future**

The Council has indemnified Notre Dame Academy against the potential for Her Majesty's Revenue & Customs (HMRC) to challenge the basis under which the school issued a VAT zero-rate certificate to the Council in September 2013. As part of the Building Schools for the Future (BSF) programme the Council, via a contractor, supplied new-build construction works to the school. These works can be supplied by the Council at the zero-rate for VAT purposes if the recipient of the works agrees to only use the new-build elements of the work for educational or charitable purposes for at least ten years. In issuing the certificate the school agreed to these provisions.

By issuing the certificate the school was able to mitigate paying £900k to HMRC in VAT costs. Had the certificate not been issued, the Council would have been obliged to fund this cost on the school's behalf during the financial year 2013/14. HMRC have agreed the process by which the certificate was issued.

The contingent risk for the Council lies in the school's continued commitment to only use the newly constructed buildings for charitable or educational purposes over the next ten years. Should the school not fulfil these commitments HMRC would seek to recover some of these VAT costs from the school. The indemnity passes this risk onto the Council. The Council's contingent liability will decrease by 10% for every year the conditions of the certificate are complied with. At 31<sup>st</sup> March 2022 this risk could be valued at £260k.

### **Business Rates Appeals**

The Council is required to provide an estimate of how much business rates income it will collect and therefore how much it will rely upon in setting the budget every year. This involves the Council's own assumptions about the levels of refunds that may be given and the levels of outstanding appeals. Both of these carry significant risk and will involve assumptions about performance in 2021/22 that will be based on experience of recent years and the most recent trends in how appeal cases have been settled over the last year.

The total Collection Fund provision for losses due to appeals amounted to £28.7m in 2020/21. In 2021/22 the total Collection Fund provision has been increased to £31.5m based on the currently outstanding cases.

It is extremely difficult to predict when new appeals may be lodged by ratepayers, and what the likely outcome and cost implications of these new appeals may be. Furthermore, the Council is affected by national issues outside of its control, for example due to case law or new legislation. It is not possible to estimate with certainty what the probable cost of these issues may be.



**23. Property, Plant and Equipment (PPE)**

Movements in 2021/22	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment (VPFE) £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	Total PFI Assets included in PPE £000
<b>Cost or Valuation:</b>								
At 1 April 2021	<b>1,488,278</b>	<b>500,619</b>	<b>93,282</b>	<b>3,227</b>	<b>244,765</b>	<b>146,432</b>	<b>2,476,603</b>	<b>85,613</b>
Additions - programmed investment	25,073	7,859	4,390	1,656	2,226	67,373	<b>108,577</b>	17
Revaluation increases / (decreases) recognised in the Revaluation Reserve	134,851	11,877	(397)	(6,295)	4,513	0	<b>144,549</b>	342
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	(104,373)	(690)	0	(3,012)	(2,421)	0	<b>(110,496)</b>	(109)
De-recognition – disposals	(17,780)	(9,235)	(1,911)	0	(3,758)	0	<b>(32,684)</b>	0
De-recognition – other	0	0	0	0	0	0	<b>0</b>	0
Reclassification and transfers	(1,297)	(453)	(41)	5,438	(3,587)	(3,519)	<b>(3,459)</b>	0
<b>At 31 March 2022</b>	<b>1,524,752</b>	<b>509,977</b>	<b>95,323</b>	<b>1,014</b>	<b>241,738</b>	<b>210,286</b>	<b>2,583,090</b>	<b>85,863</b>
<b>Accumulated Depreciation and Impairment:</b>								
At 1 April 2021	<b>0</b>	<b>(2,089)</b>	<b>(30,348)</b>	0	<b>(215)</b>	<b>0</b>	<b>(32,652)</b>	<b>0</b>
Depreciation charge	(25,024)	(13,205)	(5,612)	0	(3,960)	0	<b>(47,801)</b>	(3,681)
Depreciation written out to the Revaluation Reserve	7,598	8,451	2,687	117	2,295	0	<b>21,148</b>	3,509
Depreciation written out to the Surplus / Deficit on the Provision of Services	17,426	4,118	0	25	1,389	0	<b>22,958</b>	172
Impairment (losses) / reversals recognised in the Revaluation Reserve	(2,247)	0	0	0	0	0	<b>(2,247)</b>	0
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	2,247	0	0	0	0	0	<b>2,247</b>	0
De-recognition - disposals	0	14	1,911	0	27	0	<b>1,952</b>	0
De-recognition - other	0	0	0	0	0	0	<b>0</b>	0
Reclassification and Transfers	0	84	66	(142)	(8)	0	<b>0</b>	0
<b>At 31 March 2022</b>	<b>0</b>	<b>(2,627)</b>	<b>(31,296)</b>	<b>0</b>	<b>(472)</b>	<b>0</b>	<b>(34,395)</b>	<b>0</b>
<b>Net book value:</b>								
<b>At 31 March 2022</b>	<b>1,524,752</b>	<b>507,350</b>	<b>64,027</b>	<b>1,014</b>	<b>241,266</b>	<b>210,286</b>	<b>2,548,695</b>	<b>85,863</b>
At 31 March 2021	1,488,278	498,530	62,934	3,227	244,550	146,432	<b>2,443,951</b>	85,613

Movements in 2020/21 – Comparative Information	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment (VPFE) £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	Total PFI Assets included in PPE £000
<b>Cost or Valuation:</b>								
At 1 April 2020	1,339,202	551,372	93,095	3,816	222,819	105,236	2,315,540	93,165
Additions - programmed investment	16,486	10,942	5,055	729	6,122	47,661	86,995	6,375
Revaluation increases / (decreases) recognised in the Revaluation Reserve	157,702	(38,218)	(2,504)	(453)	24,786	0	141,313	(2,210)
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	(24,224)	(5,807)	0	(745)	(9,873)	0	(40,649)	(2,099)
De-recognition – disposals	(8,185)	(16,749)	(2,364)	0	(13,206)	(1,604)	(42,108)	(9,619)
De-recognition – other	0	0	0	0	0	0	0	0
Reclassification and transfers	7,297	(921)	0	(120)	14,117	(4,861)	15,512	0
<b>At 31 March 2021</b>	<b>1,488,278</b>	<b>500,619</b>	<b>93,282</b>	<b>3,227</b>	<b>244,765</b>	<b>146,432</b>	<b>2,476,603</b>	<b>85,612</b>
<b>Accumulated Depreciation and Impairment:</b>								
At 1 April 2020	0	(2,148)	(30,672)	0	(798)	0	(33,618)	(512)
Depreciation charge	(23,043)	(13,848)	(4,804)	0	(4,286)	0	(45,981)	(3,807)
Depreciation written out to the Revaluation Reserve	5,351	11,833	2,801	0	3,108	0	23,093	4,075
Depreciation written out to the Surplus / Deficit on the Provision of Services	17,693	1,668	0	0	1,809	0	21,170	146
Impairment (losses) / reversals recognised in the Revaluation Reserve	(13,064)	(15)	0	0	(2)	0	(13,081)	0
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	13,064	15	0	0	2	0	13,081	0
De-recognition - disposals	0	264	2,327	0	93	0	2,684	98
De-recognition - other	0	0	0	0	0	0	0	0
Reclassification and Transfers	(1)	142	0	0	(141)	0	0	0
<b>At 31 March 2021</b>	<b>0</b>	<b>(2,089)</b>	<b>(30,348)</b>	<b>0</b>	<b>(215)</b>	<b>0</b>	<b>(32,652)</b>	<b>0</b>
<b>Net book value:</b>								
<b>At 31 March 2021</b>	1,488,278	498,530	62,934	3,227	244,550	146,432	2,443,951	85,612
At 31 March 2020	1,339,202	549,224	62,423	3,816	222,021	105,236	2,281,922	92,653

## Depreciation

Depreciation is charged on a straight line basis over the useful life of the asset.

Depreciation is not charged in the year of acquisition. Likewise, depreciation on revaluations is only charged at the revised amount in the year following valuation.

## Capital Commitments

At 31<sup>st</sup> March 2022 the Council has entered into a number of construction contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 onwards, plus it's committed costs towards long term assets. Future years committed costs are £194m. The major commitments are:

31 March 2021		Notes	31 March 2022
<b>£000</b>			<b>£000</b>
4,120	Schools Refurbishment / Education Provision	<b>1</b>	2,701
55,023	Council Housing Investment / Growth	<b>2</b>	75,594
49,737	Leisure ( <i>includes MSF payments</i> )	<b>3</b>	37,033
15,876	Regeneration	<b>4</b>	64,234
1,674	Highways Infrastructure	<b>5</b>	4,741
4,864	Other Infrastructure		5,459
0	Social Care	<b>6</b>	1,548
<b>131,294</b>	<b>Total</b>		<b>191,310</b>

The main changes since 2020/21 are:

### 1. Schools Refurbishment / Education Provision

Reduction due to completion of major new school construction schemes.

### 2. Council Housing Investment / Growth

Increase in delivery of new council housing.

### 3. Leisure

Reduction relates to payment of 1 further year of MSF bond.

#### **4. Regeneration**

Increase in delivery of Heart of The City II Regeneration Scheme - Blocks H and A.

#### **5. Highways Infrastructure**

Increase due to progress on Transforming Cities Fund schemes and delivery of Clean Air Zone.

#### **6. Social Care**

New addition reflects new method of delivering backlog Disabled Facilities Grant works via principal contractors.

### **Revaluations**

The Council carries out a rolling programme of valuations that ensures all Property, Plant and Equipment required to be measured at Fair Value is revalued at least every five years. All valuations were carried out by Sheffield City Council Property Services under the supervision of Angela Glentworth (MRICS / Registered Valuer – Land and Property Manager) who has overall responsibility. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices, with the exception of the waste incinerator which requires a specialist plant valuation, carried out by Charterfields International Asset Consultants.

Individual asset lives were assessed having regard to the structural condition of the building, age and state of repair, compliance with current legislation and suitability for existing use.

Council Dwellings are measured at Existing Use Value - Social Housing based on freehold vacant possession values by Beacon and adjusted by a regional adjustment factor of 41%, as determined by the Department for Levelling Up, Housing & Communities (DLUHC).

As part of the 5 year rolling programme, 20% of the beacons have been revalued this year, as at 31<sup>st</sup> March 2022. A general market adjustment of 4.274% has then been applied to all remaining Council dwellings to give a value as at 31<sup>st</sup> March 2022.

For those categories reported at Fair Value or Current Value, the Council re-values the assets at least every five years, on a rolling programme of valuations. The following statement splits the value of those asset categories, into the years the assets were most recently valued.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	0	4,773	15,038	1,864	21,675
Valued at Fair Value as at:					
31 March 2022	1,524,752	472,307	48,989	130,496	2,176,544
31 March 2021	0	319	0	48,024	48,343
31 March 2020	0	4,572	0	33,124	37,696
31 March 2019	0	6,814	0	14,880	21,694
31 March 2018	0	18,565	0	12,878	31,443
<b>Total Cost or Valuation</b>	<b>1,524,752</b>	<b>507,350</b>	<b>64,027</b>	<b>241,266</b>	<b>2,337,395</b>

### Fair Value Hierarchy – Surplus Assets

Following the 2015/16 implementation of IFRS 13, Fair Value Measurement, the Council's surplus assets have been revalued to fair value as per the Council's 5 year rolling programme of valuations.

Details of the Council's Surplus Assets and information about the fair value hierarchy are as follows:

2021/22				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2022
	£000	£000	£000	£000
Assets valued using Market Approach	0	114,514	1,807	116,321
Assets valued by Income Approach - Ground Rents	0	24,475	0	24,475
Assets valued by Income Approach - Other	0	27,019	73,451	100,470
<b>Total</b>	<b>0</b>	<b>166,008</b>	<b>75,258</b>	<b>241,266</b>

<b>2020/21 - Comparative Information</b>				
<b>Recurring fair value measurements using:</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Fair value as at 31 March 2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Assets valued using Market Approach	0	138,296	102	<b>138,398</b>
Assets valued by Income Approach	0	29,221	75,000	<b>104,221</b>
De minimis Assets	0	1,740	191	<b>1,931</b>
<b>Total</b>	<b>0</b>	<b>169,257</b>	<b>75,293</b>	<b>244,550</b>

Prior to the implementation of the portfolio approach outlined in the section on valuation techniques below, some assets were considered to be de minimis for valuation purposes and therefore fell outside of the Council's 5 year rolling programme of valuations. All other Surplus Assets were held at fair value using either the market approach or the income approach. For 2021/22, the analysis of Surplus Assets into the fair value hierarchy and valuation basis was changed to reflect the current approach to the valuation of Surplus Assets, wherein there are no longer de minimis assets. The original presentation of the 2020/21 analysis has been retained above. If the net book value of Surplus Assets at 31 March 2021 was analysed in line with the new presentation, the analysis would be as follows:

<b>2020/21 – Comparative Information - Restated</b>				
<b>Recurring fair value measurements using:</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Fair value as at 31 March 2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Assets valued using Market Approach	0	138,244	293	<b>138,537</b>
Assets valued by Income Approach – Ground Rents	0	15,789	0	<b>15,789</b>
Assets valued by Income Approach - Other	0	15,224	75,000	<b>90,224</b>
<b>Total</b>	<b>0</b>	<b>169,257</b>	<b>75,293</b>	<b>244,550</b>

## Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year. The transfers between levels 2 and 3 are reconciled below.

Reconciliation of movements between Levels 2 and 3:

	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000
At 1 April 2021	169,257	75,293	244,550
Transfers between levels	(1,616)	1,616	0
Additions	1,647	579	2,226
Revaluation increases / (decreases)	4,680	1,096	5,776
De-recognition (disposals)	(3,724)	(7)	(3,731)
Transfers (to) / from other PPE categories	(3,613)	18	(3,595)
Depreciation charge	(623)	(3,337)	(3,960)
<b>At 31 March 2022</b>	<b>166,008</b>	<b>75,258</b>	<b>241,266</b>

## Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets

### Significant Observable Inputs – Level 2

Valuations conducted using the market approach and the income approach take account of current market conditions, in that recent sales prices / rentals achieved and other relevant information for similar assets in Sheffield or comparable cities are used as significant inputs to the valuation. Market conditions for these assets are such that similar properties are actively purchased, sold and leased, meaning that the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Since 2018/19, the Council has adopted a portfolio approach to the valuation of its freehold reversionary interests in land leased out on long-term low value ground rents. These assets are measured using the income approach, by means of the discounted cash flow method, whereby the future rental income expected to flow to the Council from the assets is discounted (using a market-derived discount rate) to establish the present value of the net income stream. In most cases, the valuation will also incorporate the present value of the reversion to market value or market rent at the end of the lease term. This approach has been developed using the Council's own data as well as by reference to current market comparables, factoring in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

### Significant Unobservable Inputs – Level 3

The majority of the value of assets categorised as Level 3 in the fair value hierarchy can be attributed to Grosvenor House, which forms part of the Heart of the City II regeneration programme. This asset is valued by external surveyors Cushman & Wakefield using an income approach, which relies on the Council's own data regarding annual rental figures, taking into account all information about market participant assumptions that is reasonably available, as opposed to direct market evidence which would be required to be classified as Level 2.

The remainder of the asset valuations categorised as Level 3 in the fair value hierarchy are historical, in that the assets were previously considered de minimis for valuation purposes, and are outside of the scope of the portfolio approach detailed above which has been adopted since 2018/19. As these valuations are not based on up-to-date market evidence and conditions, the inputs are considered to be unobservable. These asset valuations will be subject to ongoing review as part of asset register improvement projects with a view to being brought into the Council's 5 year rolling programme of valuations.

### 23A. Infrastructure Assets

#### Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets, because historical reporting and records were not kept in the format now required. Until further guidance is available reporting a net position is appropriate and provides the asset position for users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

2020/21			2021/22	
Infrastructure Assets £000	PFI Assets included in Infrastructure £000		Infrastructure Assets £000	PFI Assets included in Infrastructure £000
<b>Net Book Value (modified historical cost)</b>				
799,774	263,479	At 1 April	791,866	268,955
26,140	12,886	Additions - Programmed Investment	16,650	9,386
0	0	Derecognition - Other	(138,744)	0
(34,048)	(7,410)	Depreciation Charge	(34,955)	(7,732)
<b>791,866</b>	<b>268,955</b>	<b>Net book value at 31 March</b>	<b>634,817</b>	<b>270,609</b>



2020/21		2021/22
£000		£000
<b>Net Book Value at 31 March</b>		
791,866	Infrastructure assets	634,817
2,443,951	Other PPE assets	2,548,695
<b>3,235,817</b>	<b>Total PPE assets</b>	<b>3,183,512</b>

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

#### **24. Service Concessions – Private Finance Initiatives (PFI) and Public Private Partnership Arrangements (PPP)**

##### **PFI and Similar Contracts**

At 31<sup>st</sup> March 2022 the Council had seven long term contracts under Private Finance Initiative (PFI) arrangements. No new contracts were entered into in 2021/22. The financing models have the same methodology as set up in 2012/13.

The first PFI contract is for the provision of office accommodation at Howden House for a period of 30 years from February 2001. Payments will continue for the duration of the contract, subject to availability and performance related deductions and to contractually agreed inflation adjustments.

Five other PFI contracts are for the provision of schools. Schools Phase One PFI contract is for the provision of two primary schools and four secondary schools that opened during the financial year 2001/02. The contract is for 25 years. The Schools Phase Two PFI contract is for the provision of two secondary schools. The contract is for 25 years and became fully operational during the financial year 2005/06. The Schools Phase Three PFI contract for the provision of three secondary schools, which is for 25 years, became operational during the financial year 2006/07. The Building Schools for the Future (BSF) Wave One contract is for the provision of one secondary school for 25 years. It became operational in January 2009. The Bradfield School PFI contract, which is for 25 years, became operational during the financial year 2012/13.

The seventh PFI is the Highways PFI which is for 25 years and became operational during the financial year 2012/13. It covers the improvement and on-going maintenance of the city's roads, footways, highway trees, traffic signals, street lights, street furniture and street name plates. It also covers street cleaning, winter gritting and landscape maintenance.

The Council has another long term arrangement that is not PFI funded. This is for the collection and disposal of municipal waste and was entered into in August 2001, originally for 30 years but extended during 2004/05 to 35 years. The contract has now been extended to 37 years in 2017/18 resulting in the re-profiling of the principal and interest payments. In general, future payments are projected to increase in line with inflation, expected waste

tonnages and increases in Landfill Tax. In addition the contractor has introduced improved disposal facilities in order to meet statutory recycling and recovery targets, which resulted in peaks in the payments between 2005 and 2010 which have flattened out. The payments may be reduced by any shares in growth in the contractor's third party income and are subject always to any deductions for poor performance. This model has also been restated in year.

In accordance with the accounting policy for Private Finance Initiatives and Similar Contracts detailed in Accounting Policies, the seven PFI contracts and the integrated waste management contract have been reviewed and accounted for in accordance with the provisions of IFRIC 12 Service Concession Arrangements and other relevant CIPFA guidance. The fixed assets relating to these contracts and the liability for these fixed assets have been recognised on the Council's Balance Sheet.

### Payments made during the Year

The payments made during the year are summarised in the table below:

2020/21	2021/22					
Total	Repayment of Current Liability	Interest Charge	Service Charge	Contingent Rents	Lifecycle Costs	Total
£000	£000	£000	£000	£000	£000	£000
131,453	19,631	37,975	68,371	(4,482)	10,068	131,563

Note: Actual invoice payments totalled £132,087k. The difference of £524k reflects the deferred element during the year

### PFI Assets

The assets held under PFI and similar contracts are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant and Equipment balance in Note 23.

### PFI Finance Lease Liability

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

2020/21		2021/22
£000		£000
(372,667)	Value of the liability as at 1 April	(360,408)
(2,553)	Opening balance adjustment	0
14,812	Finance lease rental	19,631
<b>(360,408)</b>	<b>Value of liability as at 31 March</b>	<b>(340,777)</b>
	<b>Comprising of:</b>	

(19,631)	Short Term	(20,657)
(340,777)	Long Term	(320,120)
<b>(360,408)</b>		<b>(340,777)</b>

### PFI Payments Due to be Made

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

2020/21	2021/22						
Total	Repayment of Current Liability	Interest Charge	Service Charge	Contingent Rents	Lifecycle Costs	Total	
£000	£000	£000	£000	£000	£000	£000	
147,494	Within one year	20,657	36,203	70,301	12,115	11,126	150,402
619,828	Between two and five years	77,082	127,089	301,757	47,753	71,358	625,039
783,825	Between six and ten years	106,004	119,197	376,959	62,866	113,044	778,070
741,905	Between eleven and fifteen years	123,455	65,692	349,319	76,686	104,715	719,867
197,541	Between sixteen and twenty years	13,579	4,411	25,497	16,995	9,239	69,721
<b>2,490,593</b>	<b>Total</b>	<b>340,777</b>	<b>352,592</b>	<b>1,123,833</b>	<b>216,415</b>	<b>309,482</b>	<b>2,343,099</b>

Note: Actual payments due total £2,352,013k. The difference of £8,914k reflects the deferred element over the life of the contracts.

The details of the payments due under PFI contracts above are shown based on an estimate of the cash amounts that will actually be paid. Figures for 2021/22 show the estimated payments due calculated by the models in 2021/22 for 2022/23 onwards to the end of the contract's life.

**25. Heritage Assets**

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

2021/22	Reported at Cost		Reported at Valuation				
	Museums and Galleries £000	Civic Collections £000	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	Total Assets £000
<b>Cost or Valuation:</b>							
At 1 April 2021	22	48	50,000	1,000	3,651	60	54,781
Additions – programmed investment	0	0	1	0	12	436	449
Donated Assets	0	0	0	0	0	0	0
Revaluation increases / (decreases) in the Revaluation Reserve	0	0	0	0	110	0	110
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	0	(1)	0	(12)	(436)	(449)
Reclassification and transfers	0	0	0	0	0	0	0
<b>At 31 March 2022</b>	<b>22</b>	<b>48</b>	<b>50,000</b>	<b>1,000</b>	<b>3,761</b>	<b>60</b>	<b>54,891</b>
<b>Depreciation and Impairment:</b>							
At 1 April 2021	(6)	0	0	0	0	0	(6)
Depreciation	(1)	0	0	0	0	0	(1)
<b>At 31 March 2022</b>	<b>(7)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7)</b>
<b>Net Book Value:</b>							
At 31 March 2022	15	48	50,000	1,000	3,761	60	54,884
At 31 March 2021	16	48	50,000	1,000	3,651	60	54,775

2020/21 Comparative Information	Reported at Cost		Reported at Valuation				Total Assets £000
	Museums and Galleries	Civic Collections	Museums and Galleries	Civic Collections	Archives and Libraries	Public Realm	
	£000	£000	£000	£000	£000	£000	
<b>Cost or Valuation:</b>							
At 1 April 2020	22	48	50,000	1,000	3,511	60	54,641
Additions – programmed investment	0	0	0	0	1	1	2
Donated Assets	93	0	0	0	0	0	93
Revaluation increases / (decreases) in the Revaluation Reserve	0	0	0	0	140	0	140
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(93)	0	0	0	(1)	(1)	(95)
Reclassification and transfers	0	0	0	0	0	0	0
<b>At 31 March 2021</b>	<b>22</b>	<b>48</b>	<b>50,000</b>	<b>1,000</b>	<b>3,651</b>	<b>60</b>	<b>54,781</b>
<b>Depreciation and Impairment:</b>							
At 1 April 2020	(5)	0	0	0	0	0	(5)
Depreciation	(1)	0	0	0	0	0	(1)
<b>At 31 March 2021</b>	<b>(6)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6)</b>
<b>Net Book Value:</b>							
At 31 March 2021	16	48	50,000	1,000	3,651	60	54,775
At 31 March 2020	17	48	50,000	1,000	3,511	60	54,636

## Museums and Galleries

### Sheffield Museums

Sheffield's collections are of local, regional and national importance and are used in research, displays, exhibitions and public programmes. Over one million items are stored at a purpose-built facility and displayed across Sheffield Museums' six sites comprising Abbeydale Industrial Hamlet, Graves Gallery, Kelham Island Museum, Millennium Gallery, Shepherd Wheel and Weston Park Museum and also at the volunteer run Bishops' House. The collections comprise:

- **Designated Metalwork Collection** – some 13,000 items and the most extensive grouping of finished Sheffield made cutlery, flatware and hollowware in existence. The collection has national significance reflected in its designation status and is a powerful illustration of the City's world leadership in metalwork design, production and innovation.

- **Decorative Art Collection** – including approximately 3,000 examples of art, craft and design, British ceramics, glass, horology and an outstanding collection of Chinese carved ivories.
- **Visual Art Collection** – comprises over 6,000 items of British and European Art dating from the 1500s to the present, of which the most significant area is the Modern British collection. This includes key acquisitions by artists including Marc Quinn, Sam Taylor-Johnson, Hew Locke, Sutapa Biswas and Czech artist Katerina Seda.
- **Social History Collection** – has strong family and community connections with the people of Sheffield and comprises around 25,000 objects including ephemera, personalia, costume, domestic items, furniture, and approximately 1,500 watercolours, drawings, prints and oil paintings documenting the changing city.
- **Coins, Medals and Token Collection** – number around 8,000 items and owe their origin to the Sheffield Literary and Philosophical Society. It dates from Roman and Greek pieces to 20<sup>th</sup> 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 20<sup>th</sup> century and includes the Anglo Saxon Benty Grange Helmet.
- **Natural Sciences Collection** – is of major regional significance and comprises: Botany, Entomology, Geology, Osteology, Zoology and extensive data relating to collectors, field recording and meteorology comprising over 60,000 biological and geological records.
- **World Cultures Collection** – was acquired by nineteenth century Sheffield travellers and contains 2,000 items from across the globe.
- **Heavy Industries Collections** – cover the Iron and Steel Industry, the Armaments Industry, the Transport Collection, Scientific and Technological Research, Extraction and Refractory Industries and engineering. The museum holds a comprehensive collection of about 6,000 items which relate to the general production of steel and other metals and the manufacture of metal, particularly steel, products.
- **Light Trades Industries Collections** – are represented by items relating to cutlery manufacture, hollowware and tool making industries.
- **General Trades Collection** – covers a range of non-metal working industries, such as brewing, retail and food production. The collection numbering about 550 items represents Sheffield's other manufacturing industries, including, button making, bookbinding and printing, snuff making, watch and clock making, shoemaking and needle and pin manufacture.

- **Library, Archive and Ephemera Collections** – include the historic documents and plans, the historic photographs, paintings and films, published books and journals and the personal and ephemera of local peoples and companies.

### **Abbeydale Industrial Hamlet**

The Hamlet is a collection of buildings, associated machinery and objects relating to the manufacture of edge tools, especially scythes. The site is a Grade I Listed building and a Scheduled Ancient Monument. The buildings and machinery include a crucible shop, water powered tilt hammers, grinding hull, scythe riveting shop, blacking shop along with workers cottages and a manager's cottage.

### **Shepherd Wheel**

Shepherd Wheel is a restored example of a waterwheel that powered grinding workshops for table, domestic, pocket and pen knives. The wheel is 5.5 metres high by 2 meters wide and made of cast and wrought iron, elm and oak and bronze. The water to turn the wheel comes from the large dam where water is diverted from the River Porter. The waterwheel turned twenty grindstones and several 'glazing' stones. The grindstones were used to create a fine, sharp cutting edge on the blade. The final smoothing of the blade was done on the glazing stones, before they left Shepherd Wheel for polishing.

### **Bishops' House**

Bishops' House is a surviving example of a timber-framed house from the fifteenth century, typical of a large farmhouse or small manor house and is a Grade II listed building. Located at the top of Meersbrook Park, ownership passed to Sheffield City Council in 1886 and was used by the Parks authority until 1974. The house was then restored and has been open as a museum since 1976. It is run by the Friends of Bishops' House voluntary group.

### **Civic Collections**

The Civic Collections include commemorative items and gifts of silverware and paintings given to the city. There are also examples of products manufactured by Sheffield's industries. The artefacts are displayed throughout the Town Hall and include the statue of the first Lord Mayor of Sheffield, the 15<sup>th</sup> Duke of Norfolk and a marble bust of Queen Victoria located on the main staircase.

### **Archives and Libraries**

Sheffield Archives acts as the archive repository for the City Council and its predecessors from the 13th century to date. It is also an appointed Place of Deposit (POD) by the Ministry of Justice for the storage and management of archives from central government including the NHS, HM Courts and HM Coroner. In addition it is the repository for historical records of South Yorkshire Police, the Diocese of Sheffield and the Roman Catholic Diocese of Hallam. Also stored are the records of the South Yorkshire Archive Service which is funded by all four local authorities. Under the Local Government Act 1972 it also stores private records on loan or gifted to the City Council. Three collections are held on behalf of the Department for Digital, Culture,

Media & Sport (DCMS) under the Treasury's Acceptance in Lieu of Inheritance tax scheme. There are also significant collections of printed material from the 17<sup>th</sup> century onwards within the Central Library collections.

## Public Realm

The city's historic parks, grounds, woodlands and cemeteries are categorised as community assets for the purposes of these accounts but the many statues, monuments and archaeological features within, and throughout the city, are classed as Heritage Assets.

There are several Grade II listed monuments. Examples include the 1832 Cholera Monument in the Cholera Monument Grounds and the Jubilee Monument and Obelisk, and statue of Queen Victoria in Endcliffe Park. There are also many listed buildings, lodges, monuments and structures in Hillsborough Park, Firth Park, Graves Park, Weston Park (Trust), Norfolk Heritage Park, Sheffield General Cemetery and the Botanical Gardens (Trust).

There are many war memorials and plaques located around the city, including the cenotaph in the city centre and the Sheffield Battalion Memorial and Sheffield Memorial Park in the village of Serre in Western France.

Wincobank Hill and woods includes the site of an iron-age hill fort, with many other archaeological features recorded in the woodland and the Roman Ridge. Ecclesall Woods, as well as a local designated nature reserve for wildlife, contains a number of prehistoric and early historic monuments. Wheata Woods are also of archaeological importance, with sites ranging from bronze-age field systems, Romano-British settlements, post medieval quarry pits and bomb craters.

There are many contemporary pieces of public art in the city centre resulting from the on-going regeneration projects. The 'Cutting Edge' sculpture is an 81 metre long blade of polished stainless steel and art glass. Located in Sheaf Square, the station gateway, it is one of the largest stainless steel sculptures in the UK and was fabricated using Sheffield steel. Other important water features include the Barkers Pool fountain and 'Rain', nine stainless steel spheres, coated with a constant thin film of water which was commissioned in 2003 for Millennium Square. The prominent 'Goodwin Fountain' outside the Town Hall is dedicated to the philanthropists Sir Stuart and Lady Goodwin and has 89 individual jets of adjustable heights. There are many other examples of public art in the public realm, including sculptures, murals, decorative gates and railings.

## 26. Investment Properties

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

2020/21		2021/22
£000		£000
(750)	Rental income from investment property	(1,143)
<b>(750)</b>	<b>Net (gain)/loss</b>	<b>(1,143)</b>



The assets held as Investment Properties are known as the small and large format advertising hoardings contract. The Council are under separate Contracts for each format both of which derive a rental income and places responsibility on the company to pay the rates liability in respect of each site. The small format contract also affords the Council space to utilise the advertising space to promote City base events and activities.

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

2020/21		2021/22
£000	<b>Cost or Valuation</b>	<b>£000</b>
22,560	Balance at 1 April	19,160
(3,400)	Revaluations	(380)
<b>19,160</b>	<b>Balance at 31 March</b>	<b>18,780</b>

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

### Fair Value Hierarchy

To conform to the requirements of IFRS 13 Fair Value Measurement, details of the Council's investment properties and information about the fair value hierarchy as at 31<sup>st</sup> March 2022 are as follows:

2021/22				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2022
	£000	£000	£000	£000
Advertising Hoardings	0	18,780	0	18,780
<b>Total</b>	<b>0</b>	<b>18,780</b>	<b>0</b>	<b>18,780</b>

2020/21 Comparative Information				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2021
	£000	£000	£000	£000
Advertising Hoardings	0	19,160	0	19,160
<b>Total</b>	<b>0</b>	<b>19,160</b>	<b>0</b>	<b>19,160</b>

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

There were no transfers between Levels during the year.

### **Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties**

#### **Significant Observable Inputs – Level 2**

The fair value for the investment properties, i.e. the small and large advertising hoarding contracts, has been measured using the income approach. It has been established by taking the net direct revenue payable under the contract for the unexpired term of each Contract multiplied by a yield determined by market conditions, contractual terms and the covenant strength of the contracted party. They have been categorised at Level 2 in the fair value hierarchy as both Contracts have been subject to individual competitive tender exercises and the resulting revenues are the rate at which the specific sector assesses to be 'market value'.

#### **Highest and Best Use of Investment Properties**

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

#### **Valuation Techniques**

There has been no change in the valuation techniques used during the year for investment properties.

#### **Valuation Process for Investment Properties**

The fair value of the Council's investment property is measured annually at each reporting date. All valuations were carried out by Sheffield City Council Property Services under the supervision of Angela Glentworth (MRICS / Registered Valuer – Land and Property Manager) who has overall responsibility. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## **27. Intangible Assets**

The Council began to implement a new social care case management system from 2017/18. This has been accounted for as an intangible asset.

The intangible asset is amortised on a straight line basis over its useful life, as determined by the term of the software licence. Amortisation was not charged in the year of acquisition. The movement on intangible asset balances during the year is as follows:

2020/21		2021/22
<b>£000</b>		<b>£000</b>
	<b>Net Carrying Amount:</b>	
2,070	At 1 April	1,382
2	Additions	1
(690)	Amortisation charge	(691)
<b>1,382</b>	<b>At 31 March</b>	<b>692</b>

**28. Assets Held for Sale**

2020/21		2021/22
<b>£000</b>		<b>£000</b>
24,572	Balance at 1 April	8,312
(1,449)	Assets newly classified as Held for Sale from Property, Plant and Equipment	7,469
(14,063)	Assets declassified as held for sale	(4,010)
(748)	Assets sold	(4,087)
<b>8,312</b>	<b>Balance at 31 March</b>	<b>7,684</b>

**29. Capital Expenditure and Capital Financing**

The total amount of capital expenditure Incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI / PPP contracts), together with the resources that have been used to finance it. Where capital expenditure cannot be paid for immediately and is to be financed in future years by charges to revenue as the assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2020/21		2021/22
£000		£000
	<b>Capital Investment</b>	
113,135	Property, Plant and Equipment*	125,227
2	Intangible Assets*	1
2	Heritage Assets*	449
14,641	Sheffield City Trust	15,570
14,107	Revenue Expenditure Funded from Capital Under Statute	19,173
<b>141,887</b>		<b>160,420</b>
	<b>Sources of Finance</b>	
31,665	Government Grants and Other Contributions	41,994
19,245	PFI Lease Liability	9,386
25,150	Major Repairs Reserve	39,869
18,293	Capital Receipts Reserve	10,021
47,534	Borrowing	59,150
<b>141,887</b>		<b>160,420</b>
	<b>Capital Financing Requirement</b>	
1,536,014	Opening Balance	1,549,957
47,534	Borrowing in Year	59,150
(52,836)	Statutory / Voluntary provision for repayment of debt (MRP / VMRP)	(47,206)
19,245	PFI Liabilities recognised in year	9,386
<b>1,549,957</b>	<b>Closing Balance</b>	<b>1,571,287</b>

\* These figures match to the additions lines in Notes 23, 27 and 25 detailing movements on the non-current assets balances.

### 30. Leases and Lease Type Arrangements

#### Council as Lessee

##### Finance Leases

The Council has not classified any leases as Finance Leases excluding the PFI leases which are covered in note 24.

##### Operating Leases

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

2020/21		2021/22
<b>£000</b>		<b>£000</b>
432	Not later than one year	403
734	Later than one year and not later than five years	429
4,246	Later than five years	4,854
<b>5,412</b>	<b>Total</b>	<b>5,686</b>

The above principally consists of Council office accommodation leases.

#### Council as Lessor

##### Finance Leases

The Council has not classified any leases as Finance Leases.

##### Operating Leases

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

2020/21		2021/22
<b>£000</b>		<b>£000</b>
5,865	Not later than one year	5,898
22,553	Later than one year and not later than five years	22,736
62,320	Later than five years	57,117
<b>90,738</b>	<b>Total</b>	<b>85,751</b>

The above mainly consists of a large number of small value long term leases, principally for the lease of land and also Grosvenor House, the Heart of the City II property, offering mixed use multi-storey office, leisure and retail development.

### 31. Long Term Contracts

In addition to the PFI and similar contracts disclosed in Note 24, the Council has other Long Term Contracts in place.

In previous years the Council had an agreement with Sheffield City Trust (SCT) to meet the cost of arrangements that they had entered into with certain leasing banks in respect of the provision of funding for sporting facilities in the city. During 2013/14 the Council made prepayments of £101m to SCT in respect of this commitment with the objective of removing the bank from the revised arrangements. In addition the revised arrangements comprise annual payments from the Council to SCT, which will continue until 2024. Payments to SCT in year are detailed in Note 41, Related Party Transactions.

### 32. Impairment Losses

There were no impairment charges in 2021/22. However, there were reversals of previous impairments of £46m (£129m in 2020/21), mainly relating to an improvement to previous impairments on Council Dwellings.

### 33. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

		1 April 2020	Transfer Out 2020/21	Transfer In 2020/21	31 March 2021	Transfer Out 2021/22	Transfer In 2021/22	31 March 2022
	Note	£000	£000	£000	£000	£000	£000	£000
<b>Earmarked General Fund Reserves:</b>								
Schools Reserves	34	(26,304)	0	(3,241)	(29,545)	3,322	0	(26,223)
Revenue Grants and Contributions	34	(2,588)	0	(16,552)	(19,140)	1,265	0	(17,875)
<i>Other Earmarked Revenue Reserves:</i>								
- Insurance Fund	34	(10,352)	1,383	0	(8,969)	0	(1,970)	(10,939)
- New Homes Bonus (NHB)		(17,096)	0	(1,788)	(18,884)	0	(2,250)	(21,134)
- Major Sporting Facilities		(28,632)	0	(4,193)	(32,825)	0	(10,403)	(43,228)
- Invest to Save		(7,046)	0	(1,244)	(8,290)	7,415	0	(875)
- PFI Future Expenditure		(36,440)	3,507	0	(32,933)	4,083	0	(28,850)
- Public Health		(220)	0	(1,831)	(2,051)	0	(4,079)	(6,130)
- Service Area Reserves		(16,023)	0	(5,055)	(21,078)	0	(3,275)	(24,353)
- Children's and Adult Social Care		(3,454)	0	(966)	(4,420)	0	(1,417)	(5,837)
- Collection Fund		(19,560)	0	(62,165)	(81,725)	31,891	0	(49,834)
- Capital Charges		(10,885)	0	(3,000)	(13,885)	0	(1,500)	(15,385)
- Heart of the City II		0	0	0	0	0	(5,980)	(5,980)
- COVID-19 Grants		(17,418)	17,418	0	0	0	0	0
- Other Reserves		(62,587)	0	(25,350)	(87,937)	0	(7,770)	(95,707)
<b>Total</b>		<b>(258,605)</b>	<b>22,308</b>	<b>(125,385)</b>	<b>(361,682)</b>	<b>47,976</b>	<b>(38,644)</b>	<b>(352,350)</b>

**34. Usable Reserves**

The following table summarises the Usable Reserves balances:

31 March 2021		31 March 2022
£000		£000
	<b>Capital Reserves:</b>	
(65,564)	Capital Receipts Reserve	(78,652)
(98,837)	Major Repairs Reserve	(98,141)
(33,729)	Capital Grants Unapplied Reserve	(37,385)
(198,130)		(214,178)
	<b>Revenue Reserves:</b>	
(12,851)	General Fund	(12,851)
	Earmarked General Fund Reserves:	
(29,545)	Schools Reserves	(26,223)
(19,140)	Revenue Grants and Contributions	(17,875)
(312,997)	Other Earmarked Revenue Reserves	(308,252)
(7,782)	Housing Revenue Account Balance	(8,023)
(4,171)	Earmarked Housing Revenue Account Reserve	(1,953)
(386,486)		(375,177)
<b>(584,616)</b>	<b>Total</b>	<b>(589,355)</b>

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 33.



## General Fund Balance

The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with general accounting practice. The General Fund therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to fund HRA services.

The table below provides a breakdown of the General Fund:

31 March 2021		31 March 2022	
£000		£000	
(12,851)	General Balances Available	(12,851)	
<b>(12,851)</b>	<b>Total</b>	<b>(12,851)</b>	

The General Fund Balance was £12.9m at 31<sup>st</sup> March 2022, representing 3.5% of the 2021/22 net budget requirement of £365.8m. This is in line with the minimum prudent level recommended by the Director of Finance and Commercial Services. If the reserve is used, it will be replenished to the stated minimum level as soon as practically possible; the Council will always need a minimum level of emergency reserves.

External risks will be constantly assessed to ensure the minimum level of General Fund reserves remain appropriate. Sheffield incorporates risks such as revisions to the Fair Funding Formula and wider economic developments in establishing the above reserve level.

## Earmarked General Fund Reserves

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

31 March 2021	31 March 2022
£000	£000
(29,545) Schools Reserves	(26,223)
(19,140) Revenue Grants and Contributions	(17,875)
<i>Other Earmarked Revenue Reserves:</i>	
(81,725) - Collection Fund	(49,834)
(32,825) - Major Sporting Facilities	(43,228)
(32,933) - PFI Future Expenditure	(28,850)
(21,078) - Service Area Reserves	(24,353)
(18,884) - New Homes Bonus	(21,134)
(13,885) - Capital Charges	(15,385)
(8,969) - Insurance Fund	(10,939)
(2,051) - Public Health	(6,130)
0 - Heart of the City II	(5,980)
(4,420) - Children's and Adult Social Care	(5,837)
(8,290) - Invest to Save	(875)
(87,937) - Other Reserves	(95,707)
<b>(361,682) Total</b>	<b>(352,350)</b>

Earmarked reserves are set aside to meet known or predicted future liabilities. These liabilities mean that the earmarked reserves are not normally available to fund the budget or other measures.

Earmarked reserves are available to fund capital or revenue expenditure following approval by Cabinet. Expenditure is charged to the revenue or capital account when it is incurred and is financed by an appropriation from the reserve through the Movement in Reserves Statement.

A list of earmarked reserves, their purpose and proposed use are set out below.

- Schools Reserves: Schools' Earmarked Reserve consists of money that has been allocated under Local Management of Schools legislation, and which remains unspent at the year end. This reserve is not available to support General Fund expenditure.

- Revenue Grants and Contributions: Where a revenue grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution has been transferred to the Revenue Grants and Contributions reserve to support future spend.
- Collection Fund: This reserve has traditionally been required to cover potential reductions in Business Rate income following future successful appeals. This has decreased significantly in 2021/22 due to a £34.7m reduction in the retail relief funding from Government to be carried forward at year-end. £22.3m of the remaining balance relates to 2022/23 relief to be passed on to businesses. Due to the accounting arrangements involved it is required to carry this forward in earmarked reserves.
- Major Sporting Facilities: The Major Sporting Facilities (MSF) reserve exists because of the need to smooth the future significant payments due for the MSF debt (re: Ponds Forge, the Arena, Don Valley Stadium and Hillsborough Leisure Centre). Some money has also been set aside for the city's future leisure strategy.
- PFI Future Expenditure: The PFI reserve exists due to Government funding being received in advance to pay future years' liabilities. This income is set aside in a reserve until needed to ensure sufficient funds are available to cover the cost of contracts in future years.
- Service Area Reserves: These are a variety of service specific reserves agreed by Cabinet in previous years set aside for long term projects / plans, examples include the Workplace Accommodation Strategy and the Flexible Development Fund.
- New Homes Bonus (NHB): The Government pays all Councils NHB to incentivise them to bring empty properties back into use or encourage new housing to be built. The Council intends to use the payments to promote housing development and to fund economic growth projects. This reserve sets aside the payments until required for agreed projects, which now form part of the wider Community Investment Fund.
- Capital Financing Charges: Funds required to support borrowing, Minimum Revenue Provisions (MRP) and other associated costs for capital programmes including the major sporting facilities, Heart of the City 2 project and Highways PFI.
- Insurance Fund: This reserve contains funds required to cover the Council against potential litigation claims, for which, there is not enough certainty to create a provision in the accounts.
- Public Health: Public Health grant funding is given to the Council on a yearly basis and is restricted to spending on public health functions. The conditions of the grant specify that any surpluses must be carried to a reserve for use in future years – and any eventual use of these funds is restricted also to public health functions. The balance on this reserve therefore represents underspends in prior years.
- Heart of the City II: Funds set aside for future in costs in relation to the city's Heart of the City regeneration scheme.

- Children's and Adult Social Care: Social Care reserves are held to deal with transforming Social Care in Sheffield to better meet the much-publicised challenges facing the sector and to deal with unforeseen costs.
- Other Earmarked Reserves: Other Earmarked reserves include funds which are set aside to cover predicted liabilities such as redundancies, IT upgrades and to cover the risk of budget over spends.

### Housing Revenue Account Reserves

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

The table below shows the balance of the Housing Revenue Account Reserves:

31 March 2021	31 March 2022
<b>£000</b>	<b>£000</b>
(7,782) Housing Revenue Account Balance	(8,023)
(4,171) Earmarked Housing Revenue Account Reserve	(1,953)
<b>(11,953) Total</b>	<b>(9,976)</b>

### Capital Receipts Reserve

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

The table below shows the balance of the Capital Receipts Reserve:

31 March 2021	31 March 2022
<b>£000</b>	<b>£000</b>
(65,564) Capital Receipts Reserve	(78,652)
<b>(65,564) Total</b>	<b>(78,652)</b>

## Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources required to be used on HRA assets or for capital financing purposes. The balance on the reserve shows the resources that have yet to be applied at the year end.

The table below shows the balance of the Major Repairs Reserve:

31 March 2021	31 March 2022
<b>£000</b>	<b>£000</b>
(98,837) Major Repairs Reserve	(98,141)
<b>(98,837) Total</b>	<b>(98,141)</b>

## Capital Grants Unapplied Reserve

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

The table below shows the balance of the Capital Grants Unapplied Reserve:

31 March 2021	31 March 2022
<b>£000</b>	<b>£000</b>
(33,729) Capital Grants Unapplied Reserve	(37,385)
<b>(33,729) Total</b>	<b>(37,385)</b>

### 35. Unusable Reserves

The following table summarises the Unusable Reserves balances:

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

#### Capital Reserves

Capital Reserves are not available for revenue purposes and certain ones can only be used for specific statutory purposes.

#### Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost,
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

2020/21 £000		2021/22 £000
(610,103)	<b>Balance at 1 April</b>	<b>(738,042)</b>
(231,955)	Upward revaluation of assets	(193,990)
80,490	Downward revaluation of assets and impairment losses	30,430
<b>(151,465)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(163,560)</b>
9,930	Difference between fair value depreciation and historical cost depreciation	11,364
13,513	Accumulated gains on assets sold or scrapped	8,220
83	Other	0
<b>23,526</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>19,584</b>
<b>(738,042)</b>	<b>Balance at 31 March</b>	<b>(882,018)</b>

## Capital Adjustment Account

2020/21		2021/22
£000		£000
(1,075,578)	<b>Balance at 1 April</b>	<b>(1,085,295)</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the CI&amp;ES:</b>	
80,720	Depreciation of non-current assets	83,447
3,356	Revaluation losses of non-current assets	80,857
3,400	Movement in fair value of Investment Properties	380
14,107	Revenue expenditure funded from capital under statute	19,173
40,171	Non-current assets written off on disposal	173,563
141,754		357,420
	<b>Adjusting amounts written out of the Revaluation Reserve:</b>	
(9,930)	Difference between fair value depreciation and historical cost depreciation	(11,364)
(13,513)	Accumulated gains on assets sold or scrapped	(8,220)
(83)	Other	0
(23,526)		(19,584)
<b>(957,350)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(747,459)</b>
	<b>Capital financing applied in the year:</b>	
(18,293)	Use of the Capital Receipts Reserve to finance new capital expenditure	(10,021)
(25,150)	Use of the Major Repairs Reserve to finance new capital expenditure	(39,869)
(34,083)	Capital grants and contributions credited to the CI&ES	(38,419)
2,417	Application of grants and contributions from the Capital Grants Unapplied Reserve	(3,574)
(52,809)	Statutory provision for the repayment of debt	(47,179)
(27)	Voluntary provision for the repayment of debt	(27)
(127,945)		(139,089)
<b>(1,085,295)</b>	<b>Balance at 31 March</b>	<b>(886,548)</b>

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



The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 23 (PPE) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

### Deferred Capital Receipts Reserve

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

2020/21		2021/22
£000		£000
(53)	Balance at 1 April	(53)
0	Transfer to the Capital Adjustment Account	0
(53)	<b>Balance at 31 March</b>	<b>(53)</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is either the unexpired term that was outstanding on the loans when they were redeemed or the term of the replacement loan.

2020/21		2021/22
£000		£000
43,441	<b>Balance at 1 April</b>	<b>42,194</b>
(1,247)	Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	(1,250)
<b>(1,247)</b>	<b>Amount by which finance costs charged to the CI&amp;ES are different from finance costs chargeable in the year in accordance with statutory requirements</b>	<b>(1,250)</b>
<b>42,194</b>	<b>Balance at 31 March</b>	<b>40,944</b>

### Pensions Reserve

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

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

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2020/21		2021/22
£000		£000
(18,358)	<b>Balance at 1 April</b>	<b>52,933</b>
71,291	Amount by which Council Tax and Non-domestic Rate income credited to the CI&ES is different from Council Tax and Non-domestic Rates income calculated for the year in accordance with statutory requirements	(42,850)
<b>52,933</b>	<b>Balance at 31 March</b>	<b>10,083</b>

### 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<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2020/21		2021/22
£000		£000
9,302	<b>Balance at 1 April</b>	<b>10,632</b>
1,330	Amount by which officer remuneration charged to the CI&ES is different from remuneration chargeable in the year in accordance with statutory requirements	639
<b>10,632</b>	<b>Balance at 31 March</b>	<b>11,271</b>

### 36. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2020/21		2021/22
£000		£000
728	Interest Received	538
(89,300)	Interest Paid	(91,507)

### Adjustment for items in the net surplus / (deficit) on the provision of services for Non-Cash Movements

The following table provides a breakdown of the adjustment for non-cash movements figure shown in the Cash Flow Statement:

2020/21		2021/22
£000		£000
80,030	Depreciation	82,756
3,448	Impairment and downward valuations	80,857
690	Amortisation	691
524	Deferred revenue / deferred payment agreements	524
99,987	Increase / (Decrease) in creditors	17,570
(18,921)	(Increase) / Decrease in debtors	(25,954)
(190)	(Increase) / Decrease in inventories	(258)
60,489	Movement in pension liability	72,584
40,171	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	173,564
4,981	Other non-cash items charged to the net surplus or deficit on the provision of services	1,351
<b>271,209</b>	<b>Total</b>	<b>403,685</b>

### Adjustment for items in the net surplus / (deficit) on the provision of services that are investing or financing activities

The following table provides a breakdown of the adjustment for items that are investing or financing activities figure shown in the Cash Flow Statement:

2020/21		2021/22
£000		£000
(20,667)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(26,597)
(38,966)	Any other items for which cash effects are investing or financing cash flows	(45,649)
<b>(59,633)</b>	<b>Total</b>	<b>(72,246)</b>

**37. Cash Flow Statement – Investing Activities**

The cash flows for investing activities include the following items:

2020/21		2021/22
£000		£000
(109,271)	Purchase of property, plant and equipment, investment property and intangible assets	(124,422)
(169,500)	Purchase of short and long term investments	(122,000)
(826)	Other payments for investing activities	(58)
20,667	Proceeds from the sale of property, plant and equipment, investment property, intangible assets and deferred capital receipts	26,597
95,000	Proceeds from short term and long term investments	60,000
100,877	Other receipts from investing activities	79,966
<b>(63,053)</b>	<b>Net cash flow from investing activities</b>	<b>(79,917)</b>

**38. Cash Flow Statement – Financing Activities**

The cash flows for financing activities include the following items:

2020/21		2021/22
£000		£000
0	Cash receipts of short and long term borrowing	50,000
(18,785)	Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	(19,631)
(20,391)	Repayment of short and long term borrowing	(18,737)
(68,796)	Other payments for financing activities	31,152
<b>(107,972)</b>	<b>Net cash flow from financing activities</b>	<b>42,784</b>

**39. Pooled Budget Arrangements**

Section 75 of the National Health Services Act 2006 allows partnership arrangements between NHS bodies, Local Authorities and other agencies in order to improve and co-ordinate services. Generally each partner makes a contribution to a pooled budget, with the aim of focussing services and activities for a client group. Funds contributed are those normally used for the services represented in the pooled budget and allow the organisations involved to act in a more cohesive way.

NHS Sheffield Clinical Commissioning Group and Sheffield City Council entered into a Section 75 agreement covering the Better Care Fund with effect from 1st April 2015. This pool is hosted by Sheffield City Council.

The Better Care Fund was announced by the Government in the June 2013 spending round, to ensure a transformation in integrated health and social care. It creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their wellbeing as the focus of health and care services, and shifting resources into social care and community services for the benefit of the people, communities and health and care systems. The Sheffield Better Care Fund pool was constructed around seven themes focussed around the different areas of integration.

The 2021/22 Sheffield City Council value has had £82m of income added back to the position reported in year. This adjustment more accurately shows the gross resources of the pooled budget.

The following table summarises the contributions made by Sheffield City Council and the NHS Sheffield Clinical Commissioning Group into pooled budget arrangements, along with details of previous year's comparatives:

Service Area	2021/22			2020/21		
	NHS Sheffield CCG	Sheffield City Council	Total	NHS Sheffield CCG	Sheffield City Council	Total
	£000	£000	£000	£000	£000	£000
The Better Care Fund	300,888	237,845	538,733	280,844	214,938	495,782
<b>Total</b>	<b>300,888</b>	<b>237,845</b>	<b>538,733</b>	<b>280,844</b>	<b>214,938</b>	<b>495,782</b>

The memorandum account for the pooled budget is:

### The Better Care Fund

	2021/22 £000	2020/21 £000
<b>Income</b>		
NHS Clinical Commissioning Group	300,888	280,844
Sheffield City Council	237,845	214,938
<b>Total</b>	<b>538,733</b>	<b>495,782</b>
<b>Allocation of expenditure</b>		
Theme 1 - People Keeping Well in their Local Community	(13,049)	(14,886)
Theme 2 - Active Support and Recovery	(57,112)	(56,517)
Theme 3 - Independent Living Solutions	(10,095)	(9,632)
Theme 4 - Ongoing Care	(247,379)	(216,626)
Theme 5 - Adult inpatient Medical Emergency Admissions	(70,927)	(69,569)
Theme 6 - Mental Health	(133,721)	(124,448)
Theme 7 - Capital Grants	(6,450)	(4,104)
<b>Total</b>	<b>(538,733)</b>	<b>(495,782)</b>

### 40. External Audit Fees and Additional Audit Fees (Non Statutory)

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2020/21	2021/22
£000	£000
144 Fees payable with regard to external audit services carried out by the appointed auditor	144
47 Fees payable for the certification of grant claims and returns	54
3 Fees payable in respect of any other services provided over and above those listed above	3
<b>194 Total</b>	<b>201</b>

### 41. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might

have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

For Sheffield City Council, the main categories of related parties are other public bodies, or those organisations over which a Sheffield City Council Member or Chief Officer holds a position of general control or management. Sheffield City Council's material related party transactions in year 2021/22 amounted to net payments of £186m (£208m for 2020/21). All such material related party transactions are disclosed either individually or in aggregate below.

### Council Members

In respect of financial year 2021/22 a number of Council Members had a position of general control or management in organisations which generated related party transactions with the Council. Positions of general control or management can arise by way of ownership, or by acting as a director, trustee, board member, or partner of an organisation.

It may be noted that all members' pecuniary and non-financial interests which could conflict with those of the Council are open to public inspection as required by the Local Authority (Members Interests) Regulations 1992 (SI 1992/618) laid under section 19 of the Local Government Housing Act 1989. In addition, all contracts are required to fully comply with the Council's Standing Orders.

### Chief Officers

For the purpose of this disclosure the term 'chief officer' is defined as the Chief Executive, and the Executive Directors. The note also covers members of those officers' close families or households. One of the Council's chief officers declared a position of general control or management in a third-party organisation during the financial year as a Director for Learn Sheffield Ltd.

	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
Related Party	£000	£000	£000	£000	£000	£000
Total Related Parties	(27,865)	214,048	186,183	(3,435)	513	(2,922)



2021/22	Notes	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
		£000	£000	£000	£000	£000	£000
<b>Related Party</b>							
Aspiring Communities Together	1	(14)	203	189	1	0	1
Autism Plus	2	(1)	417	416	(1)	0	(1)
City of Sanctuary Sheffield	3	(1)	114	113	(1)	0	(1)
Disability Sheffield Centre	4	(2)	108	106	(1)	0	(1)
Fir Vale Children Centre	5	0	110	110	0	0	0
Heeley City Farm	6	(3)	560	557	0	0	0
Learn Sheffield	7	(67)	816	749	(8)	0	(8)
Manor and Castle Development Trust	8	(1)	1,340	1,339	0	1	1
Sheffield City Trust	9	(27)	26,291	26,264	(11)	0	(11)
Seven Hills Leisure Trust	10	0	356	356	0	0	0
Sheffield City Centre Bid	11	(71)	1,064	993	0	498	498
Sheffield Credit Union	12	0	261	261	0	0	0
Sheffield Futures	13	(1)	457	456	29	0	29
Sheffield Galleries & Museum	14	(80)	2,252	2,172	(7)	0	(7)
Sheffield Hallam University	15	(231)	414	183	(48)	0	(48)
Sheffield Housing Company	16	(709)	3,219	2,510	(113)	0	(113)
Sheffield International Venues	17	0	1,251	1,251	0	0	0
Sheffield United Community Foundation	18	0	79	79	0	(1)	(1)
Sheffield Wednesday Football Club Community Programme	19	0	186	186	0	0	0
SOAR	20	(2)	1,421	1,419	0	0	0
Tinsley Forum	21	0	71	71	0	0	0
University of Sheffield	22	(178)	541	363	(50)	2	(48)
Voluntary Action Sheffield	23	(1)	744	743	0	0	0

**Notes - relating to significant transactions**

- £32k on Adult Education Budget; £28.5k on transitional funding - learning; £20k SCC recovery fund; (£17k) adult education budget clawback.
- £403k day care support payments; £12k COVID-19 support payments.
- £45k SCC recovery fund; £37k total 1st and 2nd core grant; £20k COVID-19 response funding round 2 and 3.
- £15k SCC recovery fund; £20k COVID-19 response funding; £15k E&F grants.
- £107k Funded Early Learning (FEL) payments; £2k other childcare costs; £1k Early Years Professional Development training
- £119k for HAF summer delivery; £77k for winter HAF locality; £51k CWP payment to Heeley Trust.
- £349k education strategy payment; £123k Whole School contract payments; £52k trauma informed training; £65k Albion house costs; (£43k) PAS traded data service.
- £822k regeneration grants; £15k for operations; £211k Signpost Project; £292k Sunshine Pre-school
- £15.6m SCT Bond principal; £4.2m repairs to SIV venues; £2.9m SCT Bond interest; £2.4m SIV funding.
- £222k Golf courses & Concord; £67k SIV trust payment; £67k Seven Hills Leisure Trust payment.
- £582k Sheffield Business Improvement; £213k first 60% of NCD; £70k bid loan amount; (£66k) Winter Gardens monthly rent; (£20k) charge for bid billing and collection service.

12. £259k employee loan repayments via payroll deductions; £2k debt management services
13. £174k Star House license; £100k vulnerable young people funding grant; £71k Amber Project grant; £1121k Star House rent.
14. £1.4m Sheffield Museums trust payments; £339k Galleries & museums trust payment; £200k Sheffield museums trust lifecycle payment; (£25k) Acres Hill accommodation service charge; (£16k) services to Graves Art Gallery.
15. (£87k) secondment fees; (£49k) social work placements; (£39k) BID Levy; (£34k) RISE match funding; (£6k) lease income; £172k Funded Early Learning (FEL) payments; £120k Apprenticeship Levy payments; £53k behavioural research project funding; £30k RISE funding; £5k tuition fees
16. £3.2m HIF margin viability, Manor Cluster; (£646k) demand notice; (£20k) SHC services undertaken by SCC.
17. £1.2m Sheffield International Venues trust payments; £24k costs for hire of Ponds Forge for Council AGM.
18. £69k Healthy Activities with Food funding, £9k Active Through Football Consultation
19. £104k Healthy Activities with Food funding, £19k Alternative Provision funding
20. £295k summer HAF delivery in localities; £71k Burngreave Summer partner payments; £119k payments to CWP; £50k payment to SOAR for Resilient; £50k first half of PKW Payment.
21. £43k COVID-19 Recovery & Response Funding
22. (£38k) social work placements; (£37k) BID Levy; (£34k) RISE match funding; (£25k) contribution to Castlegate project; (£25k) contribution towards other project costs; (£10k) contribution to Sheffield City Partnership; (£3k) for transport services; (£1k) lease income; £177k Apprenticeship Levy payments
23. £192k Healthwatch VAS; £150k Community Champions grant payment; £132k INFRA grant; £155k payment to VAS for HAF NextGen Youth.

2020/21 Comparative information	Notes	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
		£000	£000	£000	£000	£000	£000
<b>Related Party</b>							
Amy's House Ltd	1	(4)	181	177	(3)	0	(3)
Aspiring Communities Together Ltd (ACT)	2	(1)	144	143	(1)	0	(1)
Ben's Centre for Vulnerable People	3	0	65	65	0	0	0
City of Sanctuary Sheffield	4	(1)	85	84	0	0	0
Disability Sheffield Centre	5	0	51	51	0	0	0
Great Places Housing Association	6	(76)	920	844	(29)	0	(29)
Heeley City Farm	7	(2)	289	287	0	0	0
Learn Sheffield	8	(179)	744	565	(9)	79	70
Sheffield Bid Company Ltd	9	(43)	566	523	(21)	49	28
Sheffield City Trust	10	(29)	27,701	27,672	(13)	0	(13)
Sheffield Futures	11	(8)	2,355	2,347	30	1	31
Sheffield Galleries & Museums Trust	12	(114)	1,762	1,648	(63)	0	(63)
Sheffield Industrial Museums Trust Ltd	13	(12)	502	490	(9)	0	(9)
Sheffield International Venues Ltd	14	(8)	1,285	1,277	(3)	0	(3)
Sheffield Theatres Trust	15	(12)	295	283	(14)	292	278
SOAR	16	(1)	665	664	0	0	0
The Adsetts Partnership c/o Autism Plus	17	(2)	238	236	0	0	0
Tinsley Forum	18	0	54	54	0	0	0

**Notes - relating to significant transactions**

1. £95k COVID-19 support, £72k SNIPS short break contract payments and uplift.
2. £35k Payment for adult education course delivery, £29k various ACT course fees.
3. £65k Core service grant.
4. £37k Core service grant, £23k top up grants.
5. £16k COVID-19 support and policy work, £15k E&F grant funding.
6. £590k Phase 5 loan draw down & £330k Phase 4 loan draw down payments. Income: £50k Sheffield Housing Company services undertaken by SCC.
7. £74k COVID-19 support payment.
8. £320k Commission payment for school improvement services, £148k whole school contract payment for 20/21. Income: £100k PAS data support, £36k annual crisis communication service provided to schools & £30k e-learning subscription.
9. £511k Year 6 levy fees for Sheffield Business Improvement District.
10. £18.44m Bond principal payment, £1.58million repairs to SIV venues.
11. £1.63m Core contract charges, £238k STAR house rent & charges.
12. £1.75m Grant payments. Income: £51k received for insurance costs, £33k services provided at Graves Park & £25k for Acres Hill accommodation charge.
13. £853k Grant payments.
14. £517k SIV funding, £516k SIV trust payment, £251k remodelling of EISS.
15. £292k Trust funding.
16. £123k SOAR Firth Park & Southey, £60k PKW dementia ITT, £50k Resilient Communities payment.

17. £158k COVID-19 support payments.  
18. £54k Grant Payment.

## Transactions with Other Public Bodies

The UK Government exerts significant influence over Sheffield City Council through legislation and grant funding. Transactions with central government and precepts and levies raised on behalf of other public bodies are detailed in notes to the Consolidated Income and Expenditure Account and Collection Fund. However, the following table shows the significant transactions with public bodies in the area:

2021/22	Notes	Receipts	Payments	Net Payments	Receivable	Payable	Net Assets
		£000	£000	£000	£000	£000	£000
<b>Related Party</b>							
NHS	1	(13,717)	22,149	8,432	(1,865)	5	(1,860)
Other Local Authorities	2	(4,863)	59,381	54,518	(539)	7	(532)
South Yorkshire Mayoral Combined Authority	3	(4,563)	35,840	31,277	(629)	0	(629)
South Yorkshire Fire & Rescue Authority	4	(4)	11,367	11,363	(5)	0	(5)
South Yorkshire Pensions Authority	5	(3)	8,256	8,253	0	0	0
South Yorkshire Police and Crime	6	(1,547)	29,124	27,577	(188)	0	(188)
SYLTE	7	(1,781)	5,656	3,875	0	0	0

### Notes - relating to significant transactions

- £3.8m reversal of a prior credit note; £630k Smokefree adults contract payment; £3.9m Sheffield Teaching Hospital costs; (£128k) Moorfoot Level 6 rent; (£4.6m HDP and Silver non-recurrent funding.
- £530k One Adoption fees; £453k P2S ESF grants; £450k P2P Ambition grants; £50k perpetrator contribution; £113k DBS checks; £64k out of city transport; £271k contribution to Emergency Planning Shared Service; (£386k) income from Wellington House; (£357k) from Coroner's service; (£441k) PPE stock settlement; (£819k) local authority accommodation short term care; (£1.01m) provision of furnished goods to RMBC; (£182k) provision of creative services; (£105k) TCP grant; (£71k) contribution to reparation & victim contract; (£62k) child school disability support; (£253k) mortuary services; (£226k) YORBUILD major work.
- £22.6m ITA levy; £4.3m repayment of SCR loan; £678k EZ Growth; £413k transport hub subscription; £377k repayment of SCR grant overclaim; £75k BASE subscription; (£1.8m) LTP grant income; (£314k) enterprise adviser network grant.
- £10.3m precept net of council tax deficit; £1.08m retained rates less NDDR deficit.
- £5.8m rechargeable pensions; £140k SYPA levy; £54k AFR costs.
- £28.8m precept net of council tax deficit; £130k IOM police contract; £68k Sheffield Community safety partnership.
- £597k zero fare bus passes; £144k annual contribution to the South; (£687k) COVID-19 related school travel; (£113k) permit charges, (£112k) SRP grant.

2020/21 Comparative information	Notes	Receipts	Payments	Net Payments	Receivable	Payable	Net Assets
<b>Related Party</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
NHS	1	(15,235)	24,630	9,395	(1,902)	39	(1,863)
Other Local Authorities	2	(4,549)	92,477	87,928	(575)	102	(473)
South Yorkshire Mayoral Combined Authority	3	(10,194)	30,983	20,789	45	0	45
South Yorkshire Fire & Rescue Authority	4	(9)	12,875	12,866	(3)	0	(3)
South Yorkshire Pensions Authority	5	(3)	9,805	9,802	(3)	0	(3)
South Yorkshire Police and Crime	6	(1,194)	28,430	27,236	33	0	33
SYLTE	7	(2,845)	5,732	2,887	(123)	0	(123)

#### Notes - relating to significant transactions

1. £8.75m Sheffield Children's Hospital NHS contract, £5.28m Substance misuse contract, £4.13m Sexual/oral health services. Income: £8.73m Independent living fund, £1.21m secure beds at Aldine house, £1m Adult social care purchasing
2. £30m loan payments to local authorities, £30m Deal payments to local authorities, £4.5m MET debt, £2.8m CAZ IF grant, £1.5m Superfast Sy phase 2. Income: 2.4m LTP grant funding, £1.4m Short term care - local authority accommodation, £568k Coroners service charges, £382k LRF PPE charges, £296k YORHUB related charges
3. £24.45m ITA Levy, £5.4m Deal 241&242 loan repayment costs. Income: £3.6m SCRIF grant funding, £2.6m Transforming cities fund, £2.3m LTP grant income, £325k active travel fund, £147k TIIF potholes challenge.
4. £10.46m Council tax receipt, £2.16m business rates surplus, £178k council tax surplus
5. £9.8m pensions, £26k levy
6. £27.7m Council tax precept
7. £3.5m SYLTE drawdown, £ 835k COVID-19 Bus services support grant, £520k Zero fare bus passes (schools & low income), £508k DFT funding, £144k contribution to safety camera partnership, £125k BBA grant repayment Income: £2.4m LTP grant, £278k SRP grant, £100k Better Buses grant, £83k Maintenance contribution (anti-skid & tram upgrades).

#### 42. Members' Allowances

The Council paid the following amounts to Council Members and Co-optees during 2021/22:

2020/21		2021/22
£000		£000
	<b>Councillors:</b>	
1,023	Basic Allowance	1,073
261	Special Responsibility Allowance	318
5	Expenses	13
<b>1,289</b>		<b>1,404</b>
	<b>Co-optees:</b>	
3	Basic Allowance	0
<b>1,292</b>	<b>Total</b>	<b>1,404</b>

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

#### 43. Officers' Remuneration

Under the Accounts and Audit Regulations 2015, Local Authorities are required to disclose information on their employees' remuneration in two sections.

The first section must contain the details of those officers defined in the Regulations as senior employees whose salary is above £50,000 per annum. Senior employees are typically categorised as statutory chief officers or non-statutory chief officers. The latter category typically includes those officers who report directly to the Chief Executive (excluding those whose duties are solely secretarial). In addition, those senior officers whose salary is above £150,000 are required to be named in this section.

The second section must include a disclosure of the numbers of other staff whose total remuneration (i.e. salary plus overtime and allowances, etc.) is above £50,000.

The remuneration paid to the Council's senior employees is shown in the table below:

2021/22						
Post Holder Information	Note	Salary – including Fees and Allowances £	Expenses Allowances £	Total Remuneration exc Pension Contributions £	Pension Contributions £	Total Remuneration inc Pension Contributions £
Chief Executive – Kate Josephs		204,311	0	204,311	38,819	243,130
Executive Director – Resources – Eugene Walker	1	158,051	0	158,051	30,294	188,345
Executive Director – People – John Macilwraith		156,637	0	156,637	29,761	186,398
Interim Executive Director – Place		134,420	0	134,420	25,540	159,960
Executive Director – Place (City Futures)	2	10,069	0	10,069	1,913	11,982
Director of Public Health		128,411	0	128,411	18,233	146,644
Director of Legal and Governance	3	98,301	0	98,301	18,464	116,765
Director of Policy and Performance	4	92,561	0	92,561	17,514	110,075
<b>Total</b>		<b>982,761</b>	<b>0</b>	<b>982,761</b>	<b>180,538</b>	<b>1,163,299</b>

**Notes:**

1. The Executive Director of Resources took up the role of acting Chief Executive on 16<sup>th</sup> February 2022.
2. The Executive Director of Place (City Futures portfolio) took up position with effect from 7<sup>th</sup> March 2022.
3. The Director of Legal and Governance in addition took up the role of Interim Executive Director of Resource on a job share basis from 16<sup>th</sup> February 2022.
4. The Director of Policy and Performance in addition took up the role of Interim Executive Director of Resource on a job share basis from 16<sup>th</sup> February 2022.

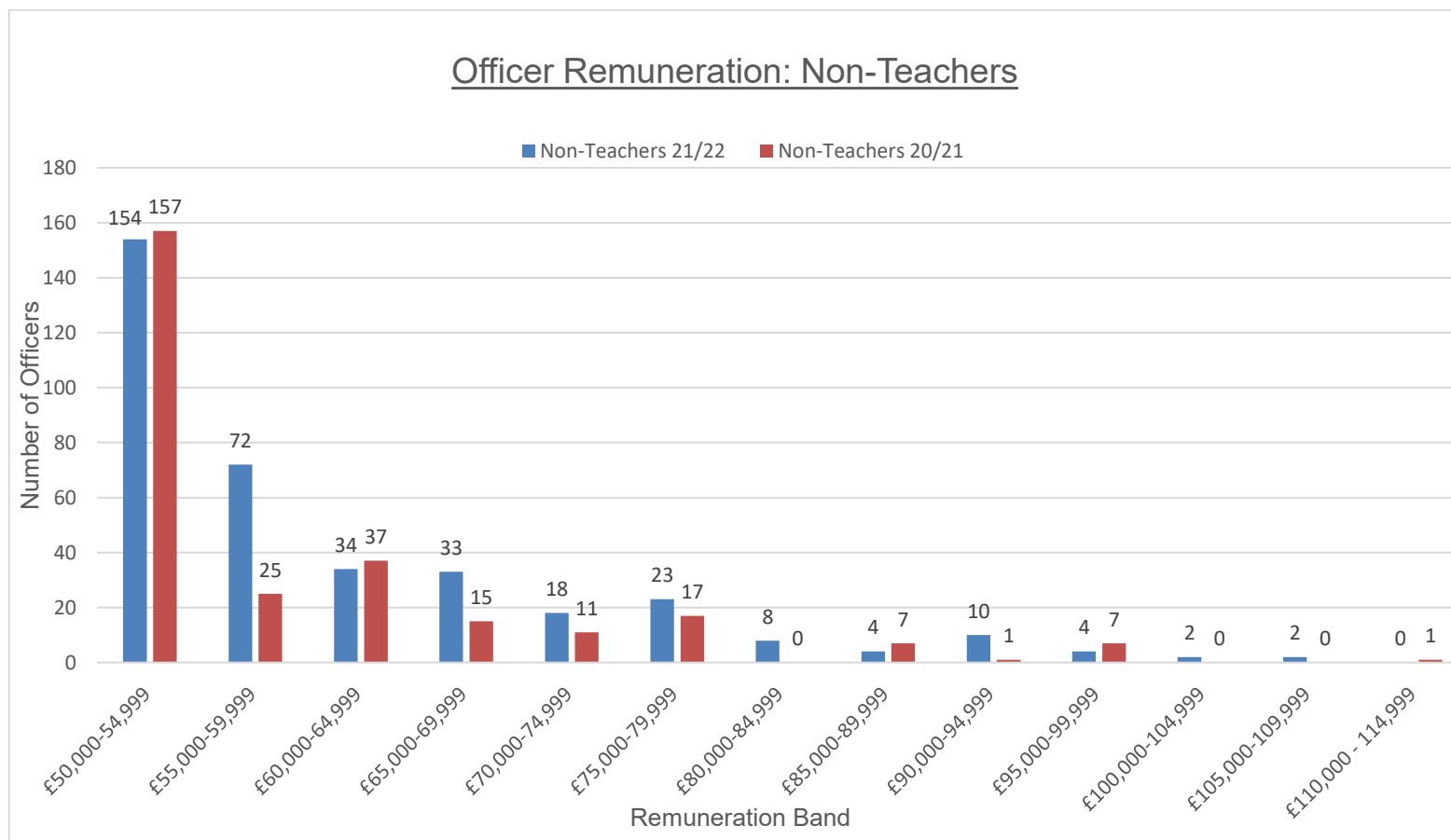
2020/21						
Post Holder Information	Note	Salary – including Fees and Allowances £	Expenses Allowances £	Total Remuneration exc Pension Contributions £	Pension Contributions £	Total Remuneration inc Pension Contributions £
Interim Chief Executive	1	134,069	0	134,069	0	134,069
Chief Executive – Kate Josephs	2	47,076	0	47,076	8,945	56,021
Executive Director – People – John Macilwraith		154,322	19	154,341	29,321	183,662
Executive Director – Place	3	113,516	0	113,516	21,568	135,084
Interim Executive Director – Place	4	30,157	0	30,157	5,730	35,887
Executive Director – Resources – Eugene Walker		149,295	0	149,295	28,419	177,714
Director of Public Health		125,261	55	125,316	18,007	143,323
Director of Policy and Performance		89,327	0	89,327	17,255	106,582
<b>Total</b>		<b>843,023</b>	<b>74</b>	<b>843,097</b>	<b>129,245</b>	<b>972,343</b>

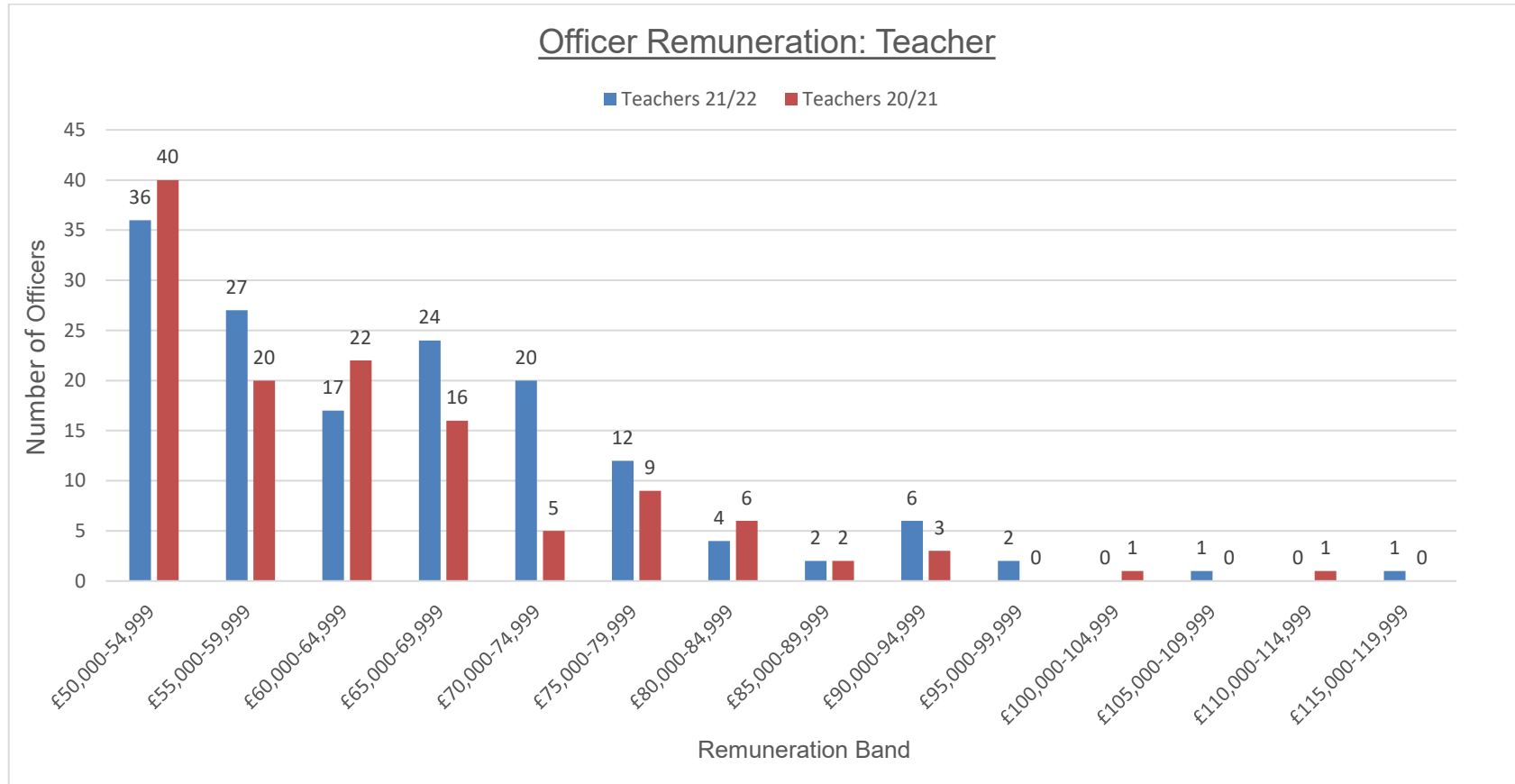
**Notes:**

1. The Interim Chief Executive took up office on 6th January 2020 (with a prior three-day handover period in December 2019) and stepped down at the full Council meeting on 7<sup>th</sup> October 2020. During the period between the Interim Chief Executive leaving and Kate Josephs starting position as the Chief Executive on 7<sup>th</sup> January 2021, the Chief Executive responsibilities were taken on jointly by The Executive Director - People and The Executive Director - Resources, neither of whom received additional remuneration for this role during the interim period.
2. The Chief Executive, Kate Josephs, took up office on 7<sup>th</sup> January 2021.
3. The Executive Director - Place left the position as of 31<sup>st</sup> December 2020.
4. The Interim Executive Director - Place took up position with effect from 6<sup>th</sup> January 2021.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:







#### 44. Termination Benefits

The Council terminated the contracts of a number of employees in 2021/22 incurring liabilities of £6.1m (£0.08m in 2020/21). This includes redundancy and pension payments.

This amount was payable to 172 people (4 people in 2020/21) from across the Council, who were made redundant as part of its strategy to reduce the workforce to achieve budget savings.

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

2020/21		2021/22		
Total number of exit packages by cost band	Total cost of exit packages in each band	Exit package cost band (including special payments)	Total number of exit packages by cost band	Total cost of exit packages in each band
	£000			£000
4	78	£0 - £60,000	135	2,751
0	0	£60,001 - £80,000	19	1,367
0	0	£80,001 - £100,000	7	642
0	0	£100,001 - £120,000	6	661
0	0	£120,001 - £180,000	5	692
<b>4</b>	<b>78</b>	<b>Total</b>	<b>172</b>	<b>6,113</b>

In 2021/22 £0 contributions for the termination costs under contract / partnership obligations were incurred. In 2020/21 the equivalent cost was £0k.

#### 45. Post-Employment Benefits

As part of the terms and conditions of employment of its employees, the Council offers post-employment benefits in the form of three pension schemes, which provide members with defined benefits related to pay and service. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. As outlined in the Statement of Accounting Policies (Note 1 viii) the City Council makes contributions to the following pension schemes in respect of its employees.

##### Teachers' Pension Scheme

In 2021/22 the City Council paid £13.8m (£13.4m 2020/21) to the Department for Education (DfE) in respect of Teachers' pension costs, which represented 23.68% of Teachers' pensionable pay over the year (23.68% 2020/21).

In addition, the City Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2021/22 these amounted to £3.8m (£3.5m 2020/21), representing 6.46% (6.21% 2020/21) of pensionable pay.

The teachers' pension scheme is not the direct responsibility of the Local Education Authority. The teachers' pension scheme is an unfunded scheme with pension costs charged to the accounts based on a rate set by the DfE, supported by a five-year actuarial review. It is not possible to identify liabilities consistently and reliably between participant authorities.

### **NHS Pension Scheme**

During 2013/14 public health staff were transferred from Primary Care Trusts (PCTs) to Local Authorities. These staff have maintained their membership in the NHS pension scheme. In 2021/22 the City Council paid £139k (£146k 2020/21) to NHS pensions in respect of NHS pension costs, which represented 14.38% (14.38% 2020/21) of NHS pensionable pay.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying scheme assets and liabilities with sufficient reliability. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

### **Local Government Pension Scheme**

#### **Transactions Relating to Post-Employment Benefits**

The Council recognises the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

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

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

2020/21		2021/22
£000		£000
	<b>Movement in Reserves Statement</b>	
(106,520)	Reversal of net charges made to the (Surplus) / Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(122,122)
	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	
46,031	Employer's contributions payable to scheme	49,538

The cumulative amount of actuarial (gains) and losses recognised in the Comprehensive Income and Expenditure Statement to the 31<sup>st</sup> March 2022 is a loss of £78.1m (£407.3m loss in 2020/21).

The employers' contributions payable to the scheme increased from £46m in 2020/21 to £49.5m in 2021/22.

### Assets and Liabilities in Relation to Post-Employment Benefits

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

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

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

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £296.4m (£513.8m gain in 2020/21).

Local Government Pension Scheme assets comprised:

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

## Scheme History

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

The liabilities show the underlying commitments that the Council has, in the long run, to pay post-employment benefits. The total liability of £744m (£1,001m 2020/21) has a substantial impact on the net worth of the Council as recorded on the Balance Sheet, reducing the balance from £2.3bn to £1.6bn (£2.3bn to £1.3bn 2020/21). The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

## Basis for Estimating Assets and Liabilities

The pension fund liabilities have been assessed by the actuaries Hymans Robertson using the projected unit method. This involved making an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The main assumptions used in their calculations are as follows:

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change



that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2020/21.

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

### History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserves in 2021/22 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31<sup>st</sup> March 2022:

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

## Housing Revenue Account (HRA)

The HRA Income and Expenditure Statement shows the economic cost in year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations, this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

### Housing Revenue Account Income and Expenditure Statement:

2020/21		2021/22
£000	Note	£000
	<b>Expenditure:</b>	
38,149	Repairs and maintenance	44,474
47,282	Supervision and management	54,450
2,587	Rents, rates, taxes and other charges	2,828
18,489	Depreciation, impairment and revaluation losses / (gains) of non-current assets	108,563
193	Debt management costs	223
2,145	Movement in the allowance for Bad or Doubtful Debts	1,304
<b>108,845</b>	<b>Total Expenditure</b>	<b>211,842</b>
	<b>Income:</b>	
(144,151)	Dwelling rents	(145,871)
(1,300)	Non-dwelling rents - garages, garage sites, shops	(1,310)
(6,154)	Charges for services and facilities	(6,406)
(369)	Contributions towards expenditure	(467)
<b>(151,974)</b>	<b>Total Income</b>	<b>(154,054)</b>
<b>(43,129)</b>	Net (Income) / Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement	<b>57,788</b>
843	HRA share of Corporate and Democratic Core	798
<b>(42,286)</b>	<b>Net (Income) / Cost of HRA Services</b>	<b>58,586</b>
	<b>HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:</b>	
1,702	(Gain) or loss on sale of HRA non-current assets	(1,349)
12,959	Interest payable and similar charges	12,862
(171)	Interest and investment income	(108)
<b>(27,796)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>	<b>69,991</b>

**Movement on the Housing Revenue Account Statement:**

2020/21			2021/22
£000		Note	£000
(7,646)	<b>Balance as at 1 April</b>		(7,782)
(5)	Opening balance adjustment		0
(27,796)	(Surplus) / Deficit on the HRA Income and Expenditure Statement		69,991
0	Other Comprehensive Income and Expenditure	1	0
3,576	Adjustments between accounting basis and funding basis under regulation	2	(81,567)
<b>(24,220)</b>	<b>Net (increase) / decrease before transfers to reserves</b>		<b>(11,576)</b>
24,089	Transfer to / from reserves	3	11,335
<b>(131)</b>	<b>(Increase) / decrease in year on the HRA</b>		<b>(241)</b>
<b>(7,782)</b>	<b>Balance as at 31 March</b>		<b>(8,023)</b>

**Notes to the Housing Revenue Account**

**01. Other Comprehensive Income and Expenditure**

In 2021/22 and 2020/21 there were no other items.

**02. Adjustments Between Accounting Basis and Funding Basis Under Regulation**

2020/21	2021/22
£000	£000
5,251 Net Impairment and revaluation gains / (losses) on HRA non-current assets	(82,943)
(1,702) Net gain / (loss) on sale of HRA non-current assets	1,349
0 Difference between interest payable and similar charges (including amortisation of premiums and discounts determined in accordance with Statute)	0
0 Revenue Contribution to Major Repairs Reserve	0
27 Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statutory HRA requirements	27
<b>3,576 Total</b>	<b>(81,567)</b>

**03. Transfer to / (from) Reserves**

This note sets out the amounts set aside from the HRA balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to the HRA to meet expenditure in 2021/22.

2020/21	2021/22
£000	£000
23,396 Transfer to / (from) the Major Repairs Reserve	13,553
693 Transfer to / (from) the HRA Earmarked Reserve	(2,218)
<b>24,089 Total</b>	<b>11,335</b>

**04. Housing Stock**

The Council was responsible for managing, on average 38,715 dwellings during 2021/22 (38,933 for 2020/21). The movement in stock can be summarised as follows:

2020/21		2021/22
38,989	Housing Stock as at 1 April	38,877
(215)	Less: Sales	(413)
0	Less: Demolitions and other deductions	0
103	Add: New build and acquisitions	89
<b>38,877</b>	<b>Housing Stock as at 31 March</b>	<b>38,553</b>

The housing stock can be analysed by type as follows:

2021/22			
	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	11,850	1,694	13,544
2 Bedrooms	5,445	8,353	13,798
3 Bedrooms	819	9,636	10,455
4 Bedrooms	11	370	381
5 Bedrooms	1	19	20
6 Bedrooms or more	1	3	4
Bedsits	349	2	351
<b>Total</b>	<b>18,476</b>	<b>20,077</b>	<b>38,553</b>

2020/21 – Comparative Information			
	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	11,890	1,685	13,575
2 Bedrooms	5,492	8,423	13,915
3 Bedrooms	831	9,809	10,640
4 Bedrooms	11	371	382
5 Bedrooms	1	20	21
6 Bedrooms or more	1	3	4
Bedsits	338	2	340
<b>Total</b>	<b>18,564</b>	<b>20,313</b>	<b>38,877</b>

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

2020/21			2021/22	
Value at 1 April £000	Value at 31 March £000		Value at 1 April £000	Value at 31 March £000
1,339,202	1,488,278	Council Dwellings	1,488,278	1,524,752
14,637	13,616	Other Land and Buildings	13,616	22,076
41,428	43,423	Surplus Assets	43,423	41,251
4,744	4,836	Assets Held for Sale	4,836	7,469
83	2	Community Assets	2	0
12,732	27,137	Assets Under Construction	27,137	44,098
0	0	Vehicles, Plant and Equipment	0	15
<b>1,412,826</b>	<b>1,577,292</b>	<b>Total</b>	<b>1,577,292</b>	<b>1,639,661</b>

#### 05. Vacant Possession

The vacant possession value of Council Dwellings as at 31<sup>st</sup> March 2022 was £3.72bn (£3.63bn as at 31<sup>st</sup> March 2021 and £3.28bn as at 1 April 2020). The difference between the vacant possession value of dwellings and the Balance Sheet value represents the economic cost to government of providing council housing at less than open market rents.

#### 06. Major Repairs Reserve

The Major Repairs Reserve was created on 1 April 2002 in accordance with the statutory provision (Section 3 Local Authorities Capital Finance and Accounts England Regulations 2000). This reserve is held to provide funding for the substantial future planned HRA Capital Investment Programme. The table below shows the movement on the reserve:

2020/21		2021/22
£000		£000
(76,851)	Balance at 1 April	(98,837)
(23,740)	Transfers from the Capital Adjustment Account (re. Depreciation)	(25,620)
0	Transfers from the HRA (re. Revenue Contribution)	0
(23,396)	Transfers from the HRA (re. Additional Revenue Contribution)	(13,553)
25,150	Expenditure on capital assets	39,869
<b>(98,837)</b>	<b>Balance at 31 March</b>	<b>(98,141)</b>

## 07. Capital Expenditure

During the financial year total capital expenditure was £46m, (£34.7m in 2020/21) split between houses £44.3m (£33.7m in 2020/21) and other property and land within the Housing Revenue Account £1.7m (£1m in 2020/21).

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

2020/21		2021/22
£000		£000
25,150	Major Repairs Reserve	39,869
5,227	Usable Capital Receipts Reserve	5,577
4,353	Capital Grants and Other Contributions	518
<b>34,730</b>	<b>Total</b>	<b>45,964</b>

Capital receipts amounting to £22.8m (£11m in 2020/21) were generated in the financial year from the disposal of land, houses and other property within the Authority's HRA.

## 08. Depreciation

A depreciation charge of £25.6m (£23.7m in 2020/21) was made to the HRA during the financial year. The split of the depreciation charge is detailed below:

2020/21		2021/22
£000		£000
23,043	Council Dwellings	25,024
644	Other Land and Buildings	572
53	Surplus Assets	24
<b>23,740</b>	<b>Total</b>	<b>25,620</b>





## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and National Non-domestic Rates (NNDR).

2020/21			2021/22			
Non-domestic Rates £000	Council Tax £000	Total £000	Notes	Non-domestic rates £000	Council Tax £000	Total £000
<b>Income:</b>						
0	(277,646)	<b>(277,646)</b>		0	(293,548)	<b>(293,548)</b>
(96,988)	0	<b>(96,988)</b>	1	(175,173)	0	<b>(175,173)</b>
<b>(96,988)</b>	<b>(277,646)</b>	<b>(374,634)</b>		<b>(175,173)</b>	<b>(293,548)</b>	<b>(468,721)</b>
<b>Total Income</b>						
<b>Expenditure:</b>						
<b>Precepts and Demands:</b>						
101,448	228,034	<b>329,482</b>		97,927	235,612	<b>333,539</b>
0	27,774	<b>27,774</b>		0	29,406	<b>29,406</b>
2,070	10,461	<b>12,531</b>		1,999	10,500	<b>12,499</b>
103,518	0	<b>103,518</b>		99,926	0	<b>99,926</b>
<b>207,036</b>	<b>266,269</b>	<b>473,305</b>		<b>199,852</b>	<b>275,518</b>	<b>475,370</b>
<b>Apportionment of Previous Years' Surplus/(Deficit):</b>						
4,441	3,795	<b>8,236</b>		(44,893)	(4,697)	<b>(49,590)</b>
0	426	<b>426</b>		0	(574)	<b>(574)</b>
91	178	<b>289</b>		(916)	(216)	<b>(1,132)</b>
4,532	0	<b>4,532</b>		(45,809)	0	<b>(45,809)</b>
<b>9,064</b>	<b>4,399</b>	<b>13,463</b>		<b>(91,618)</b>	<b>(5,487)</b>	<b>(97,105)</b>
<b>Charges to Collection Fund:</b>						
3,800	0	<b>3,800</b>		1,199	0	<b>1,199</b>
0	0	<b>0</b>		0	0	<b>0</b>
<b>Impairment of debts:</b>						
0	1,264	<b>1,264</b>		0	1,257	<b>1,257</b>
2,925	12,524	<b>15,449</b>	1	3,018	7,095	<b>10,113</b>
3,162	0	<b>3,162</b>		2,762	0	<b>2,762</b>
752	0	<b>752</b>		744	0	<b>744</b>
1,262	0	<b>1,262</b>		1,580	0	<b>1,580</b>
692	0	<b>692</b>		651	0	<b>651</b>
0	0	<b>0</b>		3,991	0	<b>3,991</b>
<b>228,693</b>	<b>284,456</b>	<b>513,149</b>		<b>122,179</b>	<b>278,383</b>	<b>400,562</b>
<b>Total Expenditure</b>						
<b>131,705</b>	<b>6,810</b>	<b>138,515</b>		<b>(52,994)</b>	<b>(15,165)</b>	<b>(68,159)</b>
<b>(34,104)</b>	<b>(1,318)</b>	<b>(35,422)</b>		<b>97,601</b>	<b>5,492</b>	<b>103,093</b>
<b>97,601</b>	<b>5,492</b>	<b>103,093</b>		<b>44,607</b>	<b>(9,673)</b>	<b>34,934</b>
<b>Movement on the Fund</b>						
<b>Opening Fund Balance</b>						
<b>Closing Fund Balance</b>						

## Notes to the Collection Fund

### 01. Council Tax

There are an estimated 253,970 (251,909 for 2020/21) residential properties in Sheffield and each is placed into one of eight valuation bands (A to H), by the Valuation Office Agency (VOA) of Her Majesty's Revenue and Customs (HMRC), based on its assessed capital value at 1 April 1991. The totals for each band are converted and expressed in terms of a number of band D dwellings to give the tax base for the City of 138,032.64 for 2021/22 (140,243.94 for 2020/21). After allowing for non-collection, the calculation of Council Tax at band D is made so as to be sufficient to generate the estimated income required to be taken from the Collection Fund by the City Council and the South Yorkshire Joint Authorities. The amount of Council Tax set at band D is £1,991.42 for 2021/22 (£1,894.03 for 2020/21). This excludes parishes but includes Police and Fire and is converted to determine the level of Council Tax for the other seven bands.

Council Tax bills were based on the following proportions for bands A to H:

2021/22						
Band	Number of Properties in Band	Exemptions and Reliefs	Chargeable Dwellings	Adjusted Chargeable Dwellings	Proportion of Band D Tax	Band D Equivalent Dwellings
Disabled Band A		274.74	274.74	(34.00)	5/9	133.74
A	147,856.00	(40,210.93)	107,645.07	(16,074.38)	6/9	61,047.13
B	40,516.00	(4,487.74)	36,028.26	(3,091.88)	7/9	25,617.18
C	32,133.00	(3,709.66)	28,423.34	(1,980.75)	8/9	23,504.52
D	16,909.00	(1,794.81)	14,814.19	(887.25)	9/9	13,926.94
E	9,493.00	(461.65)	9,031.35	(452.75)	11/9	10,485.96
F	4,316.00	(86.34)	4,229.66	(181.00)	13/9	5,848.06
G	2,846.00	(61.33)	2,784.67	(120.75)	15/9	4,439.87
H	201.00	(44.50)	156.50	(10.00)	18/9	293.00
	254,270.00	(50,582.22)	203,387.78	(22,832.76)		145,296.40
Less: Allowance for non-collection						(7,265.76)
Add: Defence-exempt properties						2
<b>Tax Base for the calculation of 2021/22 Council Tax</b>						<b>138,032.64</b>

Those properties qualifying for Council Tax support are no longer included in the tax base figures from 2014/15. Defence-exempt properties are properties owned by the Ministry of Defence for use by armed forces personnel. These can include barracks or other living accommodation on military bases.

2020/21						
Band	Number of Properties in Band	Exemptions and Reliefs	Chargeable Dwellings	Adjusted Chargeable Dwellings	Proportion of Band D Tax	Band D Equivalent Dwellings
Disabled Band A		310.40	310.40	276.40	5/9	153.56
A	146,880	(36,865.10)	110,014.90	94,024.02	6/9	62,683.68
B	40,086	(4,546.37)	35,539.63	32,545.50	7/9	25,313.17
C	31,893	(3,740.60)	28,152.40	26,210.15	8/9	23,297.91
D	16,382	(1,000.87)	15,381.13	14,508.63	9/9	14,508.63
E	9,349	(446.36)	8,902.64	8,464.89	11/9	10,345.98
F	4,295	(75.23)	4,219.77	4,041.27	13/9	5,837.39
G	2,827	(52.98)	2,774.02	2,656.02	15/9	4,426.70
H	197	(46.68)	150.32	141.57	18/9	283.14
	251,909	(46,463.79)	205,455.21	182,868.45		146,849.15
Less: Allowance for non-collection						(6,608.21)
Add: Defence-exempt properties						3.00
<b>Tax Base for the calculation of 2020/12 Council Tax</b>						<b>140,243.94</b>

The income of £292.3m for 2021/22 (£276.4m 2020/21), which is net of write offs, is broken down as follows:

2020/21		2021/22	
£000		£000	
(277,646)	Billed to Council Tax Payers	(293,548)	
1,264	Write Offs	1,257	
<b>(276,382)</b>	<b>Total</b>	<b>(292,291)</b>	

## 02. National Non-Domestic Rates (NNDR)

Under statutory arrangements, NNDR is collected locally on the basis of a nationally determined rate in the pound charged on the rateable value of the property. The multiplier is set nationally by Central Government and local rateable values are provided by the Valuation Office Agency (VOA). In 2021/22 the Standard Rate was 51.2p (51.2p in 2020/21) and the Small Business Rate was 49.9p in 2021/22 (49.9p in 2020/21). Subject to the effects of transitional arrangements, local businesses pay rates are calculated by multiplying their rateable value by these amounts. The Council is responsible for collecting rates due from the ratepayers in its area but pays 50% to Government and 1% to South Yorkshire Fire and Rescue Authority. The NNDR income of £175.2m for 2021/22 (£97m 2020/21) was based on a total rateable value for the Council's area of £543.8m for the year 2021/22 (£554.5m for 2020/21).

## Accounting Policies

### I. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year end of 31<sup>st</sup> March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ('the Code') and the CIPFA Service Reporting Code of Practice 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2015 Regulations.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### II. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet.
- Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Payments for utilities, such as gas and electricity, are charged at the date of the meter reading rather than being apportioned between years, therefore this policy is applied consistently each year.
- Car parking penalty charge notices – a prudent approach is taken and the income is recognised at the point of actual receipt rather than when the invoice is raised.
- Materiality levels were set to determine the accruals to be taken at the end of the financial year for certain low value revenue transactions. In these instances, the change from year to year is recurring in nature and the sums involved have been deemed not to be material compared with total income and expenditure.

### III. Acquisitions and Discontinued Operations

#### Acquired Operations

All operations acquired in year will be treated in line with the Council's accounting policies and disclosed separately on the face of the Comprehensive Income and Expenditure Statement.

#### Discontinued Operations

Any discontinued operations are disclosed separately on the face of the Comprehensive Income and Expenditure Statement.

### IV. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. All deposits placed within instant access call accounts, money market funds and the Council's instant access call account should be classified in the accounts as cash equivalents due to these being highly liquid investments which offer instant access to the funds and are therefore deposited to meet the Council's short term cash requirements. All fixed term investments are not classified as cash equivalents as at the point of making the deposit the Council is unable to convert these to cash until the maturity date of the investment.

The balances of third-party funds and bank accounts are not included in the Council's financial statements.

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

## V. Exceptional Items / Material Items of Income or Expense

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

## VI. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

## VII. Charges to Revenue for Non-Current Assets

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

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

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

## VIII. Employee Benefits

### Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is calculated using the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to '(Surplus) / Deficit on the Provision of Services', but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

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

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

### Post-Employment Benefits

Employees of the Council are members of the following pension schemes:

- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Pensions on behalf of the Department of Health & Social Care (DHSC).
- The Local Government Pension Scheme, administered by South Yorkshire Pensions Authority on behalf of Sheffield City Council and the other local authorities in South Yorkshire.



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

However, the arrangements for the Teachers' Pension Scheme and the NHS Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as defined contribution schemes and no liability for future payments of benefits is recognised on the Balance Sheet. The People line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. Portfolios are charged with the employer's contributions payable to NHS Pensions in the year for the Public Health staff working in their Portfolio. This will be across various lines within the Comprehensive Income and Expenditure Statement.

### The Local Government Pension Scheme

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

- The liabilities of the pension fund attributable to the Council are included on the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate. Details of the rates used and assumptions made are included in Note 45 to the core financial statements.
- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked,

- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement,
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure,
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

No adjustments have been made within the Housing Revenue Account for Retirement Benefits. This is because it is not possible to identify the Housing Revenue Account’s share of assets and liabilities on a consistent and reliable basis and because it would be incompatible with legislative requirements to show items within the Housing Revenue Account not specified as statutory debits and credits.

Superannuation Fund Accounts are available from the South Yorkshire Pensions Authority, PO Box 18, Regent Street, Barnsley, S70 2HG.

## IX. Events After the Reporting Date

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

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

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

## X. Fair Value Measurement

The Council measures some of its non-financial assets, such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

## XI. Financial Instruments

### Financial Liabilities

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

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

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

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

The Council does not guarantee any external organisations' debt instruments and as a result has no financial guarantees which need to be included within the accounts.

## Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial asset measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through Other comprehensive income

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those assets whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council become a party to the contractual provisions of the financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument. This results in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan on the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Expected credit losses will be calculated on individual assets where reasonable to do so. Where the Authority cannot gather reasonable and supporting information without undue cost or effort to support expected credit losses on an individual basis, it will assess losses on a collective basis.

### **Financial Assets Measured at Fair Value through Profit of Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

### **Instruments Entered Into Before 1 April 2006**

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

### **XII. Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate as at 31<sup>st</sup> March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **XIII. Government Grants and Other Contributions**

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

### **Business Improvement Districts**

Business Improvement District (BID) schemes are funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

### **Community Infrastructure Levy**

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

The meaningful proportion of the CIL is received without outstanding conditions, it is therefore recognised when received in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

## **XIV. Heritage Assets**

### **Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as Heritage Assets)**

Heritage Assets are assets held principally for their contribution to the knowledge, understanding and appreciation of the Council's culture, history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, and these are detailed below. The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also presented below. For the purposes of the accounts, the Council has grouped its Heritage Assets into four main areas, which are accounted for as follows:

#### **Museums and Galleries**

The collections include fine and decorative art, natural sciences, human history and industrial heritage. The assets are reported on the Council's Balance Sheet at insurance valuation, which is updated on an annual basis. The policy insures the collections as a whole and includes assets managed by Sheffield Museums Trust, formed in 2021 through the merger of Museums Sheffield and Sheffield Industrial Museums Trust. High value works are valued annually, either through external valuation or with reference to auction guides. Variations are made to the insurance schedule on an annual basis or sooner as appropriate.



Land and buildings assets have been reported on the Council's Balance Sheet at cost. Only assets with a determinable life have been depreciated.

While the collections in their entirety have significant historic value, the majority of items have a relatively low market value. In many cases the costs of conservation exceed market values and investment in the assets is determined on the basis of its unique national and local historic significance.

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

Sheffield Museums Trust works to the Collections Agreement between the Trust and the Council and a Collections Development Policy that is revised as part of the Arts Council England Accreditation Scheme and is approved by Sheffield Museums Board of Trustees and the Council.

Standards of care are governed by the requirements of the National Museum Accreditation Scheme, with which Sheffield Museums has achieved accreditation.

### **Civic Collections**

The Civic Collections include gifts of silverware and paintings given to the city and examples of products manufactured by Sheffield's industries. The collection of silverware is reported on the Balance Sheet at insurance valuation, which is based on a specialist valuation report commissioned in 2009. The other artefacts have not been valued because of the diverse nature of the assets and in the Council's opinion, conventional valuation approaches lack sufficient reliability. The assets are deemed to have indeterminate lives hence the Council does not consider it appropriate to charge depreciation.

### **Archives and Libraries**

Sheffield Archives collect and preserve original historic records and printed material relating to Sheffield and the surrounding area. The collection is reported on the Balance Sheet at insurance valuation, which is based on an estimate of restorative costs, as it is unlikely market value could be derived given the diverse nature and size of the collections. The assets are deemed to have indeterminate lives hence the Council does not consider it appropriate to charge depreciation.

There are around 80,000 boxes of records. The public access policy is available at all sites for original documents, microform, CD-ROM and online libraries. Acquisitions occur throughout the year, deposited by other government departments and agencies, local Dioceses and private records on loan or donated to the Council.

### **Public Realm**

Heritage Assets in the Public Realm include statues and monuments, war memorials, public art and archaeological sites. The Council does not consider that reliable valuation information can be obtained for the items held in the public realm. This is because of the diverse nature of the assets

held and lack of comparable market values. Consequently, the Council does not recognise these assets on the Balance Sheet. However cost information is included where available.

Acquisitions, commissions for new items and disposals are dealt with on an individual basis.

### **General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

## **XV. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund

Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **XVI. Inventories and Long Term Contracts**

Inventories are included on the Balance Sheet at the lower of cost and net realisable value.

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

## **XVII. Investment Property**

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

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

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

## **XVIII. Joint Operations**

Joint Operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

## **XIX. Leases**

Leases are classified as finance leases where the terms of the lease substantially transfer all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

### **The Council as Lessee**

#### **Finance Leases**

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment, applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

## The Council as Lessor

### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset on the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset on the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

## Operating Lease

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## XX. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

## XXI. Property, Plant and Equipment

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

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Borrowing costs are capitalised for capital projects that take a substantial period of time to get ready for intended use, determined as a construction / development period of two years or more and until the construction is complete. This policy does not apply to projects that are predominantly grant funded.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- assets under construction – historical cost.
- community assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), where practicable, otherwise depreciated historical cost, if this information is available.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Community assets are measured at current value, where sufficient market-based evidence exists, or where the assets generate an income and this provides a reliable basis for estimating the current value. However, the income generating capacity of a community asset is deemed to be incidental to the authority’s intention to hold the asset in perpetuity for the benefit of the community.

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

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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



Depreciation is calculated on a straight line basis, over the useful life of the asset following the year of construction or acquisition, determined as follows:

- Buildings are based upon individual asset lives, assessed as part of the rolling programme of revaluations.
- Vehicles, plant, furniture and equipment between 5 and 10 years, with the exception of the incinerator plant under the Veolia Public Private Partnership (PPP) contract, which has a useful economic life of 19 years and the District Heating Network of 23 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A framework for identifying components has been agreed with the Council's internal valuers. Components are also recognised where capital investment for replacement or enhancement of the asset establishes a material component.

Recognition is applied as follows:

- Assets with a value in excess of £2m are considered for componentisation.
- Components of an asset are recognised and depreciated separately to the main asset, where the value of the component is at least 20%, and the difference in useful life is 20% or higher.

A further policy for Council Dwellings is in development, where it is necessary to recognise lower value and a greater number of components, to more accurately reflect replacement and asset life cycles. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) / Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

## **XXII. Infrastructure Assets**

Infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

### **Recognition**

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

### **Measurement**

Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

### Depreciation

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

Annual depreciation is the depreciation amount allocated each year.

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

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

### Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

### XXIII. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and

as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council. The amounts payable to the PFI operators each year are analysed into five elements:

- **Fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- **Finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease).
- **Lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

In the case of contracts that receive Central Government PFI Grant Support through PFI credits, the amount receivable in respect of the financial year is shown in the Comprehensive Income and Expenditure Account.

## XXIV. Provisions and Contingent Liabilities

### Provisions

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### **Accounting for the Costs of the Carbon Reduction Commitment Scheme**

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. 2018/19 was the second and final year of the scheme. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense is recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

### **Contingent Liabilities**

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

Contingent liabilities are not recognised on the Balance Sheet but disclosed in a note to the accounts.

### **XXV. Redemption of Debt**

The Council is required to set aside from revenue each year a minimum amount for the redemption of debt. This sum is referred to as the Minimum Revenue Provision (MRP).

For capital expenditure incurred before 1 April 2008, or which in the future will be Supported Capital Expenditure (expenditure which receives income support from government), MRP will be charged on a flat line basis over fifty years. This will ensure that all debt associated with Supported Capital Expenditure is fully provided for up to the Adjustment A level that is required of us by government within fifty years.

For all Unsupported Borrowing, after adjusting for schemes to be deferred for MRP purposes, the MRP policy will be the Asset Life Method, which means that the provision made will be spread over the useful life of the asset created. The Asset Life Method must also be applied for any expenditure capitalised under a Capitalisation Directive.

Interest on external loans is charged direct to the Comprehensive Income and Expenditure Account.

## **XXVI. Reserves**

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

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

## **XXVII. Revenue Expenditure Funded from Capital under Statute**

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

## **XXVIII. Schools**

Accordingly, in line with the guidance currently available, the Council has adopted the following policy:

Where a school is under the Council's control (i.e. under the responsibility of the Council's Section 151 Officer) its income, expenditure, current assets, liabilities and reserves are consolidated into the Council's accounts and are, therefore, included within the figures disclosed in the Statement of Accounts. Any reserves attributable to the school are earmarked and disclosed separately. As a result, Community schools, Community Special

schools, Voluntary Aided schools, Voluntary Controlled schools and Foundation schools are all consolidated into the Council's accounts. However, once a school transfers to Academy status it is no longer under the control of the Council and, therefore, its income, expenditure, assets, liabilities and reserves are no longer consolidated into the Council's accounts.

In respect of any non-current assets associated with schools the Council has determined that Community schools, Community Special schools and Foundation schools should be on balance sheet, but that Voluntary Aided schools, Voluntary Controlled schools, and Academy schools should not. Voluntary Aided schools and Voluntary Controlled schools' non-current assets are not included as ownership and control of the assets lies with the diocese. Non-current assets relating to schools that gain Academy status are derecognised from the Council's balance sheet when the contract is complete and signed and the specific assets have been handed over / transferred.

#### **XXIX. Tax Income (Council Tax, National Non-Domestic Rates and Residual Community Charge)**

The Council is a Council Tax billing authority, collecting Council Tax on behalf of other authorities as well as itself. The collection of Council Tax on behalf of other authorities is treated as being on an agency basis, and thus only the elements of Council Tax collection that relate to the Council's own income are included in its main financial statements.

The Council is a Business Rates billing authority, collecting Business Rates on behalf of the South Yorkshire Fire and Rescue Authority and Central Government as well as itself. The collection of Business Rates on behalf of other authorities is treated as being on an agency basis, and thus only the elements of Business Rates collection that relate to the Council's own income (49%) are included in its main financial statements.

The Collection Fund account covers all local taxation collected by the Council on behalf of itself, local parish councils, Fire, Police and the Government. The cost of collection allowance and costs in respect of recovery action are the Council's income and appear in the Income and Expenditure Account. The Collection Fund account reflects the statutory requirement of the Local Government Finance Act 1988 (as amended by the 1992 Act).

#### **XXX. Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## Notes to the Policies and Standards

### 01. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (The Code) has introduced changes in accounting policy as a result of amendments to accounting standards. These standards have been issued but have not yet been adopted by the Council. If these had been adopted for the financial year 2021/22 there would be no material change, as detailed below:

#### **IFRS 16 Leases**

Implementation of IFRS 16 has been postponed until 1<sup>st</sup> April 2024 and therefore applicable to the 2024/25 Statement of Accounts. The Council has decided not to adopt the standard early.

#### **Annual Improvements to IFRS Standards 2018 - 2020 Cycle**

##### **IFRS 1 (First-time adoption)**

This amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.

##### **IAS 37 (Onerous contracts)**

Amendment clarifies the intention of the standard.

##### **IAS 41 (Agriculture)**

This amendment relates to biological assets held by a local authority.

The Council does not envisage the above amendments having a significant effect on local authority financial statements.

#### **Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)**

This amendment is not considered to be relevant as the Council is not in the business of constructing or acquiring assets which are intended to be used in the manufacture of goods for sale.



## 02. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- The CIPFA Code requires the Council to produce group accounts to reflect significant activities provided to Council taxpayers by other organisations in which the Council has an interest. The group is identified as comprising the City Council and South Yorkshire Property Investment Limited (Local Housing Company). However, when consolidating the value of these entities the result is not material and therefore the production of all the required statements would not assist the reader.
- Sheffield City Trust (SCT) is an independent charity. The Council has contracts with SCT that contains a shortfall agreement, which is where the Council agrees to provide funding in the event of any budget shortfall so that the leisure services provided by SCT; through its subsidiary Sheffield International Venues, can continue to be provided to the citizens of Sheffield, but is not involved in operational decision making. The shortfall agreement includes putting SCT in the provision of funds to pay the construction costs of the Major Sporting Facilities (MSF) when they are due to be fully repaid in 2024, giving the Council the reversionary interest in the assets. At that time, SCT has the option to either purchase the assets, or transfer them to the Council in exchange for the debt. On this basis SCT is not considered to be under the control of the Council.
- Contracts with partners and providers have been considered for embedded leases; the outcome of this review is not to recognise any assets on the Council balance sheet.
- The Council has a number of historic European Union (EU) grants that potentially could be subject to further EU audits in the future. It remains a possibility that the available evidence for these grants may not meet the requirements of the grant conditions and so a provision has been made based on managerial judgements. There are as yet no further details on timescales for any future EU audits.

## 03. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment Depreciation (Note 23)	Assets are depreciated over useful lives which are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the current level of repairs and maintenance is not sustained it would bring into doubt the useful lives assigned to the assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the total annual depreciation charge for buildings would increase by £626k for every year that useful lives had to be reduced.
Infrastructure Assets Depreciation (Note 23A)	Highways Infrastructure Assets are depreciated at 40 years, which is in line with our expectations of the life under the PFI contractual agreement with Amey. In 2021/22 CIPFA produced information that suggested a more suitable life for footways and carriageways, which would be as low as 25 years.	If the useful life of Highways Infrastructure Assets was reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the difference in the annual depreciation charge would be an increase of £8.2m if the CIPFA useful life was adopted.
Property, Plant and Equipment, HRA valuation (Note 23)	The value of the Council's housing dwellings stock is determined using beacon properties, assuming vacant possession. These valuations are then adjusted to Existing Use Value – Social Housing (EUV-SH), to reflect their occupation by secure tenants. This adjustment is considered to reflect the additional risk and liability that public sector landlords undertake when compared with private sector investors.	The EUV-SH of the Council's housing dwellings stock as at 31 <sup>st</sup> March 2022 has been determined by adjusting the vacant possession value using DLUHC's Social Housing adjustment factor for Yorkshire and Humber of 41%. A 1% decrease in this adjustment factor would have resulted in an additional revaluation loss of £37m in 2021/22.

<p>Fair Value Measurements</p>	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs or commissions relevant experts to identify the most appropriate valuation techniques to determine fair value (e.g. for Surplus Assets, the Council's chief valuation officer or for loans and investments, the Council's Treasury advisors).</p> <p>Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 14, 23 and 26.</p>	<p>Non-Financial Assets: The Council uses the market approach and income approach models to measure the fair value of its Surplus Assets and Investment Properties.</p> <p>The significant observable inputs used in the fair value measurement include using current market conditions, recent sale prices / rentals achieved and other relevant information for similar assets within the local authority area.</p> <p>Financial Assets and liabilities: The Council assesses fair value by calculating the net present value (NPV) of the cash flows that take place over the remaining life of the instruments.</p> <p>Significant changes in any of the inputs would result in a significantly lower or higher fair value measurement for the Council's assets and liabilities valued at fair value.</p>
<p>Pensions Liability</p>	<p>Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>See Note 45 for further details</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £67m. However, the assumptions interact in complex ways.</p> <p>During 2021/22, the net pension liability had decreased by £257m.</p>

Arrears	At 31 <sup>st</sup> March 2022, the Council had a balance for sundry debtors of £29.8m. An impairment of doubtful debts of £20.5m (68.9%) was considered appropriate, based on analysis of collection rates. However, it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an additional impairment of doubtful debts would be required to cover some of the £9.3m of sundry debts currently not provided for.
Business Rates - Appeals	The provision for appeals is based on assumptions about the likely level of appeals raised against the ratings list in the future and the likely success of outstanding appeals. The provision stands at £31.5m which is reasonable given available data sources and historical analysis. However, further information from the Valuation Office Agency (VOA) may lead to a revision of these assumptions and could materially change the required level of provision.	If more up to date information from the Valuation Office Agency stimulates a reduction to the provision, the release of the provision creates a credit to the collection fund. Conversely, an increase in the required provision creates a debit. Estimates will be taken in January 2023 and any changes made to the provision at that time will impact the available resources for the 2023/24 revenue budget.
Expected Credit Loss (ECL)	Estimating ECL involves forecasting future economic conditions over a number of years. These longer-term forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have a significant risk of resulting in a material adjustment to a carrying amount within the next financial year.	Significant changes in any of the assumptions used in forecasting the future economic conditions would result in a material adjustment to a carrying amount within the next financial year.

**04. Going Concern**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on the going concern basis.

In carrying out the assessment that this basis is appropriate, management of the Council have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting for the period to 31<sup>st</sup> March 2025.

Our most recent year-end balances, as reported in these statements are as follows:

Date	General Fund	Earmarked Reserves
31/03/22	£12.9m	£308.3m

Our General Fund and Earmarked Reserve position has balances of £12.9m, and £308.3m respectively at 31<sup>st</sup> March 2022. Balances at 31<sup>st</sup> March 2023 currently stand at £15.1m and £289.7m. The General Fund balance remains above our minimum level as set by our s151 Officer of between 3 and 5 per cent of the council's net spending.

Our cash flow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing, other than to support the capital programme, which is consistent to our plans and normal practice.

Our early [Medium-Term Financial Analysis published in July 2022](#) set out the planning assumptions applied for the years 2023/24 to 2026/27. In addition, the MTFAs included a detailed review of the pressures facing the Council for the financial year 2023/24, along with the assumptions on local taxation and expected Government income. The [2023-24 budget was approved in March 2023](#) detailing savings, service efficiencies and increased income that will have to be delivered in order to achieve a balanced budget. The Council anticipate the budget gap identified in the MTFAs can be achieved through delivering the proposed budget improvements without the use of unplanned draws from reserves.

We also considered a downside scenario where pressures experienced are higher, anticipated Central Government funding is reduced and local taxation income is lower. These changes would increase to draw from earmarked reserves by a further £15m. However, both the levels of reserves and liquidity remain above the minimum assessed levels throughout the going concern period.

We are confident that the figures above represent the current worst case position, and that the actual financial and reserves position will be better than as presented above.

On this basis, the Council have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

## Annual Governance Statement

### Scope of Responsibility

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

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

In discharging this overall responsibility, Sheffield City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Sheffield City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website: <https://www.sheffield.gov.uk/home/your-city-council/council-operates>. This statement explains how Sheffield City Council has complied with the code. It also meets the requirements of Accounts and Audit Regulations 2015, regulation 6 (1), which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and also its activities through which it accounts to, engages with and leads the community. This framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Sheffield City Council policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Sheffield City Council for the financial year ended 31 March 2022 and up to the date of approval of the Sheffield City Council Annual Report and Statement of Accounts.

The governance framework of the Council is constantly being updated to take account of changes in legislation and working practices.

## The Sheffield City Council Governance Arrangements

The governance arrangements of Sheffield City Council contains two key elements, the internal control arrangements of the Council and also how it demonstrates these arrangements to citizens and service users. We have documented the key elements of the control environment and how these are communicated below.

### Internal Control Environment

The system of internal control as described below has been in place at Sheffield City Council for the year ended 31 March 2022, was amended following a change in formal governance at the AGM in May 2022 and then maintained as amended up to the date of approval of the Annual Report and Statement of Accounts.

Prior to the change in governance in May 2022, in discharging its responsibility, the Council published a Constitution that specified the business of the Council, as well as establishing the role of the Executive, Scrutiny Committees and Regulatory Committees. The Leader's Scheme of Delegation laid down the scheme of delegation by which Members of the Council and Officers can make executive decisions on behalf of the Council to ensure the smooth operation of its business. From May 2022, in discharging its responsibilities, the Council published a Constitution that specifies the business of the Council, as well as establishing the roles of Full Council, the Policy Committees, the Regulatory Committees, the Local Area Committees and any delegations to officers.

In order to illustrate the key elements of internal control, the control environment has been subdivided into six elements as outlined below:

#### 1) Establishing and monitoring the achievement of the Council's business

The Council has a business planning process that is designed to align service activity and objectives to its strategic priorities. Service Plans align with the Council priorities. A quarterly performance monitoring process tracks progress against the Council's priorities and to highlight any potential risks and issues in achieving these.

Prior to May 2022, the Council's Corporate Management Team (CMT) which includes Executive Members had the responsibility for formulating the Council's medium term financial strategy in order to ensure that adequate resources are available to meet the Council's objectives.

CMT received regular budget monitoring reports in addition to the Portfolio Leadership Teams. The Council's corporate systems for producing this information have been developed to provide timely and accurate reports for services and the Council as a whole on a consistent basis.

Performance management information about key objectives was also provided regularly to Executive members and may also have been considered by Members at the Overview and Scrutiny Management Committee.



Post May 2022, the Strategy & Resources Committee has the responsibility for formulating the Council's medium term financial strategy in order to ensure that adequate resources are available to meet the Council's objectives. It primarily does this via its Finance Sub-Committee established for this purpose. Minutes of Council meetings are publicly available through the Council's website – [www.sheffield.gov.uk](http://www.sheffield.gov.uk).

## 2) The facilitation of policy and decision-making

The Council's overall budget and policy framework are set by Full Council. Prior to May 2022, Key decisions were taken by the Executive (Leader, Co-operative Executive, individual Cabinet members, officers as appropriate), within the budget and policy framework set by Council. Post May 2022, Policy Committees take decisions within the budget and policy framework set by Council.

Prior to May 2022, the Council had an Overview and Scrutiny function (including a call-in facility), which reported to the Executive and Full Council as appropriate. The Committee system of Governance implemented post May 2022 does not require a scrutiny system or call in facility as all of the decision making committees are politically proportionate. There is a statutory requirement to maintain some scrutiny functions for the whole system operation, for example, health. Health scrutiny is the responsibility of a sub committee of the Policy Committees with the functional responsibilities of adult health and social care; its membership also includes members of the Policy Committee responsible for children's services.

A scheme of delegation is in place that allows decisions to be undertaken at an appropriate level, so that the functions of the Council are undertaken efficiently and effectively. Prior to May 2022, the scheme included the Leader's own scheme of delegation, supported by more detailed officer schemes of delegation corporately and within portfolios. Post May 2022, all delegations are set out in the Constitution.

## 3) Ensuring compliance with established policies, procedures, laws and regulations

Procedures are covered by the Council's Constitution, backed up by Standing Orders, the Financial Regulations and Protocol, and procurement guidelines.

The Monitoring Officer carries overall responsibility for ensuring the lawfulness and fairness of decision-making and supporting and advising the Audit and Standards Committee. The Monitoring Officer's staff work closely with portfolios, to ensure the Council complies with its requirement to review and log all formal delegated decisions.

The Council has set out policies and procedures for people management on its intranet. A formal staff induction process is in place that is designed to ensure that new employees are made aware of their responsibilities. Prior to May 2022 the Executive Director of Resources carried overall responsibility for financial issues. This is now the responsibility of the Director of Finance and Commercial Services and his staff work closely with services to ensure that all reports are cleared for financial implications prior to submission to a Member forum.

The Council has a Risk Management Framework in place that was agreed by Cabinet prior to May 2022. A Risk Management Report is produced for CMT every quarter and an update report is provided to an Audit and Standards Committee on a 6 monthly basis. All Council

reports include a section dealing with risk management. The risk management framework has been significantly updated and the focus of attention is now on developing our risk management practice maturity, both at an operational level and through close alignment and integration between the risk and performance management processes. This is to ensure that the processes used are simple and effective and meet the requirements of the Council. An e-learning module is also available and will be integrated into the new manager learning and development curriculum.

The Council's Audit and Standards Committee oversees the Council's Code of Conduct for Members. The Council has a Councillor Code of Conduct and a procedure for dealing with complaints under the Code. Independent Persons have been appointed.

As part of the Council's commitment to the highest possible standards of openness, probity and accountability, the Council encourages employees and others with genuine concerns about any of the Council's work, to come forward and voice those concerns. A Whistleblowing Policy is in place that is intended to encourage and enable employees to raise such concerns within the Council rather than overlooking a problem. This policy document makes it clear that employees can do so without fear of reprisals. The procedure accords with the requirements of the Public Interest Disclosure Act 1998 and is compatible with the conventions in the Human Rights Act 1998.

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

#### **4) Ensuring the efficient, economic and effective use of resources**

The Council needs to make well informed decisions through business intelligence to enable it to make changes to the right things, in the right way. It acknowledges that it is more important than ever to make the best use of public money and continues to ensure that it prioritises its efforts and resources for the greatest impact; by having a Council Plan setting out the vision and priorities to achieve its medium-term goals.

#### **5) Financial management of the Council**

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

- The work of Internal Audit.
- The external auditor's Annual Audit Letter and other reports.
- The role carried out by the Director of Finance and Commercial Services under s151 Local Government Act 1972 responsibilities.

#### **6) Performance management and its reporting**

The performance management regime is an integral part of the Council's business planning process. The business planning process ensures that the Council defined its priorities and outcomes. Members and officers allocate the Council's resources in a way that aligns with these priorities and outcomes. Council services and commissioners then set clear objectives and targets that reflect the priorities, outcomes, and the level of resource allocated. The Council also has programme boards that commission specific projects to deliver step changes. The

Council's performance reporting process ensures that managers and Members have a clear picture of how the Council is performing against the objectives and targets, and whether specific projects are on track. Risks to delivery are escalated and reviewed.

The Human Resources Service support portfolios to ensure that employee matters are central to the performance management of our organisation and a Strategic Workforce Board was established at a corporate level to ensure that there is clear governance.

The Council has development programmes for managers and employees that provide a consistent approach to managing resources, including its people, and to develop employee knowledge and skills across a range of subjects.

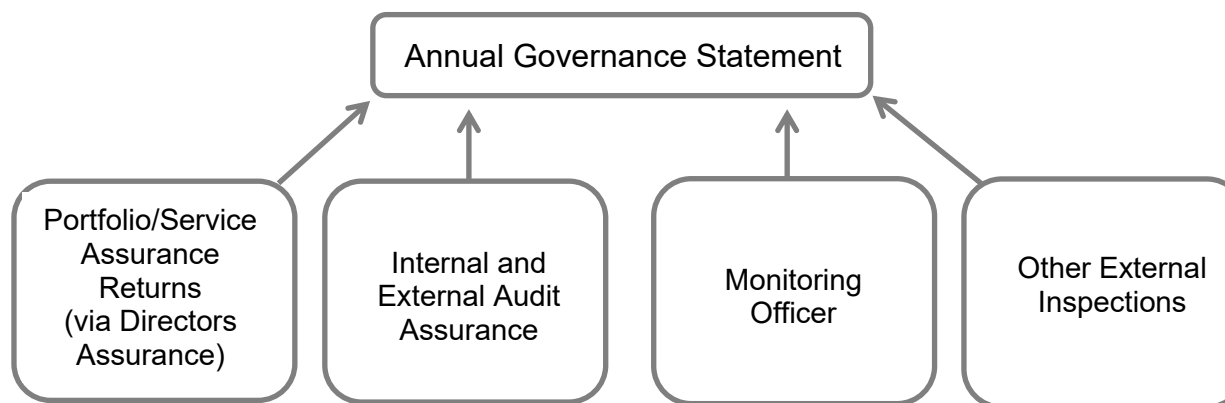
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

### Review of Effectiveness

Sheffield City Council has a duty to conduct at least annually a review of the effectiveness of its governance framework including the system of internal control, and to publish an Annual Governance Statement.

The review of the effectiveness of the Council's governance framework is informed by the work of the internal auditors and the senior managers within the Council. Senior officers are responsible for the development and maintenance of the internal control environment. The process is also informed by comments made by the external auditors and other review agencies and inspectorates.

The CMT agreed a process of positive verification of the system of internal control in order to formally fulfil the requirements of the Accounts and Audit Regulations. The overall process has been summarised in the diagram below:



All Directors have provided written assurance to the effect that they are adhering to the Council's required Areas of Compliance, such as key policies and procedures and that they are maintaining adequate control over areas of Council activity for which they have responsibility. We are also enhancing our performance reporting, in conjunction with a new Accountability Framework, to develop a means by which services can more easily monitor adherence to our required Areas of Compliance, throughout the year. The review of internal control has been adopted as a positive way forward. Some areas of control weakness have been identified through this process and management action to address them has commenced. Items raised by managers in the previous year's process have been followed up and confirmation has been received that action has been taken to progress the issues raised.

The role of the Council's internal auditors is to provide an independent appraisal function for the review of internal control systems. Internal Audit undertakes reviews of the main financial and operational systems of the Council, based on a risk analysis of the functions undertaken by service areas. Certain aspects of key financial systems are reviewed on an annual basis. Internal Audit also undertakes fraud investigations and other ad hoc responsive investigations relating to the Council's control framework. This element of its work also contributes to the maintenance of a sound system of internal financial control.

Internal Audit complies in all significant respects with the professional standards required of the service as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA). The service works closely with our external auditors, Ernst & Young.

There are some areas of control weakness that have been included on the AGS declarations under the section relating to governance issues. The Senior Finance Manager (Internal Audit) has confirmed that she is unaware of any other significant control weaknesses that have not been considered when compiling this statement. The Audit and Standards Committee is responsible for scrutinising the work undertaken by Internal Audit.

The Monitoring Officer has responsibility to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are working in practice. This review takes place annually. The Director of Legal and Governance as the Council's Monitoring Officer has not raised any issues of significance that are contrary to the findings within this statement.

The Full Council is responsible for setting the overall objectives of the Council and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the financial year 2021/22 all these duties have been performed.

A significant part of Sheffield City Council's risk liability is connected to its maintained schools, for example: School Finance, Health and Safety, Human Resources, and Premises Maintenance. Whilst the day to day management of these issues is delegated to School Governing Bodies and Headteachers, the Council retains residual liability for maintained schools where it is the employer and the owner of the property.

During the year, the Council has been inspected by a number of external agencies. Reports of external inspection agencies are scrutinised to ensure that for any issues raised, the most appropriate senior officer within the Council has been given the responsibility to implement suitable corrective action.

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

A number of schools within the city have been the subject of Ofsted inspections. The School Improvement Service follows up on each review to give advice and support to these schools.

The Council has an Audit and Standards Committee that was formed in September 2016 and merged the functions of the former Audit and Standards Committees. The Committee is made up of 7 elected Members. Non-voting independent co-opted members are also appointed to the Committee to bring additional experience, independence and an external view to the Committee's work. In addition, the three Parish and Town Councils are invited to jointly send one representative when Standards matters are to be considered.

The Audit and Standards Committee has been set up to meet best practice guidelines. Its terms of reference include the need to consider the Council's arrangements for corporate governance and any necessary actions to ensure compliance with best practice. The Committee also considers the Council's compliance with its own and other published standards. The Committee has confirmed that it has a significant overview at the highest level of the Council's systems of internal control; so that it is assured that it fulfils the requirements of "those charged with governance" under the International Auditing Standards.

The Committee is also responsible for promoting high standards of conduct by Councillors and co-opted Members, overseeing the Councillor Code of Conduct and considering complaints where a Member may have breached the Code.

The Committee meets approximately six times per year and has a programme of work based on its terms of reference (covering Audit activity, the Regulatory Framework, Risk Management, Governance, Standards and the Council's Accounts) and other issues identified by the Committee during the year. An Annual Report on the Committee's work is also submitted to Full Council. The papers and minutes for these meetings are available on the Council's website.

### **The Impact of COVID-19 on our Governance Arrangements**

During March 2020, the Council declared a major incident across the city and initiated an emergency response to the COVID-19 pandemic.

Given the unprecedented nature and scale of the issue, there was significant disruption to the Council's services – some stopped entirely, others were placed under significant strain due to demand, and new services were introduced to respond to the needs of the public, employees, local businesses and the Government.

To meet these challenges the Council introduced new and/or changed existing, strategic and operational arrangements to enable appropriate and timely responses to the evolving situation. The Council's Constitution provided (and still provides) for decisions to be taken in an emergency situation by the Chief Executive and in the Leader's Scheme of Delegation by the Chief Executive and/or Leader. As this was a national emergency, emergency decision making procedures needed to be co-ordinated and recorded consistently over a significant period of time. An Incident Management Group (later

renamed the Coronavirus Response Group) was established to co-ordinate and lead the Council's COVID-19 response to ensure business continuity. The following measures were put in place to enable the Council to respond effectively and protect lives:

- Postponement of Elections in line with government direction
- Postponement of Cabinet and Committees
- Fast-tracking financial payments
- Greater flexibility in procurement and contracting processes
- Pause of debt collection
- Pause of complaints process
- Pause of responding to Information requests
- COVID-19 specific risk register maintained

The direct measures implemented had a significant effect on the provision of services and created backlogs in a number of areas. The pandemic has also led to a significant increase in demand in some areas e.g. social care. The effect of the Council's response to the pandemic continued to be monitored throughout 2021/22. All of the direct measures have now ceased other than maintenance of a risk register.

### **Development of the Governance Framework**

The Council's control framework needs to evolve to take into account the changes that are taking place across the organisation. In the year, several initiatives have had an impact on the control assurance mechanisms in place:

- The Council continues to closely monitor its most significant external relationships in relation to risk and governance arrangements and are incorporated within the reports on Risk Management to the Audit and Standards Committee. Ensuring that appointed Members receive appropriate officer support remains an important area of activity
- The senior officer team, Executive Management Team has been replaced in September 2021 by a series of three Leadership Boards enabling all of the Council's appointed Directors to have a direct role in leading the organisation. The Strategy Leadership Board, chaired by the Chief executive, oversees the running of the organisation and is the conduit to the Council's political leadership.
- The political Leadership has undergone some changes this year when the May election resulted in the Council having no overall control politically. An agreement was reached in May 2021 between two of the political groups to form a co-operative alliance. As such the former Cabinet was referred to as the Co-operative Executive however it continued to function as a cabinet within a Strong Leader form of Governance throughout the period covered by this statement.
- In August 2019, the Council received a petition requiring it to hold a Governance Referendum to consider a change to a Committee system of governance. The pandemic resulted in all elections including the Referendum to be postponed until May 2021, therefore the Referendum was held in May 2021 and the outcome was a move to a Committee system of governance. As required by law, the Council moved to a Committee system of governance at the Annual Council meeting in May 2022, this resulted in a full revision of the Constitution

and the way decision making works within the Council with effect from May 2022. The Council has committed to a full review of the new system of governance 6 months post implementation, i.e. November 2022 and any further changes required as a result of the review will be implemented at the Annual Council meeting in May 2023.

## Governance Issues

In a large and complex organisation such as Sheffield City Council, there will always be opportunities to improve services. In the financial year 2021/22, there were zero no assurance Internal Audit opinions. However, Internal Audit have agreed recommendations with relevant managers to address weaknesses identified in the internal controls of financial and other systems.

Our review of effectiveness has highlighted the following issues that the Performance and Delivery Board wishes to monitor across the Council:

<p><b>Human Resources</b></p>	<p><b>Learning and Development</b></p> <ul style="list-style-type: none"> <li>• <b>Personal Development Review (PDR) completion rates</b></li> <li>• <b>Completion of mandatory Learning</b></li> </ul> <p><b>Human Resources</b></p> <ul style="list-style-type: none"> <li>• <b>HR Policy and Practice</b></li> <li>• <b>Establishment controls tasks are not consistently applied</b></li> </ul>
<p><b>Personal Development Review (PDR) completion rates</b></p> <p>PDR completion rates remain low. They have been made available and quality conversations are encouraged with a focus on health, wellbeing and development. The expectations on conversations and PDRs completions have been communication, including benefits of the approach and this will be regularly communicated throughout the year.</p> <p>The employee values will be added to guidance on what to discuss. Managers are informing us that PDRs are taking place and the issue is with recording these in the system. We are trying to make the recording process as simple as possible to prevent this issue.</p> <p><b>Completion of Mandatory Learning</b></p> <p>These still need improving and last year there was a focus on ensuring the Equality, Diversity and Inclusion (Unconscious Bias, Inclusion Essentials and Inclusive Leadership) e-learning was completed. Every employee was asked to complete this training by June 2022. The wider mandatory learning is being reviewed and the number of topics people will be asked to complete will reduce. The learning will also be tailored to the service area rather than everyone needing to do the same learning. Go Learn, our new learning platform will help us to tailor</p>	

the training to individuals, this is due to be launched in October 2022. New employees will be expected to complete mandatory learning within their probation period. Communication plans will accompany any organisation wide focus on particular learning to raise awareness.

**Human Resources Policy and Practice**

Many of the council’s HR policies need updating, streamlining and review to ensure they are in line with best practice and meet the needs of a modern workforce and employer. The scope of the required review is broad given the number of policies in place and the interdependencies between them. Policy review should be an ongoing process and the department will need to allocate resources to ensure policy review, implementation and management retraining on new/updated policies is undertaken. Likewise, HR colleagues will need to be supported through professional development to implement modernised practices resulting from new policy. Where appropriate TU consultation and workforce engagement will also be required.

**Establishment controls tasks are not consistently applied**

Managers not completing the required tasks has resulted in a lack of understanding of the entire establishment at any given time. There is a plan to review and simplify the current human resource processes in the coming months. Clearer instructions will then be issued to managers on what is required.

<p><b>Information Governance</b></p>	<p><b>Retention Schedules are not present or routinely applied</b></p> <p><b>Not processing data requests (FOI and SARs) within timescales</b></p> <p><b>Record Of Processing Activities (ROPA) is not kept up to date</b></p>
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**Retention and Disposal Schedules are not present or not routinely applied**

The Council holds a retention schedule for its records. However, it has not been reviewed more recently.

As part of the Council’s Tech2020 Project, work is underway to transfer all documents and records to SharePoint. One of the benefits of SharePoint, is that there is a facility to apply retention labels and retention policies across the records held. In order to have the most relevant and up to date retention label, departments were tasked with reviewing their own records, reviewing any legislation attached to the records and ensuring their retention periods were correct and up to date. They were asked to update a copy of the retention schedule as part of this piece of work. This work is ongoing and it is anticipated that the retention schedule will be returned by all services by early autumn.

By applying automated retention labels and retention policies to documents, records will be automatically deleted at their specified time. This has the benefit of ensuring compliance with data requests and supporting staff with correctly disposing of data at the relevant time, thus ensuring compliance with Principle E of the GDPR – to not keep personal data for longer than is needed.



Employees are also required to complete the mandatory GDPR and security e-learning module - a key organisational control to reduce the risk that data is being retained for too long. By July 2022, 91% of employees had completed this, which is an increase from the previous year.

#### **Not processing data requests (FOI and SARs) within timescales**

There is a significant backlog of requests, brought about by the pandemic and resource issues across the Council, in addition to the difficulties with the retention schedule. We have implemented a case management system which enables real-time tracking of requests. However, the scale of the backlog means recruitment is needed on a temporary basis to address the outstanding requests and then further consideration of how requests are managed in the Council is needed after, to ensure we maintain compliance. This work is to be part of this year's Delivery Plan approved by the Strategy & Resources Committee at the end of August, with a detailed plan to clear the backlog to follow.

#### **Record Of Processing Activities (ROPA) is not kept up to date**

Across some Services, there has been a drop in updating or reviewing the ROPA, as Services make changes to their processing activities. This has been acknowledged by the DPO and a plan of action has been agreed to start this autumn. There has been some progress within specific Services to review and update the ROPA, but from the autumn, there will be a council-wide project to not only update the ROPA but to carry out a comprehensive data mapping exercise to ensure that the Council understands what data it holds and where. The ambition for the ROPA, is that it will link not only to the retention schedule, but also to the Data Privacy Impact Assessment (if relevant), privacy notice and any security incident related to that particular processing. This will ensure the Council not only meets its legal obligations, but the effectiveness of our accountability measures.

### **Statement**

Sheffield City Council proposes to take remedial actions to address all the issues that have been identified, with regular updates on the progress of this work being made available to the Performance and Delivery Board.

We have been advised on the outcome of the review of the effectiveness of the governance framework by the relevant Officers and a plan to enhance the Council's ability to identify and resolve weaknesses in its controls, whilst ensuring continuous improvement of the framework will continue to take place. We will monitor and review the implementation and operation of any new governance framework as part of our annual review.

Since approval of the Council's 2021/22 Annual Governance Statement in September 2022, the Council has continued to review any necessary amendments to the statement as a result of significant events or developments emerging after the year end.

Although the conclusion of the audit of the Council's accounts has been delayed up to this point, it can be confirmed that this Annual Governance Statement fairly reflects the position at Sheffield City Council during the 2021/22 year and up to the date of signing (March 2024).

Governance issues linked to events after 31st March 2022 have been included in subsequent Annual Governance Statements, which are available to view on the Council's website.

**Signed:** **Date: 21 March 2024**

Philip Gregory – Director of Finance and Commercial Services (Section 151 Officer)

**Signed:** **Date: 21 March 2024**

Kate Josephs - Chief Executive on behalf of Sheffield City Council

**Signed:** **Date: 21 March 2024**

Cllr Tom Hunt - Council Leader on behalf of Sheffield City Council

**Trade Union (Facility Time Publication Requirements) Regulations 2017 - (Not subject to audit)**

The Trade Union (Facility Time Publication Requirements) Regulations 2017 took effect from 1 April 2017. The regulations were laid following the enactment of the Trade Union Act 2016.

One of the elements of the Act is the requirement for employers in the public sector to publish information on facility time, which is the provision of paid or unpaid time off from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative.

To comply with these requirements, the Council must publish the data on the Council's website and on a website maintained by, or on behalf of the Government each year. The data must also be included in the annual Statement of Accounts.

**Table 1 - Relevant union officials**

What was the total number of your employees who were relevant union officials during the relevant period?

<b>Number of employees who were relevant union officials during the relevant period</b>	<b>Full-time equivalent employee number</b>
90	79.17

**Table 2 - Percentage of time spent on facility time**

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

<b>Percentage of time</b>	<b>Number of employees</b>
0%	56
1-50%	17
51%-99%	2
100%	15

### Table 3 - Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time	£452,728.11
Provide the total pay bill	£323,291,783.86
<b>Provide the percentage of the total pay bill spent on facility time</b>	<b>0.14</b>

### Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

<b>Time spent on paid trade union activities as a percentage of total paid facility time hours</b>	Unable to provide this figure held at Individual level by the Reps
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### Education function return

#### Table 1 - Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

<b>Number of employees who were relevant union officials during the relevant period</b>	<b>18</b>	<b>Full-time equivalent employee number</b>	<b>5.22</b>
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**Table 2 - Percentage of time spent on facility time**

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	3
1-50%	10
51%-99%	3
100%	2

**Table 3- Percentage of pay bill spent on facility time**

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time	£209,708.95
Provide the total pay bill	£323,082,074.91
<b>Provide the percentage of the total pay bill spent on facility time</b>	0.06

**Table 4 - Paid trade union activities**

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

<b>Time spent on paid trade union activities as a percentage of total paid facility time hours</b>	Unable to provide this figure held at Individual level by the Reps
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## Glossary

### Term

#### Abbreviations

The symbol 'k' following a figure represents £thousand.  
The symbol 'm' following a figure represents £million.  
The symbol 'bn' following a figure represents £billion.

#### Accounting Period

The period of time covered by the Council's accounts. Normally 12 months, beginning on 1 April. Also known as the Financial Year.

#### Accounting Policies

These are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

#### Accruals Concept

Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.

#### Added Years

A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers must exercise this discretion in accordance with the national regulations and the City Council's own policies.

#### Agent

The authority can be deemed an "agent", (rather than a "principal"), when it is acting as an intermediary in a transaction. Where an authority is acting as an agent, transactions shall not be reflected in an authority's financial statements, (with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position, and the net cash position is included in financing activities in the Cash Flow Statement.).

#### Amortisation

An accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement over a period of years rather than when the initial payment is made. Its purpose is to charge / credit the cost / income over the accounting periods that gain benefit for the respective item.

#### Beacon

A group of Council dwellings / properties with similar characteristics, such as design, age, type and construction. A sample property, "the beacon" is selected, which is representative of the group, and a detailed inspection and valuation carried out.

#### Capital Expenditure

Expenditure that is incurred to acquire, create or add value to a non-current asset.

#### Capital Financing Requirement

It measures an authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend or over the longer term. Alternatively, it means capital expenditure incurred but not yet paid for.

#### Capital Receipts

The proceeds from the sale of capital assets which, subject to various limitations (e.g. Pooling Arrangements introduced in the Local Government Act 2003) can be used to finance capital expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing.

#### Cash

Comprises cash on hand and demand deposits.

#### Cash Equivalents

These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### Co-optees

Individuals appointed to serve as members of committees of the Council, but who are not Members of the Council (i.e. not Councillors).

#### **Collection Fund**

A fund administered by the Council recording receipts from Council Tax, National Non-Domestic Rates and payments to the General Fund.

#### **Community Assets**

Non-current assets that the Council intends to hold forever and which may have some restrictions on their disposal, e.g. parks and historic buildings.

#### **Consistency Concept**

The consistency concept requires that there should be a consistent method of accounting treatment of like items within each accounting period and from one period to the next.

#### **Contingency**

A condition which exists at the Balance Sheet date, where the outcome will be confirmed only on the occurrence of one or more uncertain future events not wholly within the Council's control.

#### **Council Tax**

A banded property tax that is levied on domestic properties. The banding is based on assessed property values at 1 April 1991.

#### **Credit Risk**

The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.

#### **Creditors**

Amounts owed by the Council for work done, goods received or services rendered, for which no payment has been made at the date of the Balance Sheet.

#### **Debtors**

Amounts owed to the Council for work done, goods received or services rendered, for which no payment has been received at the date of the Balance Sheet.

#### **Defined Benefit Scheme**

A pension or other retirement benefit scheme, other than a Defined Contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not

directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

#### **Defined Contribution Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

#### **Depreciation**

The measure of the wearing out, consumption or other reduction in a non-current asset either as a result of its use, ageing or obsolescence.

#### **Fair Value**

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### **Finance Lease**

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

#### **Financial Instrument**

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term "financial instrument" covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivable (debtors) and trade payables (creditors) and the most complex ones such as derivatives.

#### **General Fund**

The total services of the Council except for the Housing Revenue Account and the Collection Fund, the net cost of which is met by Council Tax, Government grants and National non-domestic rates.

#### **Goodwill**

The difference between the aggregate fair value of the net assets of a business and the value of the business as a whole. Goodwill can be internally developed or purchased.

### Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### Impairment

A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.

Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

### Intangible Assets

Non-financial assets that do not have physical substance but are identified and are controlled by the entity through custody or legal rights. The two broad types of intangible non-current assets applicable to local authorities are goodwill and other intangible assets. Examples of other intangible assets might be patents or software licences.

### International Financial Reporting Standards (IFRS)

Accounting standards developed by the International Accounting Standards Board which determine the standards to be adopted in the preparation and presentation of the Council's accounting records.

### Inventories

Inventories are assets:

- in the form of materials or supplies to be consumed in the production process or consumed or distributed in the rendering of services
- held for sale or distribution in the ordinary course of operations
- in the process of production for sale or distribution

### Investment Property

Property held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations.

### Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

### Minimum Revenue Provision (MRP)

The minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

### Net Book Value

The amount at which non-current assets are included on the Balance Sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

### Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current position of the existing asset.

### Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses incurred in realising the asset.

### National Non-Domestic Rates (NNDR)

These are often referred to as Business Rates, and are a levy on business properties based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines the national rate multiplier and the Valuation Office Agency determine the rateable value of each business property. Business Rates are collected by the Local Authority and paid into their collection fund, this amount is then distributed 49% to the Local Authorities General Fund, 1% to the South Yorkshire Fire and Rescue Authority and 50% to Central Government. The Central Government share is then redistributed nationally, partly back to Local Authorities through Revenue Support Grant.

### Operating Lease



A lease other than a Finance Lease. An agreement in which the Council derives the use of an asset in exchange for rental payments, though the risks and rewards of ownership of the asset are not substantially transferred to the Council.

#### **Precepts**

The amount levied by another body such as the South Yorkshire Police Authority that is collected by the Council on their behalf.

#### **Principal**

The authority can be deemed a “principal”, (rather than an “agent”), when the authority is acting on its own behalf during a transaction. All Principal transactions shall be included in an authority’s financial statements

#### **Private Finance Initiative (PFI)**

A contract in which the private sector is responsible for supplying services that are linked to the provision of a major asset and which traditionally have been provided by the Council. The Council will pay for the provision of this service, which is linked to availability, performance and levels of usage.

#### **Property, Plant and Equipment**

Tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

#### **Provisions**

Amounts charged to revenue during the year for costs with uncertain timing, though a reliable estimate of the cost involved can be made.

#### **Prudence Concept**

Requires that revenue is not anticipated until realisation can be assessed. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.

#### **Public Works Loan Board (PWLB)**

A government agency, which provides loans to authorities at favourable rates.

#### **Related Party**

The definition of a related party is:

A person or a close member of that person’s family related to a reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

#### **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

#### **Reserves**

Result from events that have allowed monies to be set aside, surpluses, decisions causing anticipated expenditure to have been postponed or cancelled, or by capital accounting arrangements.

#### **Revenue Expenditure**

Expenditure incurred on the day-to-day running of the Council, for example, staffing costs, supplies and transport.

#### **Revenue Support Grant (RSG)**

This is a Government grant paid to the Council to finance the Council’s general expenditure. It is based on the Government’s assessment of how much a Council needs to spend in order to provide a standard level of service.

#### **Specific Government Grants**

These are designed to aid particular services and may be revenue or capital in nature. They typically have specified conditions attached to them such that they may only be used to fund expenditure which is incurred in pursuit of defined objectives.

#### **Termination Benefits**

These are benefits payable as a result of either an employer’s decision to terminate an employee’s employment before the normal

retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

### **Unsupported (Prudential) Borrowing**

Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

### **Unusable Reserves**

Those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves

Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### **Usable Reserves**

Those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use. For example, the capital receipts reserve may only be used to fund capital expenditure or repay debt.

## Independent Auditor's Report

### Opinion

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

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

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

In our opinion the financial statements:

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

### Basis for opinion

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

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

## Conclusions relating to going concern

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

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

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

## Other information

The other information comprises the information included in the Statement of Accounts set out on pages 3 to 25 and 167 to 186, other than the financial statements and our auditor's report thereon. The Director of Finance and Commercial Services is responsible for the other information contained within the Statement of Accounts.

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

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

We have nothing to report in this regard.

## Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended).
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended).

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended).
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended).
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

### **Responsibility of the Director of Finance and Commercial Services**

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

In preparing the financial statements, the Director of Finance and Commercial Services is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,
- Local Government and Housing Act 1989 (England and Wales) [applicable to authorities with a statutory obligation to maintain a revenue account for local authority housing provision],
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Education Act 2002 and school Standards and Framework Act 1998 (England),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020 and 2022,
- National Health Service Act 2006,
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

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

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

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

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

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

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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

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

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

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

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

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

### **Delay in certification of completion of the audit**

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

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31<sup>st</sup> March 2022. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

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

### **Use of our report**

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

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

Date: 27 March 2024