SHEFFIELD CITY COUNCIL

STATEMENT OF ACCOUNTS 2018/19

Audited

For the period
1 April 2018 to 31 March 2019

Contents

Narrative Report by the Executive Director of Resources

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 clear and simple 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 2018/19 Code of Practice on Local Authority Accounting (the Code) together with guidance 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) 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 leisure activities. Sitting on the edge of the Peak District, Sheffield is known as the outdoor city, something that we take a great deal of pride in.

But 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 in the country. Whilst at the other end of the scale there are pockets of deprivation, where people live in some of England's most deprived areas. These income and health inequalities provide a major backdrop and challenge to the services the Council provides.

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 University ranks well for student satisfaction and for its success in getting its students into work or further study. 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 Heart of the City II scheme, 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. Sheffield also held the Special Olympics during 2017 and will be hosting the GB team trials for the Invictus Games during 2019.

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, on the boundary of 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.

3) SHEFFIELD CITY COUNCIL

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

- Central Government funding continues to fall, with over £200m of funding reductions since 2010.
- A range of pressures such as demographic growth, an ageing population, continues to put pressures on our services, in particular our social care services that support the most vulnerable adults and children in our society.
- Brexit continues to cause considerable uncertainty.

Nevertheless the Council remains ambitious for the city, with a range of projects underway. In particular the Council is enabling the construction of a range of modern retail, office and residential accommodation as part of the Heart of the City II re-development, whilst more generally the city centre has been transformed over recent years, with the additional of new hotels, public spaces and the Winter Gardens.

During 2018/19 the Council approved a radical Ethical Procurement Policy, which will shape how we spend our money over the coming years. Over time, this will seek to increase the proportion of our supply chain that meets the real Living Wage, the Council itself is an accredited Living Wage employer. 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.

The Council employs approximately 7,700 people in full-time and part-time positions (5,890 full time equivalents), with a further 5,300 people employed by schools. This workforce reflects the diversity of the residents of the City, as the Council has always been committed to employing a workforce representative of the communities it serves.

The Council is also committed to training and developing its workforce, and it employs a number of 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 will be available to accredit specific specialist roles to a professional standard, including degree level.

4) THE CITY COUNCIL'S CORPORATE AIMS AND OBJECTIVES

Following the local elections held during May 2019 and with the appointment of a new Cabinet, the coming months will see the development of new Corporate Priorities for the City Council.

Since the inception of the previous Corporate Priorities there has been significant social, political and economic change. This is reflected in a new reality for councils that we need to reflect and articulate our ambitions within that context.

Austerity has been the dominant narrative in Local Government since 2010. However, the development and publication of new Corporate Priorities is an opportunity to set out our own agenda and story:

- To set out the type of council and city that we are and want to be for citizens, partners and employees.
- A shared purpose for our workforce – an immediate and vital delivery of the organisation's part of 'The Deal' and our ongoing organisational change programmes under the banner of SCC 2020.
- Support for democratic accountability – making clear what the administration's ambitions are and therefore, ensure that we can be held to account for achieving those priorities.
- Our strategies - we are leading a number of strategies and taking decisions which have major implications for the city's future (Joint Commissioning of health and social care services with the NHS, Economic Strategy, Housing Strategy, Climate Change, Clean Air etc). We need to ensure that our values and strategic priorities frame and shape these decisions.

As a first step in this process and to reflect the political ambitions and priorities of Cabinet and Group, the Corporate Plan will ultimately need to reflect the local Labour Manifesto:

- A Council for the Many – Democracy and participation
- Health and Wellbeing for All - everyone has the right to health and a good quality of life
- Creating Fair Futures - a city that offers fair opportunities to all
- Fairer Communities - reputation as an open, tolerant, diverse and proud city
- Homes for All - everyone should live in a safe, secure and warm home
- Investing in a Vibrant Economy - a stronger economy will make this city fairer
- Our Global Responsibilities - Our prosperity depends on international links & ensure we live and work in harmony with each other and the natural world

5) PERFORMANCE

Sheffield City Council exists to improve people's lives and to make them easier. Under difficult financial circumstances and in the face of brutal funding cuts, we have managed to keep the Council services running throughout the city. However, we continue to face significant budget challenges over the year ahead. Despite a decade of austerity, the Government continues to reduce Council funding. The Council's main source of Government funding is reducing by a further £16m in 2019/20. This funding cut alongside an ever increasing demand for services and other cost pressures means for 2019/20, the Council needs to identify ways to meet a budget gap of around £48m.

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 2019/20 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 Government funding cuts and increasing demand on vital services has a major impact on the money we have available to spend. As we go into the ninth consecutive year of austerity, we have set a 2.99% rise in Council Tax to support vital services in the city. Overall this means that most properties in Sheffield will pay an extra 58p a week on their Council Tax bills from April 2019.

Using an online survey, we asked 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. Some 381 people responded and the key findings included:

- Social care and Public Health were highlighted as the top two priorities on which the council should spend money. People would like the Council to spend more on adult social care (53%), children's social care (53%), and public health (48%), with over 350 comments on these areas, of which 182 comments related to why people suggested increasing spend.
- The majority of people responding supported raising Council Tax (54%)
- 37% of people supported raising fees and charges with 63% favouring keeping them the same. Respondents suggested that they preferred raising fees and charges rather than additional cuts to services.

Deliver our priorities

Our priorities for the city remain clear and these shape the decisions we make about how we invest the money we have available: a strong economy; thriving neighbourhoods and communities; better health and wellbeing; tackling inequalities and an in-touch organisation.

Supporting children, young people and families in Sheffield

Every child in Sheffield deserves to receive a good education that helps them to reach their potential, and we are working hard to make this happen. We will:

- Keep children, young people and families healthy, safe and strong and give every child a great start in life.
- Develop skills for life and work and encourage active, informed and engaged young people and adults into further education, employment, training and their journey to independence.
- Support schools, children and young people's education, lifelong and community learning and being the champion and advocate for children, young people and their families, improving the quality of learning outcomes, raising attainment and enabling enriching experiences.

Social care – helping people stay healthy, independent and well

Everyone in Sheffield should be supported to stay as healthy, independent and as well as they can and we are working hard alongside our partners in the NHS and across communities in the city to make this happen. However, the scale of financial challenge facing adult social care is significant and will not be resolved in the short term. The Adult Social Care Improvement Plan has been updated for 2019/20 and is structured under 5 themes:

- Increasing the independence and inclusion of young people and adults by enabling better access to social and community activities and employment.
- Increasing the move to prevention to get people the early help they need and stop problems getting worse.
- Developing a sustainable market of care providers in the city
- Increasing the proportion of adults who are able to live at home
- Fairer approach to charging – supporting service users to pay for the care they need.
- The success of the Improvement Plan depends on focussed use of resources at individual, community and citywide levels.

Investing in our city, our neighbourhoods and creating more and better jobs

Sheffield is a city with a bright future that is proud of its rich heritage. Everywhere you go in the city there are visible signs of progress building on the strong history in politics, manufacturing and the arts.
We strongly believe that everyone deserves to have great homes and neighbourhoods to live in and we are working hard to make this happen.

- We want to build an inclusive economy that creates good jobs for Sheffield people through investing in key sectors like advanced manufacturing, creating and digital industries and energy and the environment; helping existing businesses to grow and attracting new businesses to the city.
- In order to support inclusive economic growth, Sheffield needs a housing market that offers choice, affordability and good quality homes. We are working to increase the range of housing to ensure a more balanced offer across the city, as well as tackling poor and inappropriate housing in some areas.
- In the city centre significant investment continues to be made to improve public spaces and buildings in areas like the Moor, which includes the soon to be opened Grosvenor House building, the University of Sheffield Campus, and as part of Heart of the City 2. The regeneration of Castlegate sets out to make the area a distinctive new hub for technology and creative start-up businesses as well as an addition to the city's visitor attractions.
- The Council is committed to helping Sheffield to be a city that is more resilient to climate change. We are working with our partners to invest in sustainable and affordable energy and striving to improve air quality through the development of a clean air zone in the city.

Sheffield is a great place to live, work and visit, offering a vibrant mix of cultural and sporting facilities and events. When it comes to quality of life, there is no better city than Sheffield - this includes putting on events in the city centre, supporting cultural venues such as the Sheffield Theatres, Sheffield Museums; as well as major sporting and cultural facilities.

6) 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 2018/19, which included a General Fund savings programme of £31m, was split by portfolio as shown in the chart overleaf. The net expenditure was budgeted to be funded by £52m of Revenue Support Grant, £193m of Council Tax, £142m of the Council's share of National Non Domestic Rates (NNDR) including top up grant, and £15m of Social Care Precept.

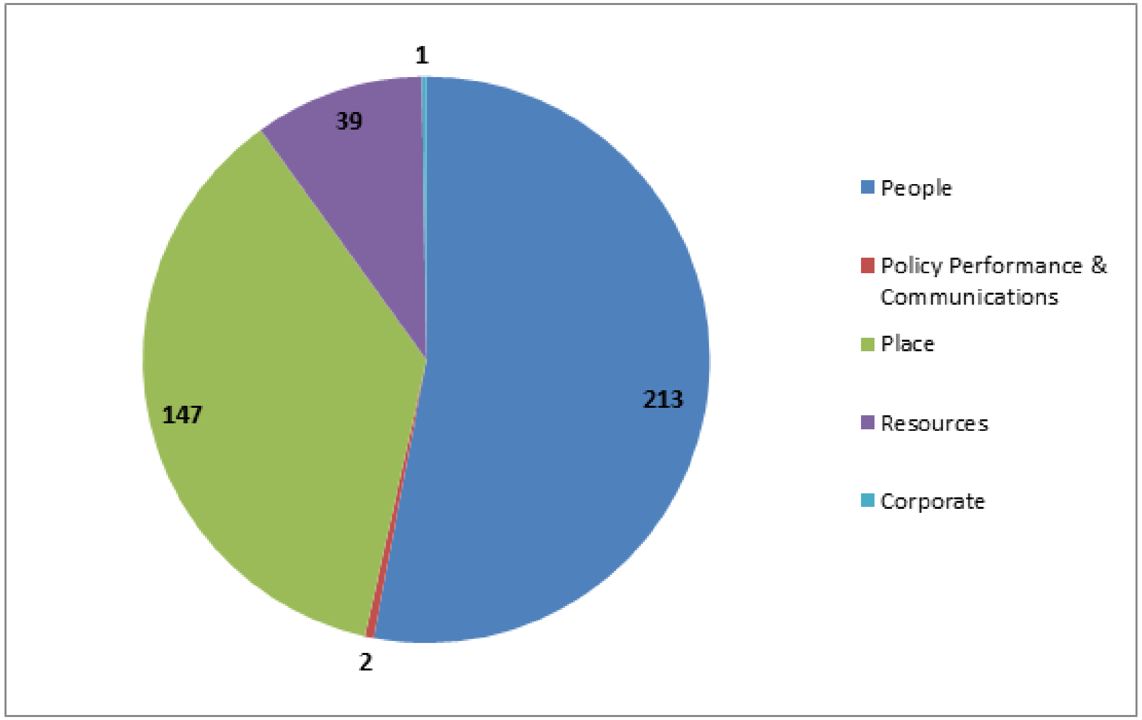
- As a result of emerging pressures within Children's and Adult's Social Care, the People Portfolio who provide social care services, overspent their budget by £15m in 2018/19. Compensating savings were made in other parts of the Council's activities, reducing the Council's overall overspend to £5m. This overspend is 1.2% of the Council's net revenue budget, and 0.3% of the gross budget of £1bn. It will be funded from the Council's reserves, which will be replenished during 2019/20. Further details on the future financial outlook for the Council can be found in section 8 of this Narrative Report.

- The Council's net worth has increased by £13m (or 1%) since 2017/18, with the increase in long-term assets being largely compensated for by an increase in the pensions' liability.

- Total usable revenue reserves increased by £43m from £204m to £247m and total usable capital reserves increased by £3m from £159m to £162m. Usable reserves comprise both those which are earmarked for specific purposes, and those which are un-earmarked. Only £8m of the Council's reserves are un-earmarked, which is below the minimum recommended prudent level. We have reviewed our earmarked reserves and identified that estimated future returns on the South Yorkshire Pensions Fund mean that we can un-earmark a portion of our pensions' reserve and use it to replenish the General Fund Reserve.

- £193m of capital investment went through the Capital Programme during the year, down from £246m in 2017/18.

Sheffield City Council 2018/19 Net Revenue Budget by Portfolio (£m)



Portfolio	Variance £m
People	15
Policy Performance and Communications	1
Place	(2)
Resources	(2)
Corporate	(7)
Total overspend for the year	**5**

CAPITAL EXPENDITURE

Capital expenditure can generally 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 of £575m. This investment will deliver a range of improvements across the City, including:

- Improvements to transport infrastructure to deliver sustainable economic growth and improve air quality
- More housing for our citizens, including the regeneration of brownfield sites
- Further improvements to council housing
- Improvements to parks and public spaces
- A thriving city centre

Astrea and Mercia Academies - new secondary schools built in 2018/19


The Heart of the City development – HSBC building

The 2018/19 Capital Outturn is £193m against a revised budget of £216m, a variance of £23m (11%). The main reason for this difference is ‘slippage’, the extent to which, in terms of expenditure, capital projects are behind their original schedule, which will be carried forward into 2019/20, along with the resources identified to fund the schemes.

For further details, please refer to Appendix 8 of the final outturn report on the Council website:

http://democracy.sheffield.gov.uk/ieListDocuments.aspx?CId=123&MId=6979

7) KEY SECTIONS INCLUDED IN THE STATEMENT OF ACCOUNTS

Statement of Responsibilities (page 19)

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

Expenditure and Funding Analysis Statement (page 29)

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.

Comprehensive Income and Expenditure Statement (page 20)

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 of £13m (a 1% increase in net worth). 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 (page 21)

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

Balance Sheet (page 23)

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 (page 25)

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

Notes to the Core Financial Statements (page 26)

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

Housing Revenue Account (HRA) (page 122)

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 (page 129)

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 (page 88)

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 £8m or 2.0% of the 2018/19 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.

This reserve has fallen below the minimum prudent level recommended by the Executive Director of Resources, mainly as a result of the £5m overspend in 2018/19. The Executive Director, as Statutory Finance Officer (s151 Officer), recommends that the reserve is returned to the minimum recommended level of £13m, approximately 3% of net revenue expenditure, during 2019/20.

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 2018/19. The accounting policies presented are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

There have been two main changes to accounting policies for the 2018/19 accounts:

- IFRS 9 - Financial Instruments, and
- IFRS 15 - Revenue from Contracts with Customers.

The key changes under IFRS 9 for local authorities are:

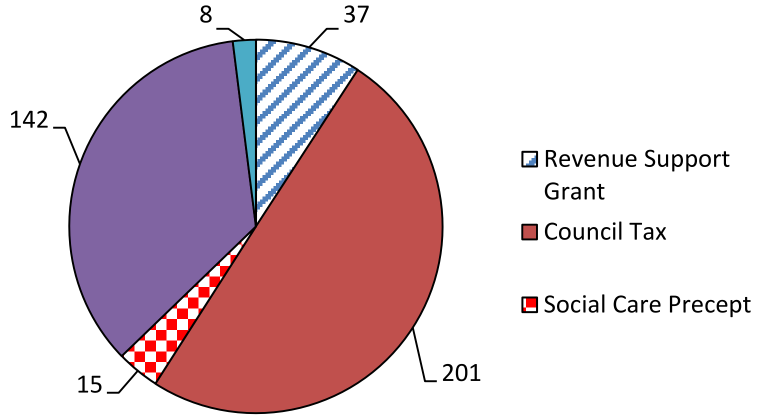
- IFRS 9 has introduced a new classification model based on the business model for holding financial assets and on the nature of the cash flows that might flow from them. Local authorities will therefore need to identify their financial assets, consider them against the new tests in IFRS 9, re-measure any that have changed classification and prepare the relevant adjustments to opening balances and consider the possible impact of statutory reversals.
- IFRS 9 has also introduced a new expected credit loss model for impairment in contrast to the incurred loss model in IAS 39. This model will require local authorities to assess the risk of default on the relevant financial instruments rather than an assessment based on evidence that the default has already taken place. Local authorities will need to calculate their loss allowances based on this new model and adjust the General Fund Balance for these re-measurements.

The key changes under IFRS 15 for local authorities are:

- IFRS 15 introduces a five-step model for assessing the performance obligations in a contract for the provision of goods or services and how much of the transaction price is to be taken as each obligation is satisfied. In most cases, this will not change the way revenue is currently recognised within the accounts.

- Revenue relating to such things as council tax, business rates, and housing rents shall be measured at the full amount receivable as these are statutory duties of the Council and there can be no difference between the delivery and payment dates.

8) FINANCIAL OUTLOOK



How the 2019/20 net revenue budget is financed (expressed in £m)

This section provides a summary of what the future holds for the Council's finances. Further details can be found in the 2019/20 Revenue Budget (approved by Full Council on 6 March 2019) and the Medium Term Financial Strategy.

Local Government Finance Settlement

After releasing details of the Provisional Local Government Finance Settlement on 13 December 2018, the final Local Government Finance Settlement figures for 2018/19 were confirmed on 29 January 2019.

As shown in the chart above, the net revenue budget for 2019/20 totals £403m and comprises four main sources of income, plus a small one-off amount of £8m "Collection Fund Surplus".

When compared to the 2018/19 net revenue budget, the proportion of each of these income sources has changed significantly, thus pointing to a trend of things to come. For example, Revenue Support Grant (RSG) accounted for 13% of the net revenue budget in 2018/19. As a result of RSG being reduced by £16m in the 2019/20 Settlement, it now only accounts for 9% of the net revenue budget in 2019/20. Council Tax (including the Social Care Precept) is now the primary source of income (at 54% of the total net revenue budget). Business Rates are the second largest source of income, and account for 35% of net revenue budget.

Despite further cuts in the main central government grant, RSG, the 2019/20 net budget slightly increased. It should be noted that this has only been possible as a result of increases in local taxation. This slight increase will provide insufficient funding to cope with the, nationally-acknowledged, demand and cost pressures in Children's and Adult Social Care, nor will it offset the impact of recent Central Government cuts to local authorities. It is the demand for these services which, if left unchecked or underfunded, will create long term 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. 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 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.

Another development that will have a significant impact on the way the Council is funded, albeit not on the overall amount of funds available, is the confirmation of a move to 75% business rates retention in 2020/21. This means that the Council will retain 75% of all business rates collected compared to the current 50%. This increased retention of income by the Council is expected to be funded by cuts to and/or exchanges for specific grants the Council currently receives, such as New Homes Bonus and Public Health Grant.

9) 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 risk, 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
Balancing organisational change with the need to deliver services as usual	Insufficient improvement in outcomes	Sound governance in place. Clear accountability held by each head of service
Partnership working with NHS	Ineffective collaboration leading to poor outcomes for clients and inability to meet financial challenges	Joint working groups in place shaping the future delivery of services, alongside regular monitoring of joint commissioning arrangements
Funding SEND learners	Significant pressure on budgets, leading to failure to meet the needs of SEND learners	Strategic review of provision across the city to identify current and future needs, subsequent implementation of a revised SEND and inclusion strategy
New school funding allocation	Increase of financial pressure on schools and Council services, due to new funding allocation. Linked with historic underfunding and inflation/increase in costs	Key agenda item for portfolio leadership team. Engagement and activity being undertaken with associated fora
Cyber security	Potential council wide loss or unavailability of information due to malicious software	Ongoing preventative, technical and resilience work with IT provider.
2019/20 budget pressures	Non-delivery of required £30m savings this year would increase financial pressure on Council	Sufficient savings have been identified to balance the budget, taking into account identified pressures.
Impact of Universal Credit	Significant financial risk to Council due to increase in rent arrears as a result of UC roll out. Full impact is yet unknown.	Working group set up with external partners to support roll out. Coupled with welfare review to direct SCC activity.

10) GOVERNANCE

The Council's governance arrangements are discussed in the Annual Governance Statement which accompanies these accounts (page 165).

11) CONCLUSION

Sheffield City Council has successfully delivered significant General Fund budget savings in the past eight 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 2019/20, which includes additional portfolio General Fund savings of £30m. These savings include proposals set out in the Social Care Recovery Plans aimed at controlling or mitigating the aforementioned demand and inflation cost pressures.

It should be noted that the national political position remains unclear, with, in particular, uncertainty around the path of future funding for Local Government. Despite this uncertainty, the Council, in co-operation with other key local stakeholders such as the Health Service, is committed to continuing to deliver its key services.

12) FURTHER INFORMATION

Further information about the Council's Statement of Accounts is available upon request from the following e-mail address:
financialplanning&accounts@sheffield.gov.uk

The Statement of Accounts can be downloaded from the Council's website:
http://www.sheffield.gov.uk/home/your-city-council/statement-accounts

If you have any problems understanding this publication, or have any suggestions as to how it may be improved, please contact us via the e-mail address above.

Please note that local electors and taxpayers have a statutory right to inspect the Council's Statement of Accounts and all related books, deeds, contracts, bills, vouchers and receipts before the external audit has been completed, and to question the auditor. The availability of the accounts for inspection was advertised on the Council's website on 16 May 2019 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 Executive Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Responsibilities of the Executive Director of Resources

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

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

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

The Executive Director of Resources 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.

Eugene Walker
Executive Director of Resources (Section 151 Officer)
24 September 2019

The Core Financial Statements

Comprehensive Income and Expenditure Statement (CI&ES)

2017/18 Restated Gross Expenditure £000	2017/18 Restated Gross Income £000	2017/18 Restated Net Expenditure £000		Notes	2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
			Continuing Operations:				
483,806	(231,438)	252,368	People		514,717	(245,775)	268,942
189,506	(184,870)	4,636	Schools		182,479	(177,664)	4,815
238,962	(71,072)	167,890	Place (excluding HRA)		265,461	(78,118)	187,343
7,208	(2,911)	4,297	Policy, Performance & Communications		6,860	(2,699)	4,161
199,384	(194,883)	4,501	Resources		179,723	(187,431)	(7,708)
(93)	(16)	(109)	Corporate		(16)	(940)	(956)
1,118,773	**(685,190)**	**433,583**			**1,149,224**	**(692,627)**	**456,597**
107,553	(155,054)	(47,501)	Housing Revenue Account (HRA)		67,163	(151,969)	(84,806)
1,226,326	**(840,244)**	**386,082**	**(Surplus) / Deficit on Continuing Operations**		**1,216,387**	**(844,596)**	**371,791**
		52,890	Other Operating Expenditure	9			69,625
		102,417	Financing and Investment Income and Expenditure	10			128,105
		(547,102)	Taxation and Non-Specific Grant Income	11			(562,973)
		(5,713)	**(Surplus) / Deficit on Provision of Services**				**6,548**
		(62,420)	(Surplus) / deficit on revaluation of non-current assets				(17,522)
		(165,667)	Re-measurements of the pension net defined benefit liability				83,068
		63	Other (gains) / losses				62
		(228,024)	**Other Comprehensive (Income) and Expenditure**				**65,608**
		(233,737)	**Total Comprehensive (Income) and Expenditure**				**72,156**

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.

2018/19

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Earmarked Housing Revenue Account Reserve £000	HRA Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Note	34	34	34	34	34	34	34	34	35	
Balance at 31 March 2018		**(10,631)**	**(180,088)**	**(9,267)**	**(4,107)**	**(70,661)**	**(58,306)**	**(30,147)**	**(363,207)**	**(766,656)**	**(1,129,863)**
Movement in reserves during 2018/19:											
Total Comprehensive (Income) and Expenditure		81,547	0	(74,999)	0	0	62	0	6,610	65,546	72,156
Adjustments between accounting basis and funding basis under regulations	8	(125,762)	0	52,740	0	23,455	(4,889)	1,715	(52,741)	52,741	0
Net (increase) / decrease before transfers to earmarked reserves		**(44,215)**	**0**	**(22,259)**	**0**	**23,455**	**(4,827)**	**1,715**	**(46,131)**	**118,287**	**72,156**
Transfers (to) / from earmarked reserves	33	46,720	(46,720)	23,199	285	(23,484)	0	0	0	0	0
(Increase) / decrease in year		**2,505**	**(46,720)**	**940**	**285**	**(29)**	**(4,827)**	**1,715**	**(46,131)**	**118,287**	**72,156**
Balance at 31 March 2019		**(8,126)**	**(226,808)**	**(8,327)**	**(3,822)**	**(70,690)**	**(63,133)**	**(28,432)**	**(409,338)**	**(648,369)**	**(1,057,707)**

2017/18 Comparative Information Restated

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Earmarked Housing Revenue Account Reserve £000	HRA Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Note	34	34	34	34	34	34	34	34	35	
Balance at 31 March 2017		**(9,689)**	**(143,016)**	**(9,199)**	**(4,107)**	**(69,311)**	**(53,111)**	**(20,461)**	**(308,894)**	**(587,232)**	**(896,126)**
Movement in reserves during 2017/18:											
Total Comprehensive (Income) and Expenditure		31,303	0	(37,016)	0	0	62	0	(5,651)	(228,086)	(233,737)
Adjustments between accounting basis and funding basis under regulations	8	(69,317)	0	6,973	0	28,625	(5,257)	(9,686)	(48,662)	48,662	0
Net (increase) / decrease before transfers to earmarked reserves		**(38,014)**	**0**	**(30,043)**	**0**	**28,625**	**(5,195)**	**(9,686)**	**(54,313)**	**(179,424)**	**(233,737)**
Transfers (to) / from earmarked reserves	33	37,072	(37,072)	29,975	0	(29,975)	0	0	0	0	0
(Increase) / decrease in year		**(942)**	**(37,072)**	**(68)**	**0**	**(1,350)**	**(5,195)**	**(9,686)**	**(54,313)**	**(179,424)**	**(233,737)**
Balance at 31 March 2018		**(10,631)**	**(180,088)**	**(9,267)**	**(4,107)**	**(70,661)**	**(58,306)**	**(30,147)**	**(363,207)**	**(766,656)**	**(1,129,863)**

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 2018 £000 Restated		Notes	As at 31 March 2019 £000
905	Intangible Assets	27	2,452
2,964,359	Property, Plant and Equipment	23	3,012,324
60,368	Heritage Assets	25	54,521
26,800	Investment Properties	26	28,190
154,522	Long term Debtors	16	144,280
3,206,954	**Long Term Assets**		**3,241,767**
35,000	Short Term Investments	14	500
1,435	Inventories		1,529
132,799	Short Term Debtors	17	102,769
56,776	Cash and Cash Equivalents	14 / 18	126,128
21,247	Assets Held for Sale	28	33,352
247,257	**Current Assets**		**264,278**
(29,665)	Short Term Borrowing	14	(22,219)
(157,777)	Short Term Creditors	19	(155,315)
(15,325)	Short Term Provisions	20	(12,583)
(8,792)	PFI / PPP Finance Lease Liability	14 / 24	(10,127)
(29,975)	Capital Grants Receipts in Advance	12	(18,722)
(241,534)	**Current Liabilities**		**(218,966)**
(785,282)	Long Term Borrowing	14	(795,762)
(19,204)	Long Term Provisions	20	(17,833)
(400,847)	PFI / PPP Finance Lease Liability	14 / 24	(390,039)
(776,574)	Net Pension Liability	46	(930,663)
(86,670)	Other Long Term Liabilities	21	(68,843)
(14,237)	Capital Grants Receipts in Advance	12	(26,232)
(2,082,814)	**Long Term Liabilities**		**(2,229,372)**
1,129,863	**Net Assets**		**1,057,707**
(363,207)	Usable Reserves	34	(409,338)
(766,656)	Unusable Reserves	35	(648,369)
(1,129,863)	**Total Reserves**		**(1,057,707)**

The Statement of Accounts was approved and authorised for issue by the Executive Director of Resources and the Audit and Standards Committee on 24 September, in accordance with the Accounts and Audit (England) Regulations.

Eugene Walker
Executive Director of Resources (Section 151 Officer)
24 September 2019

Councillor Sioned-Mair Richards
Chair of the Audit and Standards Committee
24 September 2019

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**.**

2017/18 Restated * £000		**Notes**	**2018/19 £000**
5,713	Net surplus or (deficit) on the provision of services		(6,548)
180,909	- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	36	248,119
(88,872)	- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	36	(92,224)
97,750	**Net cash flow from operating activities**		**149,347**
(131,652)	Investing activities	37	(46,179)
5,564	Financing activities	38	(33,816)
(28,338)	**Net increase / (decrease) in cash and cash equivalents**		**69,352**
85,114	Cash and cash equivalents at 1 April	18	56,776
56,776	**Cash and cash equivalents at 31 March**	18	**126,128**

* Notes 36 and 37 have been re-presented due to a miss-classification in the prior year.

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

The following adjustment has been made to the prior year accounts:

Council Dwellings – Housing Price Index

This adjustment is required to restate the value of Council Dwellings, to reflect the actual Housing Price Index (HPI) as at 31st March 2018.

The 31st March 2018 Balance Sheet and 2017/18 comparative figures have thus been restated in the 2018/19 Statement of Accounts. The effects of the restatement are shown in the tables below.

Movement in Reserves Statement

Unusable Reserve - Revaluation Reserve

To adjust for the increase in valuation of £40.3m for Council Dwelling assets.

	Original £'000	Adjustment £'000	Revised £'000
31 March 2018	(394,696)	(40,274)	(434,970)

The Balance Sheet and Note 35 Unusable Reserves have also been restated.

Comprehensive Income & Expenditure Statement

(Surplus) / deficit on revaluation of non-current assets has been restated to reflect the revaluation gain of £40.3m.

	Original £'000	Adjustment £'000	Revised £'000
31 March 2018	(22,146)	(40,274)	(62,420)

Balance Sheet

Property, Plant and Equipment

To recognise the increase in valuation of Council Dwellings by £40.3m, based on the actual HPI as at 31st March 2018.

	Original £'000	Adjustment £'000	Revised £'000
31 March 2018	2,924,085	40,274	2,964,359

Note 23 Property, Plant and Equipment (PPE) has also been restated.

02. Events After the Reporting Date

The Statement of Accounts was authorised for issue by Eugene Walker, Executive Director of Resources on 24 September 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, 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

2018/19

There were no exceptional items in 2018/19.

2017/18

There were no exceptional items in 2017/18.

04. Acquired and Discontinued Operations

Acquired Operations

2018/19

No operations were acquired in the year to 31 March 2019.

2017/18

No operations were acquired in the year to 31 March 2018.

Discontinued Operations

2018/19

There were no discontinued operations during 2018/19.

2017/18

There were no discontinued operations during 2017/18.

Expenditure and Funding Analysis (EFA) Statement

The Expenditure and Funding Analysis (EFA) 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. 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).

2018/19	Notes	Outturn Position Reported to Internal Management	Adjustments for Items Not Reported to Internal Management	Net Expenditure Chargeable to the General Fund and HRA Balances Under Statutory Funding Provisions	Adjustments between the Funding and Accounting Basis	Other Adjustments	Net Expenditure in the CI&ES
		£000	£000	£000	£000	£000	£000
Note					5		
People		250,573	72	**250,645**	18,297	0	**268,942**
Schools		0	(3,620)	**(3,620)**	8,435	0	**4,815**
Place (excluding HRA)		196,584	237	**196,821**	15,613	(25,091)	**187,343**
Policy, Performance & Communications		3,230	0	**3,230**	931	0	**4,161**
Resources		5,168	50	**5,218**	(12,926)	0	**(7,708)**
Corporate		(450,914)	(45,595)	**(496,509)**	95,412	400,141	**(956)**
Total General Fund (GF)		4,641	(48,856)	**(44,215)**	125,762	375,050	**456,597**
Housing Revenue Account (HRA)		0	(22,259)	**(22,259)**	(52,740)	(9,807)	**(84,806)**
Net Cost of Services	5	**4,641**	**(71,115)**	**(66,474)**	**73,022**	**365,243**	**371,791**
Other Income & Expenditure GF		0	0	**0**	0	(375,050)	**(375,050)**
Other Income & Expenditure HRA		0	0	**0**	0	9,807	**9,807**
Other Income & Expenditure		**0**	**0**	**0**	**0**	**(365,243)**	**(365,243)**
Difference between General Fund (Surplus) / Deficit and CI&ES (Surplus) / Deficit	5	**4,641**	**(71,115)**	**(66,474)**	**73,022**	**0**	**6,548**
Opening General Fund and HRA Balance at 1 April		(204,093)					
(Surplus) / Deficit on General Fund and HRA Balance at 31 March		(66,474)					
Other Movements		23,484					
Closing General Fund and HRA Balance at 31 March*		**(247,083)**					

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

2017/18	Notes	Outturn Position Reported to Internal Management	Adjustments for Items Not Reported to Internal Management	Net Expenditure Chargeable to the General Fund and HRA Balances Under Statutory Funding Provisions	Adjustments between the Funding and Accounting Basis	Other Adjustments	Net Expenditure in the CI&ES
		£000	£000	£000	£000	£000	£000
Note					5		
People		238,896	(568)	**238,328**	14,040	0	**252,368**
Schools		0	586	**586**	4,050	0	**4,636**
Place (excluding HRA)		183,731	(313)	**183,418**	(1,800)	(13,728)	**167,890**
Policy, Performance & Communications		3,207	0	**3,207**	1,090	0	**4,297**
Resources		20,779	(29)	**20,750**	(15,573)	(676)	**4,501**
Corporate		(444,641)	(39,662)	**(484,303)**	67,510	416,684	**(109)**
Total General Fund (GF)		1,972	(39,986)	**(38,014)**	69,317	402,280	**433,583**
Housing Revenue Account (HRA)		0	(30,043)	**(30,043)**	(6,973)	(10,485)	**(47,501)**
Net Cost of Services	5	**1,972**	**(70,029)**	**(68,057)**	**62,344**	**391,795**	**386,082**
Other Income & Expenditure GF		0	0	**0**	**0**	(402,280)	**(402,280)**
Other Income & Expenditure HRA		0	0	**0**	**0**	10,485	**10,485**
Other Income & Expenditure		**0**	**0**	**0**	**0**	**(391,795)**	**(391,795)**
Difference between General Fund (Surplus) / Deficit and CI&ES (Surplus) / Deficit	5	**1,972**	**(70,029)**	**(68,057)**	**62,344**	**0**	**(5,713)**
Opening General Fund and HRA Balance at 1 April		(166,010)					
(Surplus) / Deficit on General Fund and HRA Balance at 31 March		(68,057)					
Other Movements		29,974					
Closing General Fund and HRA Balance at 31 March*		**(204,093)**					

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

05. Note to the Expenditure and Funding Analysis

2018/19

Adjustments from General Fund to arrive at the CI&ES Amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustment £000	Other Differences £000	Total Adjustments £000
People	14,047	17,829	(13,579)	**18,297**
Schools	0	8,435	0	**8,435**
Place (excluding HRA)	(703)	16,757	(441)	**15,614**
Policy, Performance & Communications	930	0	0	**930**
Resources	(566)	7,304	(19,663)	**(12,926)**
Corporate	40,070	20,697	34,645	**95,412**
Total General Fund (GF)	53,779	71,021	962	**125,762**
Housing Revenue Account (HRA)	(51,753)	0	(987)	**(52,740)**
Net Cost of Services	**2,025**	**71,021**	**(25)**	**73,022**
Other Income & Expenditure	0	0	0	**0**
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit	**2,025**	**71,021**	**(25)**	**73,022**

2017/18 Comparative Information

Adjustments from General Fund to arrive at the CI&ES Amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustment £000	Other Differences £000	Total Adjustments £000
People	20,111	7,779	(13,850)	**14,040**
Schools	0	4,050	0	**4,050**
Place (excluding HRA)	(9,878)	7,386	692	**(1,800)**
Policy, Performance & Communications	1,090	0	0	**1,090**
Resources	512	2,793	(18,878)	**(15,573)**
Corporate	15,422	22,675	29,413	**67,510**
Total General Fund (GF)	27,257	44,683	(2,623)	**69,317**
Housing Revenue Account (HRA)	(5,920)	0	(1,053)	**(6,973)**
Net Cost of Services	**21,337**	**44,683**	**(3,676)**	**62,344**
Other Income & Expenditure	0	0	0	**0**
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit	**21,337**	**44,683**	**(3,676)**	**62,344**

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 can be seen further in the Comprehensive Income and Expenditure Statement (CIES) and Note 7 below.

07. Expenditure and Income Analysed by Nature

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

2017/18 £000		2018/19 £000
	Income:	
(728,901)	Revenue Grants & Other Contributions	(723,086)
(61,863)	Capital Grants & Contributions	(55,890)
(193,763)	Income from Council Tax	(219,960)
(98,479)	Income from Non-domestic Rates	(100,004)
(669)	Interest and investment Income	(1,081)
(8,245)	Sales	(8,206)
(118,940)	Fees and Charges	(121,171)
(156,900)	Recharges	(163,093)
(146,506)	Dwelling rents	(143,931)
(37,376)	Other Income	(42,035)
(1,551,642)		**(1,578,457)**
	Expenditure:	
412,500	Employee Expenditure	449,119
81,104	Premises Expenditure	80,701
16,376	Transport Expenditure	16,863
194,681	Supplies & Services	194,035
245,011	Third Party Payments	250,664
213,392	Transfer Payments	212,961
105,011	Support Services	109,531
112,745	Depreciation, amortisation & impairment	66,519
512	Precepts & levies	522
72,713	Interest payable & similar charges	86,523
3,340	Payment to the Housing Capital Receipts Pool	3,340
48,267	(Gain) / loss on the disposal of assets	64,958
22,356	Pension interest cost, administration expenses and return on plan assets	20,469
14,723	(Surplus) / deficit on Trading Operations	25,320
3,198	Other Expenses	3,479
1,545,929		**1,585,005**
(5,713)	**(Surplus) / Deficit on the Provision of Services**	**6,548**

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.

2018/19	Notes	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
							34	35	
Reversal of items debited or credited to the CI&ES:									
Depreciation of Non-current assets		(50,682)	0	(23,310)	0	0	(73,992)	73,992	**0**
Impairment losses charged to the CI&ES		0	0	0	0	0	0	0	**0**
Revaluation losses charged to the CI&ES		(23,795)	48,716	0	0	0	24,921	(24,921)	**0**
Movements in fair value of Investment Properties		1,390	0	0	0	0	1,390	(1,390)	**0**
Capital grants and contributions credited to the CI&ES		67,962	0	0	0	(8,022)	59,940	(59,940)	**0**
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve		0	0	0	0	9,737	9,737	(9,737)	**0**
Revenue expenditure funded from capital under statute		(18,838)	0	0	0	0	(18,838)	18,838	**0**
Costs of disposal funded from capital receipts		(282)	0	0	282	0	0	0	**0**
Net gain / (loss) on sale of non-current assets		(67,968)	3,010	0	(24,263)	0	(89,221)	89,221	**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		(12,291)	987	0	0	0	(11,304)	11,304	**0**
Reversal of items relating to retirement benefits debited or credited to the CI&ES		(109,354)	0	0	0	0	109,354	(109,354)	**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		11,853	0	0	0	0	11,853	(11,853)	**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		(524)	0	0	0	0	(524)	524	**0**
Insertion of items not debited or credited to the CI&ES:									
Statutory provision for repayment of debt (MRP)		41,907	0	0	0	0	41,907	(41,907)	**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		(133)	0	0	133	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		38,333	0	0	0	0	38,333	(38,333)	**0**
Capital Financing:									
Use of Capital Receipts Reserve to finance new capital expenditure		0	0	0	15,619	0	15,619	(15,619)	**0**
Use of Major Repairs Reserve to finance new capital expenditure		0	0	46,765	0	0	46,765	(46,765)	**0**
Total		(125,762)	52,740	23,455	(4,889)	1,715	(52,741)	52,741	**0**

2017/18 – Comparative Information

	Notes	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
							34	35	
Reversal of items debited or credited to the CI&ES:									
Depreciation of Non-current assets		(50,676)	0	(23,587)	0	0	(74,263)	74,263	**0**
Impairment losses charged to the CI&ES		0	0	0	0	0	0	0	**0**
Revaluation losses charged to the CI&ES		(32,841)	3,451	0	0	0	(29,390)	29,390	**0**
Movements in fair value of Investment Properties		4,845	0	0	0	0	4,845	(4,845)	**0**
Capital grants and contributions credited to the CI&ES		70,673	0	0	0	(14,154)	56,519	(56,519)	**0**
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve		0	0	0	0	4,468	4,468	(4,468)	**0**
Revenue expenditure funded from capital under statute		(15,827)	0	0	0	0	(15,827)	15,827	**0**
Costs of disposal funded from capital receipts		(144)	0	0	144	0	0	0	**0**
Net gain / (loss) on sale of non-current assets		(50,707)	2,441	0	(21,792)	0	(70,058)	70,058	**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		(137)	1,054	0	0	0	917	(917)	**0**
Reversal of items relating to retirement benefits debited or credited to the CI&ES		(81,319)	0	0	0	0	(81,319)	81,319	**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		1,840	0	0	0	0	1,840	(1,840)	**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		919	0	0	0	0	919	(919)	**0**
Insertion of items not debited or credited to the CI&ES:									
Statutory provision for repayment of debt (MRP)		49,879	0	0	0	0	49,879	(49,879)	**0**
Voluntary provision for repayment of debt (VMRP)		1,036	27	0	0	0	1,063	(1,063)	**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		(154)	0	0	154	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		36,636	0	0	0	0	36,636	(36,636)	**0**
Capital Financing:									
Use of Capital Receipts Reserve to finance new capital expenditure		0	0	0	12,897	0	12,897	(12,897)	**0**
Use of Major Repairs Reserve to finance new capital expenditure		0	0	52,212	0	0	52,212	(52,212)	**0**
Total		**(69,317)**	**6,973**	**28,625**	**(5,257)**	**(9,686)**	**(48,662)**	**48,662**	**0**

09. Other Operating Expenditure

The following table provides a breakdown of Other Operating Expenditure:

2017/18 £000		2018/19 £000
512	Precepts (paid to non-principal authorities)	523
3,340	Payments to the housing capital receipts pool	3,340
48,267	(Gain) / loss on the disposal of non-current assets	64,957
771	Pension Administration Expenses	805
52,890	**Total**	**69,625**

10. Financing and Investment Income and Expenditure

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

2017/18 £000		Note	2018/19 £000
72,713	Interest payable and similar charges		86,523
21,585	Pensions interest cost and expected return on pensions assets		19,664
(669)	Interest receivable and similar income		(1,081)
14,723	(Surplus) / Deficit on Trading Undertakings	39	25,320
(5,935)	Income and Expenditure in relation to Investment Properties and changes to their fair value		(2,321)
102,417	**Total**		**128,105**

11. Taxation and Non Specific Grant Income

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

	2017/18				2018/19
£000	**£000**		**Note**	**£000**	**£000**
	(193,763)	Council Tax Income			(212,046)
	(98,480)	NNDR Distribution			(107,918)
		Non-ring fenced government grants:	12		
(67,790)		- Revenue Support Grant (RSG)		(52,415)	
(74,437)		- Private Finance Initiative Grant (PFI)		(74,437)	
(2,250)		- New Homes Bonus		(5,722)	
0		- Business Rates Levy Account Surplus		(2,185)	
(6,345)		- Small Business Rates Relief		(7,523)	
(2,062)		- Business Rates Multiplier Cap		(2,293)	
(39,583)		- Business Rates Top-up Grant		(42,357)	
(529)		- Other		(187)	
	(192,996)				(187,119)
	(245)	Donated Assets			(36)
	(485,484)				**(507,119)**
	(61,618)	Capital Grants and Contributions	12		(55,854)
	(547,102)	**Total**			**(562,973)**

12. Grant Income

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

2017/18 £000		2018/19 £000
	Credited to Services:	
(20,407)	Clinical Commissioning Group	(26,086)
(3,453)	Department for Business, Energy and Industrial Strategy	(2,331)
(19,695)	Ministry of Housing, Communities & Local Government	(34,777)
(948)	Department for Digital, Culture, Media & Sport	(3,932)
(241,769)	Department for Education	(239,134)
(653)	Department for Environment, Food and Rural Affairs	(983)
(189,275)	Department for Work and Pensions	(182,420)
(37,183)	Department of Health & Social Care	(36,891)
(5,776)	English Local Government	(2,659)
(2,439)	Home Office	(2,229)
(944)	Ministry of Justice	(942)
(1,707)	Other	(2,169)
(524,249)	**Total**	**(534,553)**
	Credited to Taxation and Non Specific Grant Income:	
	Non-ring fenced Government Grants:	
(168,492)	Ministry of Housing, Communities & Local Government	(162,957)
(23,975)	Education Funding Agency	(23,975)
(529)	Other	(187)
(192,996)		**(187,119)**
(245)	Donated Assets	**(36)**
	Capital Grants and Contributions:	
(5,315)	Ministry of Housing, Communities & Local Government	(1,433)
(1,373)	Department for Digital, Culture, Media & Sport	(23)
(29,450)	Department for Education	(36,029)
(1,207)	Department for Environment, Food and Rural Affairs	(103)
(97)	Department for Transport	(57)
(14,510)	Sheffield City Region Combined Authority	(6,178)
(9,666)	Other	(12,031)
(61,618)		**(55,854)**
(254,859)	**Total**	**(243,009)**

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

31 March 18 £000		31 March 19 £000
	Revenue Grants Receipts in Advance:	
(1,904)	Department for Business, Energy and Industrial Strategy	(1,231)
(375)	Ministry of Housing, Communities & Local Government	(499)
(1,178)	Department for Education	(1,193)
(506)	Department for Environment, Food and Rural Affairs	(13)
(683)	Department for Work and Pensions	(181)
(528)	Home Office	(277)
(850)	Department for Transport	(388)
(724)	Other	(108)
(6,748)	**Total**	**(3,890)**

31 March 18 £000		31 March 19 £000
	Capital Grants Receipts in Advance:	
(3,543)	Department for Digital, Culture, Media & Sport	(681)
(1,162)	Ministry of Housing, Communities & Local Government	(4,596)
(13,901)	Department for Education	(2,511)
(6)	Department for Environment, Food, and Rural Affairs	(6)
(560)	Department for Transport	(4,472)
(4,925)	Department of Health & Social Care	(1,706)
(455)	English Local Government	(7,442)
(19,660)	Other	(23,540)
(44,212)	**Total**	**(44,954)**

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

Details of the deployment of DSG receivable for 2018/19 are as follows:

2018/19	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2018/19 before Academy recoupment	55,830	362,327	**418,157**
Academy figure recouped for 2018/19	0	(206,735)	**(206,735)**
Total DSG after Academy recoupment for 2018/19	55,830	155,592	**211,422**
Brought forward from 2017/18	9,218	0	9,218
Carry forward to 2019/20 agreed in advance	0	0	**0**
Agreed initial budgeted DSG distribution in 2018/19	65,048	155,592	**220,460**
In year adjustments	(21,197)	17,531	**(3,666)**
Final budgeted distribution for 2018/19	43,851	173,123	**216,974**
Less Actual central expenditure	(31,447)	0	**(31,447)**
Less Actual ISB deployed to schools	0	(173,241)	**(173,241)**
Plus Local Authority contribution for 2018/19	0	0	**0**
Carry forward to 2019/20	**12,404**	**(118)**	**12,286**

2017/18 Comparative Information	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2017/18 before Academy recoupment	51,702	349,648	**401,350**
Academy figure recouped for 2017/18	0	(186,201)	**(186,201)**
Total DSG after Academy recoupment for 2017/18	51,702	163,447	**215,149**
Brought forward from 2016/17	7,305	0	**7,305**
Carry forward to 2018/19 agreed in advance	0	0	**0**
Agreed initial budgeted DSG distribution in 2017/18	59,007	163,447	**222,454**
In year adjustments	(22,111)	18,504	**(3,607)**
Final budgeted distribution for 2017/18	36,896	181,951	**218,847**
Less Actual central expenditure	(27,678)	0	**(27,678)**
Less Actual ISB deployed to schools	0	(181,951)	**(181,951)**
Plus Council contribution for 2017/18	0	0	**0**
Carry forward to 2018/19	**9,218**	**0**	**9,218**

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.

Where relevant, the prior year figures have been restated to take account of changes under IFRS 9, these include expected credit loss provisions (leading to a £362k reduction in the opening debtors figure) and reclassification, details of both are included in this note.

Financial Liabilities

All of 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 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 Instrument Balances

31 March 2018 Restated Current £000	31 March 2018 Restated Long Term £000		31 March 2019 Current £000	31 March 2019 Long Term £000
		Financial Assets		
35,000	0	- Investments	500	0
16	0	- Accrued Interest	0	0
35,016	**0**	**Total investments (at amortised cost)**	**500**	**0**
55,103	0	- Cash & Cash Equivalents	113,494	0
20	0	- Accrued Interest	47	0
55,123	**0**	**Total cash & cash equivalents (at amortised cost)**	**113,541**	**0**
61,352	3,387	- Debtors (at amortised cost)	30,496	2,755
0	99,976	- Debtors (at FVPL)	0	99,976
61,352	**103,363**	**Total Debtors**	**30,496**	**102,731**
151,491	**103,363**	**Total Financial Assets**	**144,537**	**102,731**
		Financial liabilities (at amortised cost)		
(22,000)	(777,916)	- Borrowings	(14,450)	(788,466)
(7,665)	0	- Accrued Interest	(7,769)	0
0	(7,366)	- Accounting Adjustments	0	(7,296)
(29,665)	**(785,282)**	**Total borrowing**	**(22,219)**	**(795,762)**
(8,792)	(400,847)	PFI and finance lease liabilities	(10,127)	(390,039)
(38,457)	**(1,186,129)**	**Total other long term liabilities**	**(32,346)**	**(1,185,801)**
(109,626)	**(86,669)**	**- Creditors**	**(95,492)**	**(68,843)**
(148,083)	**(1,272,798)**	**Total Financial Liabilities**	**(127,838)**	**(1,254,644)**
0	**123**	**Soft Loans Provided**	**0**	**132**

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 opposite 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 – Overall borrowing has decreased slightly as has the average rate for borrowing. The Capital Financing requirement has increased further; the council has primarily met this cost using internal funds. The Capital financing requirement is increasing due to major Capital expenditure such as the Heart of the City II Project.

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).

In 2010/11 the Council made a £650k cash flow loan to Sheffield Museums and Galleries Trust (SMGT) at 0% interest; as this was less than market rates of approximately 5.5%, it was treated as a soft loan. During 2018/19, the outstanding carrying amount of £130k was written off.

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%; this has also been treated as a soft loan.

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

31 March 2018 £000		31 March 2019 £000
240	Opening Balance	123
0	New Loans	141
13	Increase /(Decrease) in the Discounted Amount	7
0	Fair Value Adjustment	(9)
(130)	Loan Repayment	(130)
123	**Balance Carried Forward**	**132**
130	**Nominal Value Carried Forward**	**141**

Reclassification and re-measurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the re-measurements of carrying amounts then required.

		New Classifications at 1 April 2018		
	Carrying amount brought forward at 1 April 2018	Amortised Cost	Fair value through other comprehensive income (FVOCI)	Fair value through profit and loss (FVPL)
	£000	£000	£000	£000
Previous classifications				
Loans and receivables	35,016	35,016	0	0
Available for Sale	0	0	0	0
Fair value through profit and loss	0	0	0	0
Cash and Cash Equivalents	55,123	55,123	0	0
Debtors	164,715	64,739	0	99,976
Reclassified amounts at 1 April 2018	**254,854**	**154,878**	**0**	**99,976**
Re-measurements at 1 April 2018	(362)	(362)	0	0
Re-measured carrying amounts at 1 April 2018	**254,492**	**154,516**	**0**	**99,976**
Impact on General Fund Balance		362	0	0
Impact on Financial Instruments Revaluation Reserve		0	0	0

On the basis financial assets remain categorised as amortised cost, there is no re-measurement required.

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.

Reclassification and re-measurement of impairment losses at 1 April 2018

This note shows the adjustments made to impairment loss allowances as a result of the change from an incurred loss basis to an expected loss model for calculations

	Loss allowances for new classifications at 1 April 2018		
	Impairment allowance brought forward at 1 April £000	**Amortised cost £000**	**Fair value through other comprehensive income £000**
Previous classifications			
Loans and receivables	0	0	0
Available for sale	0	0	0
Reclassified amounts at 1 April 2018	**0**	**0**	**0**
Re-measurement from incurred losses to expected losses basis at 1 April 2018	0	362	0
Impairment loss allowance at 31 March 2018	**0**	**362**	**0**

Note 3 – 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: in line with our accounting policy for Property, Plant & Equipment.

In accordance with this policy, we have capitalised interest of £5.506m (£3.496 2017/18) using a capitalisation rate of 3.93% (3.88% 2017/18) 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:

2017/18				2018/19		
Financial Liabilities	Financial Assets	Total		Financial Liabilities	Financial Assets	Total
£000	£000	£000		£000	£000	£000
(33,539)	0	(33,539)	Interest expense	(33,792)	0	(33,792)
(39,174)	0	(39,174)	Interest on PFI scheme liabilities	(39,023)	0	(39,023)
0	0	0	Premiums paid	(12,340)	0	(12,340)
0	0	0	Expected credit loss impairment	(1,368)	0	(1,368)
(72,713)	**0**	**(72,713)**	**Interest payable and similar charges**	**(86,523)**	**0**	**(86,523)**
0	669	669	Interest income	0	1,081	1,081
0	**669**	**669**	**Interest and investment income**	**0**	**1,081**	**1,081**
(72,713)	**669**	**(72,044)**	**Net gain / (loss) for the year**	**(86,523)**	**1,081**	**(85,442)**

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 March 2019 (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 2018 Restated Carrying Amount £000	31 March 2018 Restated Fair Value £000	Fair Value of Liabilities	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
(435,864)	(642,293)	PWLB debt	(476,038)	(601,269)
(379,027)	(703,644)	Non-PWLB debt	(341,942)	(510,091)
(409,639)	(409,639)	PFI / PPP Liabilities	(400,166)	(400,166)
(196,295)	(196,295)	Creditors	(164,335)	(164,335)
(1,420,825)	**(1,951,871)**	**Total Financial Liabilities**	**(1,382,481)**	**(1,675,861)**

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 March 2019) 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 £706.4m. 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 2018 Restated Carrying Amount £000	31 March 2018 Restated Fair Value £000	Fair Value of Assets	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
55,123	55,123	Cash & Cash Equivalents (at amortised cost)	113,588	113,588
35,016	35,016	Investments (at amortised cost)	500	500
64,739	64,739	Debtors (at amortised cost)	33,251	33,251
99,976	99,976	Debtors (at FVPL)	99,976	99,976
254,854	**254,854**	**Total Financial Assets**	**247,315**	**247,315**

The Council holds £0.50m in a 95 day call account with Barclays Bank. There are no other fixed term investments. 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 deposit 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 potential adverse effects on 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, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Code of Practice on Treasury Management.
- By the adoption of a Treasury Policy Statement and treasury management clauses within the Council's Financial Regulations / Standing Orders / Constitution.
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing.
  - The maximum and minimum exposures to fixed and variable rates.
  - The maximum and minimum exposure in regard to the maturity structure of debt.
  - The maximum annual exposures to investments maturing beyond a year.
- By approving an Investment Strategy for the forthcoming year setting out the criteria for both investing and selecting investment counterparties in compliance with 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 07/03/2018 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 2018/19 was approved by Full Council on 07/03/2018 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 irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

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

Asset Class – Investments at Amortised Costs	12 Month Expected Credit Losses	Lifetime Expected Credit Losses - Not Credit Impaired	Lifetime Expected Credit Losses - Credit Impaired	Lifetime Expected Credit Losses - Simplified Approach	Total
	£000	£000	£000	£000	£000
Opening balance as at 1 April 2018	**0**	**0**	**0**	**362**	**362**
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	56	56
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	950	950
Other changes	0	0	0	0	0
As at 31 March 2019	**0**	**0**	**0**	**1,368**	**1,368**

In relation to the above, the Council held a legal charge on properties relating to one loan. The total collateral at 31 March 2019 was £0.53m.

The table below shows that the Council’s outstanding investment balance as at 31 March 2019 was £0.50m, (£35.0m at 31 March 2018):

	31 March 2018 – Comparative Information				31 March 2019			
	Financial Institution	**Rating of Counterparty**	**Country**	**Gross Carrying Amount £000**	**Financial Institution**	**Rating of Counterparty**	**Country**	**Gross Carrying Amount £000**
12-month expected credit losses	Barclays Bank	A	UK	20,000	Barclays Bank	A	UK	500
	Santander	A	UK	15,000				

As at 31 March 2019 the Council held £0.5m in a 95 day call account with Barclays Bank. At that date, a small default risk of 0.014% was attached to this deposit.

Other funds held at the year-end (£113.5m) 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 £24.0m for 2018/19 (£25.0m for 2017/18) shown in the following table are all sundry debtors which are past their due date for payment. The past due amounts can be analysed by age as follows:

31 March 2018 £000		31 March 2019 £000
12,771	Less than three months	10,130
2,775	Three to six months	2,642
3,306	Six months to one year	2,711
6,134	More than one year	8,554
24,986	**Total**	**24,037**

The Council's bad debt impairment at 31 March 2019 is £70.0m (£65.9m for 2017/18). Of this, £3.5m (£3.3m for 2017/18) 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 provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

All sums owing to the Council from funds deposited in MMFs and instant access account is £113.5m as at 31 March 2019 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:

2017/18				2018/19		
Principal	**Accrued Interest**	**Principal plus Interest**		**Principal**	**Accrued Interest**	**Principal plus Interest**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
22,000	15,029	37,029	Less than 1 year	14,450	15,064	29,514
9,450	0	9,450	Between 1 & 2 years	10,723	0	10,723
33,048	0	33,048	Between 2 & 5 years	27,326	0	27,326
62,691	0	62,691	Between 5 & 10 years	74,313	0	74,313
672,727	0	672,727	More than 10 years	676,104	0	676,104
799,916	**15,029**	**814,945**	**Total**	**802,916**	**15,064**	**817,980**

The maturity analysis of financial assets is:

2017/18				2018/19		
Principal	**Accrued Interest**	**Principal plus Interest**		**Principal**	**Accrued Interest**	**Principal plus Interest**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
35,000	16	35,016	Less than 1 year	500	0	500
35,000	**16**	**35,016**	**Total**	**500**	**0**	**500**

Cash and Cash Equivalents, trade debtors and other payables due to be paid in less than one year 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 a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. 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 £130m worth of variable rate debt. At the 31 March 2019, the amount of variable rate debt was £110m.

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

	£000
Increase in interest payable on variable rate borrowings *	1,100
Increase in interest receivable on variable rate investments **	(753)
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	**347**
Share of overall impact debited to the HRA***	134
Decrease in fair value of fixed rate investment assets****	0
Impact on Other Comprehensive Income and Expenditure *****	**0**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**148,118**

Notes:

*All borrowings raised from the PWLB and £221m of market loans were at fixed rates in 2018/19 and, as a result, a change in interest rates would have no effect on the interest payable on these loans, the amount of government grant received and on the Comprehensive Income and Expenditure Statement or HRA.

There are a number of LOBO loans (£110m) which have moved out of their ‘fixed’ period and onto calls which are shown in the accounts as variable (although in reality they are fixed at each call period until the next call, so are only affected by a change of interest rates when the loan was ‘called’ at which point the Council would have the option to repay the loan without any premiums being payable. There were no LOBOs called during 2018/19. For the purposes of this note the average rate of these loans (4.79%) 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 2018/19.

*** HRA share is 38.57% 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 any increase in interest receivable.

**** There was £0.50m held in a Barclays Bank 95 day call account investments at the year end.
Other investments held by the Council at the year-end were deposited with Money Market Funds (MMFs) and a deposit account which offer instant access to funds and therefore classified as Cash or Cash Equivalents on the Balance Sheet.

***** All Council assets are classed as amortised costs and therefore this figure is zero as there is no impact on the Comprehensive Income and Expenditure Statement.

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

Foreign Exchange Risk

The Council has no material financial assets or liabilities denominated in foreign currencies and therefore no exposure to loss arising from movements in exchange rates. As at 31 March 2019, the Council has a Euro denominated account holding the equivalent of £52,000 (£71,000 as at 31 March 2018). However, this is grant funding primarily for other partners in the grant arrangement and the disbursement of monies will be in euros – eliminating any exchange rate exposures.

16. Long Term Debtors

The following is an analysis of Long Term Debtors:

31 March 2018 £000		31 March 2019 £000
5,308	Up Front Contributions for Private Finance Initiative (PFI) Schemes	4,868
68	Housing Advances	43
118	Charges Over Assets	648
45,851	Sheffield City Trust Major Sporting Facilities Prepayment	36,681
99,976	Sheffield City Trust	99,976
0	Grosvenor - lease rental	834
	Loans to Third Parties:	
190	- Sheffield City Region Local Enterprise Partnership	190
135	- Sheffield Galleries and Museum Trust	0
1,575	- Sheffield International Venues Ltd	0
1,301	- Manor and Castle Development Trust	86
0	- Sheffield Housing Company	954
	LEP Growing Places Fund:	
1,010	- Doncaster Council	1,010
1,178	- Gallium Finance	1,178
(2,188)	- Loan Provision for LEP Growing Places Fund	(2,188)
154,522	**Total**	**144,280**

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 is £45.9m (£55.0m in 2017/18), £36.8m (£45.9m in 2017/18) is included above as a long term debtor and £9.1m (£9.1m in 2017/18) is shown as a short term debtor.

The debtor of £100m (£100m in 2017/18) represents the value of the Major Sporting Facilities property assets, which were revalued in 2016/17 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 non-current assets.

17. Short Term Debtors

31 March 2018 Total Debtors Gross	31 March 2018 Less Impairments for Bad Debts	31 March 2018 Net of Impairments		31 March 2019 Total Debtors Gross	31 March 2019 Less Impairments for Bad Debts	31 March 2019 Net of Impairments
£000	£000	£000		£000	£000	£000
35,162	0	35,162	Central Government Bodies	22,306	0	22,306
3,997	0	3,997	Other Local Authorities	3,445	0	3,445
6,550	0	6,550	NHS Bodies	3,054	0	3,054
9,485	(6,769)	2,716	Housing Tenants	10,206	(7,927)	2,279
50,602	(40,810)	9,792	Local Taxpayers and NNDR	57,980	(43,220)	14,760
828	0	828	Capital Projects	11,013	0	11,013
9,170	0	9,170	Sheffield City Trust Prepayment	9,170	0	9,170
82,940	(18,356)	64,584	Other Entities and Individuals	55,625	(18,883)	36,742
198,734	**(65,935)**	**132,799**	**Total Debtors**	**172,799**	**(70,030)**	**102,769**

18. Cash and Cash Equivalents

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

31 March 2018		31 March 2019
£000		£000
1,594	Cash at Bank	12,603
82	Petty Cash Floats	39
55,103	Short Term Investments	113,494
(3)	Other	(8)
56,776	**Total**	**126,128**

19. Short Term Creditors

31 March 2018 £000		31 March 2019 £000
(15,551)	Central Government Bodies	(12,384)
(4,880)	Other Local Authorities	(5,655)
(2,730)	NHS Bodies	(77)
(19)	Public Corporations and Trading Funds	0
(3,057)	Housing Tenants	(3,338)
(17,784)	Local Taxpayers and NNDR	(31,441)
(27,811)	Capital Projects	(10,720)
(8,634)	Accumulated Absences	(9,158)
(77,311)	Other Entities and Individuals	(82,542)
(157,777)	**Total**	**(155,315)**

20. Provisions and Deferred Credits

The Council maintains the following provisions:

	Insurance £000	Business Rates Appeals £000	Termination Benefits £000	HRA - Week 53 Rent Deferred Credit £000	Other £000	Total £000
Balance						
At 1 April 2018	**(6,504)**	**(17,141)**	**(51)**	**(967)**	**(9,866)**	**(34,529)**
Additional Provisions	0	(6,948)	(411)	0	(1,045)	**(8,404)**
Amounts Used	320	690	51	483	2,588	**4,132**
Unused Amounts Reversed	0	6,641	0	0	1,744	**8,385**
At 31 March 2019	**(6,184)**	**(16,758)**	**(411)**	**(484)**	**(6,579)**	**(30,416)**
Comprising of:						
Short Term	(3,950)	(5,586)	(411)	(484)	(2,152)	**(12,583)**
Long Term	(2,234)	(11,172)	0	0	(4,427)	**(17,833)**
	(6,184)	**(16,758)**	**(411)**	**(484)**	**(6,579)**	**(30,416)**

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 March 2019 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, grant claw back 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 2018 £000		31 March 2019 £000
(8,525)	Deferred Liabilities – South Yorkshire Council Debt	(4,465)
(78,145)	Deferred Liabilities – Sheffield City Trust	(64,378)
(86,670)	**Total**	**(68,843)**

Deferred Liabilities

The Council has a proportionate share in the interests of the former South Yorkshire Council Debt. As at 31 March 2019 the deferred liabilities of Sheffield City Council amounted to £8.5m (£12.2m in 2017/18), comprising £4m (£3.7m in 2017/18) maturing within one year, which has been disclosed in Short Term Creditors Note (within Other entities and individuals) and £4.5m (£8.5m in 2017/18) after that date.

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 March 2019 is £78.1m (£91.1m as at 31 March 2018) of which £64.4m (£78.1m in 2017/18) is shown in this note, and £13.7m (£13.0m in 2017/18) 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.

Guarantees

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

Exposure 2017/18 £000		Exposure 2018/19 £000
513	Sheffield City Trust City Hall	127
513		**127**

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

Museums Sheffield

The Council has given a guarantee to Museums Sheffield to underwrite their overdraft at the bank to the value of £250k. Furthermore, if Museums Sheffield validly served a 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 Futures, Museums Sheffield 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 March 2019 this risk could be valued at £531k.

Termination Benefits

A provision has been recognised in the 2018/19 accounts for individuals whom the Chief Officer Panel have approved to leave the Council, via voluntary early retirement and voluntary redundancy, but as at 31 March 2019 have not yet left the Council (see Note 45). There will be further redundancies during 2019/20 which have not yet been confirmed. The Council holds a budget of £5.5m to cover such costs.

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 2018/19 that will be based on experience of recent years and the use of the most up to date information available.

The total Collection Fund provision for losses due to appeals amounted to £35.0m in 2017/18 and was based on information relating to the level of outstanding appeals, assumptions about the likely level of "success" for the claimant and potential further claims lodged. In 2018/19 the total Collection Fund provision was adjusted to take account of known appeals according to the latest information available from the Valuation Office Agency (VOA) at the end of March. The total Collection Fund provision has been slightly reduced to £34.2m based on the current expected level of appeals and specific threats such as the ATM appeals.

It is extremely difficult to predict how many other appeals have been lodged since then, and what the likely level of success would be. Furthermore, the Council is affected by decisions taken at a national level due to case law, for instance the potential ruling on the automatic teller machines and associated properties. It is not possible to estimate with certainty what the probable cost of these issues will be.

23. Property, Plant and Equipment (PPE)

Movements in 2018/19	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment (VPFE) £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	Total PFI Assets included in PPE £000
Cost or Valuation:									
At 1 April 2018	**1,307,442**	**552,234**	**88,290**	**1,051,846**	**7,663**	**113,392**	**133,581**	**3,254,448**	**368,022**
Additions – recognition	0	0	0	0	0	0	0	**0**	0
Additions - programmed investment	46,796	39,782	4,374	27,068	924	42,171	13,592	**174,707**	15,749
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(38,062)	(2,375)	3,403	0	121	37,697	0	**784**	4.196
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	23,329	(629)	0	0	(994)	(21,262)	0	**444**	862
De-recognition – disposals	(12,889)	(67,960)	(1,384)	0	0	(2,527)	(594)	**(85,354)**	(15,204)
De-recognition – other	0	0	0	0	0	0	0	**0**	0
Reclassification and transfers	(1,010)	19,120	0	0	(3,838)	27,747	(60,409)	**(18,390)**	0
At 31 March 2019	**1,325,606**	**540,172**	**94,683**	**1,078,914**	**3,876**	**197,218**	**86,170**	**3,326,639**	**373,625**
Accumulated Depreciation and Impairment:									
At 1 April 2018	**0**	**(6,211)**	**(28,373)**	**(254,881)**	**0**	**(621)**	**(3)**	**(290,089)**	**(21,301)**
Depreciation charge	(23,228)	(13,115)	(5,143)	(31,841)	(80)	(404)	0	**(73,811)**	(10,196
Depreciation written out to the Revaluation Reserve	1,172	17,487	3,832	0	25	612	0	**23,128**	5,785
Depreciation written out to the Surplus / Deficit on the Provision of Services	22,056	1,886	0	0	7	91	0	**24,040**	272
Impairment (losses) / reversals recognised in the Revaluation Reserve	(506)	0	0	0	0	0	0	**(506)**	0
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	506	0	0	0	0	0	0	**506**	0
De-recognition - disposals	0	1,022	1,384	0	0	10	0	**2,416**	311
De-recognition - other	0	0	0	0	0	0	0	**0**	0
Reclassification and Transfers	0	286	0	0	48	(290)	(43)	**1**	0
At 31 March 2019	**0**	**1,355**	**(28,300)**	**(286,722)**	**0**	**(602)**	**(46)**	**(314,315)**	**(25,129)**
Net book value:									
At 31 March 2019	1,325,606	541,527	66,383	792,192	3,876	196,616	86,124	**3,012,324**	348,496
At 31 March 2018	1,307,442	546,023	59,917	796,965	7,663	112,771	133,578	**2,964,359**	346,721

Movements in 2017/18 – Comparative Information Restated	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment (VPFE) £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	Total PFI Assets included in PPE £000
Cost or Valuation:									
At 1 April 2017	**1,245,721**	**608,246**	**94,940**	**975,023**	**4,126**	**99,253**	**74,364**	**3,101,673**	**355,877**
Additions – recognition	0	0	0	0	0	0	0	**0**	0
Additions - programmed investment	53,034	13,263	14,796	76,823	901	5,883	72,445	**237,145**	32,934
Revaluation increases / (decreases) recognised in the Revaluation Reserve	42,218	6,500	(20,431)	0	4,602	7,935	0	**40,824**	(20,179)
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	(17,479)	(22,618)	0	0	(2,716)	(3,524)	(13,308)	**(59,645)**	(610)
De-recognition – disposals	(14,377)	(50,386)	(1,015)	0	0	(3,668)	0	**(69,446)**	0
De-recognition – other	0	0	0	0	0	0	0	**0**	0
Reclassification and transfers	(1,675)	(2,771)	0	0	750	7,513	80	**3,897**	0
At 31 March 2018	**1,307,442**	**552,234**	**88,290**	**1,051,846**	**7,663**	**113,392**	**133,581**	**3,254,448**	**368,022**
Accumulated Depreciation and Impairment:									
At 1 April 2017	**0**	**(6,693)**	**(30,461)**	**(225,354)**	**0**	**(236)**	**0**	**(262,744)**	**(20,220)**
Depreciation charge	(23,508)	(15,903)	(5,095)	(29,527)	0	(230)	0	**(74,263)**	(9,839)
Depreciation written out to the Revaluation Reserve	1,220	9,489	6,168	0	2	693	0	**17,572**	6,801
Depreciation written out to the Surplus / Deficit on the Provision of Services	22,288	4,782	0	0	63	1,200	0	**28,333**	1,957
Impairment (losses) / reversals recognised in the Revaluation Reserve	(1,736)	0	0	0	0	0	0	**(1,736)**	0
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	1,736	0	0	0	0	0	0	**1,736**	0
De-recognition - disposals	0	1,159	1,015	0	0	20	0	**2,194**	0
De-recognition - other	0	0	0	0	0	0	0	**0**	0
Reclassification and Transfers	0	955	0	0	(65)	(2,068)	(3)	**(1,181)**	0
At 31 March 2018	**0**	**(6,211)**	**(28,373)**	**(254,881)**	**0**	**(621)**	**(3)**	**(290,089)**	**(21,301)**
Net book value:									
At 31 March 2018	1,307,442	546,023	59,917	796,965	7,663	112,771	133,578	**2,964,359**	346,721
At 31 March 2017	1,245,721	601,553	64,479	749,669	4,126	99,017	74,364	**2,838,929**	335,657

Depreciation

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

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

Capital Commitments

At 31 March 2019 the Council has entered into a number of construction contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 onwards. Future years committed costs are £135.2m. The major commitments are:

31 March 2018 £000		31 March 2019 £000
32,081	Schools Refurbishment/Education Provision	4,770
70,469	Decent Homes / Council Housing	34,949
5,293	Highways Infrastructure	10,057
91,863	Leisure *(includes MSF payments)*	79,054
31,230	Regeneration	2,369
908	Other Infrastructure	4,046
231,844	**Total**	**135,245**

The main changes since 2017/18 are:

- Major reduction due to completion of build of 2 schools in 2018/19.
- Major reduction due to large contracts coming to completion on Kitchen and Bathroom Replacement (£8m) and Re-roofing (£12m)
- Major increase due to 2 new major schemes. Grey to Green Phase 2 (£3m) and Inner Relief Road Junctions scheme (£2m)
- Leisure Reduction relates to payment of 1 further year of MSF bond (£12m)
- Major reduction due to completion of major Office Block in 2018/19 (£30m cost in 2018/19). Further major contracts not yet awarded.
- Major increase due to new commitment to South Yorkshire Broadband (£1.5m), lift replacement at Moorfoot Building (£0.7m), in addition general increased commitment to Corporate Building Essential Replacement programme.

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 – Acquisitions and Disposals 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 Ministry of Housing, Communities and Local Government (MHCLG).

Since 2005 there has been a programme of modernisation and improvement work to bring the properties up to the Government's Decent Homes Standards. Sheffield City Council Property Services has valued all properties on the assumption that they have met Decent Homes Standards. As part of the 5 year rolling programme, 20% of the beacons have been revalued this year. A general market adjustment of 6.954% has then been applied to all Council dwellings to give a value as at 31 March 2019.

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. De minimis assets, valued at under £25k, have been reviewed resulting in the revaluation of some assets. The remainder are carried at historical cost.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	**0**	**4,859**	**10,693**	**1,055**	**16,607**
Valued at Fair Value as at:					
31 March 2019	1,325,606	214,400	55,690	116,678	**1,712,374**
31 March 2018	0	164,915	0	20,409	**185,324**
31 March 2017	0	122,154	0	1,156	**123,310**
31 March 2016	0	23,622	0	56,613	**80,235**
31 March 2015	0	11,577	0	705	**12,282**
Total Cost or Valuation	**1,325,606**	**541,527**	**66,383**	**196,616**	**2,130,132**

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:

2018/19				
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1) £000**	**Other significant observable inputs (Level 2) £000**	**Significant unobservable inputs (Level 3) £000**	**Fair value as at 31 March 2019 £000**
Assets valued using Market Approach or Income Approach	0	193,762	424	194,186
De minimis Assets	0	1,664	766	2,430
Total	**0**	**195,426**	**1,190**	**196,616**

2017/18 – Comparative Information				
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1) £000**	**Other significant observable inputs (Level 2) £000**	**Significant unobservable inputs (Level 3) £000**	**Fair value as at 31 March 2018 £000**
Assets valued using Market Approach or Income Approach	0	109,281	1,010	110,291
De minimis Assets	0	1,208	1,272	2,480
Total	**0**	**110,489**	**2,282**	**112,771**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year. There were transfers from Level 3 to Level 2 due to a review of de minimis assets.

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 2018	**110,489**	**2,282**	**112,771**
Transfers between levels	458	(458)	**0**
Additions	42,114	57	**42,171**
Revaluation increases / (decreases)	17,134	4	**17,138**
De-recognition (disposals)	(2,499)	(18)	**(2,517)**
Transfers (to) / from other PPE categories	28,102	(645)	**27,457**
Depreciation charge	(372)	(32)	**(404)**
At 31 March 2019	**195,426**	**1,190**	**196,616**

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

Significant Observable Inputs – Level 2

The fair values for the surplus assets valued at £25k or higher are based on market approach or income approach, using current market evidence including recent sale prices / rentals achieved and other relevant information for similar assets within the local authority area. Market conditions are such that similar properties have actively sold or let and the level of observable inputs are significant leading to properties being categorized at Level 2 in the fair value hierarchy.

De minimis (Assets valued under £25k)

Of the surplus assets that are considered de minimis, 288 are categorised at Level 2 in the fair value hierarchy as they have been valued as part of the rolling programme on the same basis as other surplus assets above.

A further 432 de minimis assets are categorised at Level 3 in the fair value hierarchy. Some of these valuations are historical and / or based on unobservable inputs and these assets have been identified as requiring review as part of a wider improvement project for the asset register.

24. Service Concessions

PFI and Similar Contracts

At 31 March 2019 the Council had seven long term contracts under Private Finance Initiative (PFI) arrangements. No new contracts were entered into in 2018/19. 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:

2017/18 Total £000	2018/19 Repayment of Current Liability £000	Interest Charge £000	Service Charge £000	Contingent Rents £000	Lifecycle Costs £000	Total £000
141,445	8,756	41,464	51,612	3,307	17,535	**122,674**

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:

2017/18 £000		2018/19 £000
(426,156)	Value of the liability as at 1 April	(409,639)
(11,113)	Recognition of fixed assets	0
11,820	Finance lease rental	8,756
15,810	Re-profiling	717
(409,639)	**Value of liability as at 31 March**	**(400,166)**
	Comprising of:	
(8,792)	Short Term	(10,127)
(400,847)	Long Term	(390,039)
(409,639)		**(400,166)**

PFI Payments Due to be Made

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

2017/18 Total		2018/19 Repayment of Current Liability	Interest Charge	Service Charge	Contingent Rents	Lifecycle Costs	Total
£000		£000	£000	£000	£000	£000	£000
130,208	Within one year	10,127	40,658	53,494	3,797	16,788	124,864
545,602	Between two and five years	74,242	149,403	231,801	21,692	45,378	522,516
723,263	Between six and ten years	101,182	147,003	309,466	29,538	90,134	677,323
708,549	Between eleven and fifteen years	116,914	97,389	297,560	24,552	105,022	641,437
564,451	Between sixteen and twenty years	97,701	31,227	177,398	27,831	66,171	400,328
7,137	Between twenty-one and twenty-five years	0	0	0	0	0	0
2,679,210	**Total**	**400,166**	**465,680**	**1,069,719**	**107,410**	**323,493**	**2,366,468**

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 2018/19 show the estimated payments due calculated by the models in 2018/19 for 2019/20 onwards to the end of the contract’s life.

25. Heritage Assets

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

2018/19	Reported at Cost				Reported at Valuation				
	Museums and Galleries	Civic Collections	Archives and Libraries	Public Realm	Museums and Galleries	Civic Collections	Archives and Libraries	Public Realm	Total Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:									
At 1 April 2018	22	48	0	20	55,945	1,000	3,278	60	**60,373**
Additions	18	0	0	86	0	0	0	0	**104**
Donated Assets	0	0	0	0	36	0	0	0	**36**
Revaluation increases / (decreases) in the Revaluation Reserve	0	0	0	0	(5,981)	0	98	0	**(5,883)**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provisions of Service	(18)	0	0	(86)	0	0	0	0	**(104)**
Transfers in	0	0	0	0	0	0	0	0	**0**
At 31 March 2019	**22**	**48**	**0**	**20**	**50,000**	**1,000**	**3,376**	**60**	**54,526**
Depreciation and Impairment:									
At 1 April 2018	(5)	0	0	0	0	0	0	0	**(5)**
Depreciation	0	0	0	0	0	0	0	0	**0**
At 31 March 2019	**(5)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(5)**
Net Book Value:									
At 31 March 2019	17	48	0	20	50,000	1,000	3,376	60	**54,521**
At 31 March 2018	17	48	0	20	55,945	1,000	3,278	60	**60,368**

2017/18 - Comparative Information

	Reported at Cost				Reported at Valuation				
	Museums and Galleries	**Civic Collections**	**Archives and Libraries**	**Public Realm**	**Museums and Galleries**	**Civic Collections**	**Archives and Libraries**	**Public Realm**	**Total Assets**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation:									
At 1 April 2017	22	48	0	20	50,000	1,000	3,278	0	**54,368**
Additions	56	0	0	2	0	0	0	0	**58**
Donated Assets	0	0	0	0	245	0	0	0	**245**
Revaluation increases / (decreases) in the Revaluation Reserve	0	0	0	0	5,700	0	0	60	**5,760**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provisions of Service	(56)	0	0	(2)	0	0	0	0	**(58)**
Transfers in	0	0	0	0	0	0	0	0	**0**
At 31 March 2018	**22**	**48**	**0**	**20**	**55,945**	**1,000**	**3,278**	**60**	**60,373**
Depreciation and Impairment:									
At 1 April 2017	(4)	0	0	0	0	0	0	0	**(4)**
Depreciation	(1)	0	0	0	0	0	0	0	**(1)**
At 31 March 2018	**(5)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(5)**
Net Book Value:									
At 31 March 2018	17	48	0	20	55,945	1,000	3,278	60	**60,368**
At 31 March 2017	18	48	0	20	50,000	1,000	3,278	0	**54,364**

Museums and Galleries

Museums Sheffield

Sheffield's collections are of local, regional and national importance and are used in research, displays, exhibitions and public programmes. Over 750,000 objects are stored at a purpose-built facility and displayed across four sites, including Bishop's House. The collections comprise:

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

- **Decorative Art Collection** – including approximately 3,000 examples of art, craft and design, British ceramics, glass, horology and an outstanding collection of Chinese carved ivories.

- **Visual Art Collection** – comprises over 6,000 items of British and European Art dating from the 1500s to the present, of which the most significant area is the Modern British collection. This includes key acquisitions by artists including Marc Quinn, Sam Taylor-Johnson, Hew Locke, Sutapa Biswas and Czech artist Katerina Seda.

- **Social History Collection** – has strong family and community connections with the people of Sheffield and comprises around 25,000 objects including ephemera, personalia, costume, domestic items, furniture, and approximately 1,500 watercolours, drawings, prints and oil paintings documenting the changing city.

- **Coins, Medals and Token Collection** – number around 8,000 items and owe their origin to the Sheffield Literary and Philosophical Society. It dates from Roman and Greek pieces to 20th century coins from all over the world.

- **Arms and Armour Collection** – consists of Japanese and Indo-Iranian swords, shields and helmets alongside 200 European military, practical and sporting guns from the late 1600s onwards.

- **Archaeology Collection** – is of regional and national importance and comprises material dating from pre-history to the 20th century and includes the Anglo Saxon Benty Grange Helmet.

- **Natural Sciences Collection** – is of major regional significance and comprises: Botany, Entomology, Geology, Osteology, Zoology and extensive data relating to collectors, field recording and meteorology comprising over 60,000 biological and geological records.

- **World Cultures Collection** – was acquired by nineteenth century Sheffield travellers and contains 2,000 items from across the globe.

Sheffield Industrial Museums Trust

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

Kelham Island Museum

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

- **Heavy Industries Collections –** cover the Iron 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.

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

Shepherd Wheel

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.

Bishop’s House

Bishop’s 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 Bishop’s House voluntary group.

Civic Collections

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

Archives and Libraries

Sheffield Archives acts as the archive repository for the City Council and its predecessors from the 13th century to date. It is also an appointed Place of Deposit (POD) by the Ministry of Justice for the storage and management of archives from central government including the NHS, HM Courts and HM Coroner. In addition it is the repository for historical records of South Yorkshire Police, the Diocese of Sheffield and the Roman Catholic Diocese of Hallam. Also stored are the records of the South Yorkshire Archive Service which is funded by all four local authorities. Under the Local Government Act 1972 it also stores private records on loan or gifted to the City Council. Three collections are held on behalf of the Department for Digital, Culture, Media & Sport (DCMS) under the Treasury's Acceptance in Lieu of Inheritance tax scheme. There are also significant collections of printed material from the 17th century onwards within the Central Library collections.

Public Realm

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

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

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

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

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

26. Investment Properties

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

2017/18 £000		2018/19 £000
(1,090)	Rental income from investment property	(931)
(1,090)	**Net (gain)/loss**	**(931)**

The assets held as Investment Properties are known as the small and large format advertising hoarding contracts. The Council are under separate Contracts for each format both of which derive a rental income and places the 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 based events and activities.

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

2017/18 £000	Cost or Valuation	2018/19 £000
21,955	Balance at 1 April	26,800
4,845	Revaluations	1,390
26,800	**Balance at 31 March**	**28,190**

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 March 2019 are as follows:

2018/19				
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 2019**
	£000	**£000**	**£000**	**£000**
Advertising Hoardings	0	28,190	0	28,190
Total	**0**	**28,190**	**0**	**28,190**

2017/18 – 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 2018**
	£000	**£000**	**£000**	**£000**
Advertising Hoardings	0	26,800	0	26,800
Total	**0**	**26,800**	**0**	**26,800**

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 – Acquisitions and Disposals 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:

2017/18 £000		2018/19 £000
	Net Carrying Amount:	
0	At 1 April	905
905	Additions	1,728
0	Amortisation charge	(181)
905	**At 31 March**	**2,452**

28. Assets Held for Sale

2017/18 Current £000		2018/19 Current £000
26,771	Balance at 1 April	21,247
14,986	Assets newly classified as Held for Sale from Property, Plant and Equipment	24,513
(17,703)	Assets declassified as held for sale	(6,124)
(2,807)	Assets sold	(6,284)
21,247	**Balance at 31 March**	**33,352**

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.

2017/18 £000		2018/19 £000
	Capital Investment	
237,145	Property, Plant and Equipment*	174,707
905	Intangible Assets*	1,728
58	Heritage Assets*	104
12,173	Sheffield City Trust	12,946
15,827	Revenue Expenditure Funded from Capital Under Statute	18,838
266,108		**208,323**
	Sources of Finance	
60,987	Government Grants and Other Contributions	69,678
19,598	PFI Lease Liability	15,604
52,212	Major Repairs Reserve	46,765
12,897	Capital Receipts Reserve	15,619
120,414	Borrowing	60,658
266,108		**208,323**
	Capital Financing Requirement	
1,414,063	Opening Balance	1,502,701
120,414	Borrowing in Year	60,658
(50,942)	Statutory / Voluntary provision for repayment of debt (MRP / VMRP)	(41,934)
19,598	PFI Liabilities recognised in year	15,604
(432)	Other Adjustments	(1)
1,502,701	**Closing Balance**	**1,537,028**

* 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.
Operating Leases
The future minimum lease payments due under non-cancellable leases in future years are:

2017/18 £000 Restated *		2018/19 £000
341	Not later than one year	637
1,253	Later than one year and not later than five years	1,314
3,524	Later than five years	3,472
5,118	**Total**	**5,423**

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

Council as Lessor

Finance Leases
The Council has not classified any leases as Finance Leases.
Operating Leases
The future minimum lease payments receivable under non-cancellable leases in future years are:

2017/18 £000 Restated *		2018/19 £000
2,043	Not later than one year	2,232
2,209	Later than one year and not later than five years	15,721
26,392	Later than five years	42,824
30,644	**Total**	**60,777**

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 new Heart of the City II property, offering mixed use multi-storey office, leisure and retail development.

* The comparative has been restated to replace certain estimated lease terms with actual lease terms.

31. Long Term Contracts

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

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

- HR Transactions
- Payroll Services
- Revenues and Benefits
- Financial Business Transactions
- ICT

The contract value was around £221m over the initial seven year period, and included an option to extend or re-specify the current contract by up to a further six years, with break points every two years.

On 12 November 2014 Cabinet approved a report which recommended extending the current contract with Capita for a further six years, with break points every two years, for the continued provision of ICT, HR and Payroll, Financial Business Transactions and Revenues and Benefits processing. The report also recommended the transfer to the Council of the customer facing elements of Revenues and Benefits (this took place in January 2016), and the establishment of a Capita team to work alongside the Council on selected areas of Business Change and Transformation activity. The report set out a minimum level of savings associated with the contract extension that will help to contribute to the Council's overall budget target from 2015/16 onwards. The Contract was subsequently restated from January 2015 with the new pricing structure commencing January 2016.

As of October 2017 the HR and Payroll service was insourced to the Council and the Business Case Team ceased to operate. This has resulted in Capita now only providing the ICT, Revenues and Benefits and Finance Business Transactions services.

Payments to Capita Business Services Limited under the contract in 2018/19 totalled £24.7m (£27.5m in 2017/18).

In previous years the Council was in 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 an annual payment of £18.4m from the Council to SCT, which will continue until 2023/24. Payments to SCT in year are detailed in Note 42, Related Party Transactions.

32. Impairment Losses

There were no impairment charges in 2018/19 or 2017/18. However, there are reversals of previous impairments of £76.3m (£20.1m in 2017/18) representing an improvement to a previous impairment value of £76.2m for Council Dwellings (£20.1m in 2017/18) and £0.1m for Other Land and Buildings (nil in 2017/18).

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 2018/19.

	Note	1 April 2017 £000	Transfer Out 2017/18 £000	Transfer In 2017/18 £000	31 March 2018 £000	Transfer Out 2018/19 £000	Transfer In 2018/19 £000	31 March 2019 £000
Earmarked General Fund Reserves:								
Schools Reserves	34	**(16,150)**	0	(1,327)	**(17,477)**	0	(6,687)	**(24,164)**
Revenue Grants and Contributions	34	**(1,033)**	0	(681)	**(1,714)**	0	(803)	**(2,517)**
Other Earmarked Revenue Reserves:	34							
- Insurance Fund		**(11,102)**	0	(110)	**(11,212)**	1,038	0	**(10,174)**
- New Homes Bonus (NHB)		**(11,567)**	4,818	0	**(6,749)**	0	(5,000)	**(11,749)**
- Major Sporting Facilities		**(42,516)**	9,755	0	**(32,761)**	3,248	0	**(29,513)**
- PFI Future Expenditure		**(14,882)**	2,246	0	**(12,636)**	0	(29,043)	**(41,679)**
- Public Health		**(1,032)**	0	(391)	**(1,423)**	271	0	**(1,152)**
- Service Area Reserves		**(10,024)**	0	(775)	**(10,799)**	0	(3,330)	**(14,129)**
- Children's and Adult Social Care		**(6,651)**	0	(9,347)	**(15,998)**	0	(2,866)	**(18,864)**
- Business Rates Appeals		**(1,679)**	0	(17,426)	**(19,105)**	0	(471)	**(19,576)**
- Other Reserves		**(26,380)**	0	(23,834)	**(50,214)**	0	(3,077)	**(53,291)**
Total		**(143,016)**	**16,819**	**(53,891)**	**(180,088)**	**4,557**	**(51,277)**	**(226,808)**

34. Usable Reserves

The following table summarises the Usable Reserves balances:

31 March 2018 £000		31 March 2019 £000
	Capital Reserves:	
(58,306)	Capital Receipts Reserve	(63,133)
(70,661)	Major Repairs Reserve	(70,690)
(30,147)	Capital Grants Unapplied Reserve	(28,432)
(159,114)		(162,255)
	Revenue Reserves:	
(10,631)	General Fund	(8,126)
	Earmarked General Fund Reserves:	
(17,477)	Schools Reserves	(24,164)
(1,714)	Revenue Grants and Contributions	(2,517)
(160,897)	Other Earmarked Revenue Reserves	(200,127)
(9,267)	Housing Revenue Account Balance	(8,327)
(4,107)	Earmarked Housing Revenue Account Reserve	(3,822)
(204,093)		(247,083)
(363,207)	**Total**	**(409,338)**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, Note 8 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 2018 £000		31 March 2019 £000
(10,631)	General Balances Available	(8,126)
(10,631)	**Total**	**(8,126)**

The General Fund Balance was £8.1m at 31 March 2019, representing just 2.0% of the 2018/19 net budget requirement of £401.9m. This percentage is a slight decrease on last year's 2.7%. This is below the minimum prudent level recommended by the Executive Director of Resources, mainly as a result of the £4.6m overspend in 2018/19. This reserve is to be returned to the minimum recommended level of 3% of net revenue expenditure during 2019/20. 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 the end of the Fixed Funding Agreement in 2020-21, 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 2018 £000		31 March 2019 £000
(17,477)	Schools Reserves	(24,164)
(1,714)	Revenue Grants and Contributions	(2,517)
	Other Earmarked Revenue Reserves:	
(11,212)	- Insurance Fund Reserve	(10,174)
(32,761)	- Major Sporting Facilities	(29,513)
(6,749)	- New Homes Bonus (NHB)	(11,749)
(12,636)	- PFI Future Expenditure	(41,679)
(1,423)	- Public Health	(1,152)
(10,799)	- Service Area Reserves	(14,129)
(15,998)	- Children's and Adult Social Care	(18,864)
(19,105)	- Business Rate Appeals	(19,576)
(50,214)	- Other Earmarked Reserves	(53,291)
(180,088)	**Total**	**(226,808)**

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.

- Insurance Fund Reserve: 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. The balance on the reserve as at 31 March 2019 is £10.2m.

- 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).

- New Homes Bonus: The Government is paying all Councils “New Homes Bonus” 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 Growth Investment Fund.

- 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. During 2016/17 these reserves were used temporarily to fund the Pension Deficit early payment. These funds have been repaid during 2018/19.

- 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.

- 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.

- 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. It is forecast that £8.4m of this reserve will be required to fund pressures in 2019-20 and deliver a balanced budget.

- Business Rate Appeals: This reserve is required to cover potential reductions in Business Rate income following future successful appeals.

- Other Earmarked Reserves: Other Earmarked reserves include funds which are set aside to cover predicted liabilities such as redundancies, risk within the borrowing strategy, equal pay claims and the costs of the ICT 2020 project.

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 2018 £000		31 March 2019 £000
(9,267)	Housing Revenue Account Balance	(8,327)
(4,107)	Earmarked Housing Revenue Account Reserve	(3,822)
(13,374)	**Total**	**(12,149)**

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 2018 £000		31 March 2019 £000
(58,306)	Capital Receipts Reserve	(63,133)
(58,306)	**Total**	**(63,133)**

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 2018 £000		31 March 2019 £000
(70,661)	Major Repairs Reserve	(70,690)
(70,661)	**Total**	**(70,690)**

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 2018 £000		31 March 2019 £000
(30,147)	Capital Grants Unapplied Reserve	(28,432)
(30,147)	**Total**	**(28,432)**

35. Unusable Reserves

The following table summarises the Unusable Reserves balances:

31 March 2018 £000 Restated		31 March 2019 £000
	Capital Reserves:	
(434,970)	Revaluation Reserve	(434,584)
(1,144,841)	Capital Adjustment Account	(1,181,004)
(53)	Deferred Capital Receipts Reserve	(53)
(1,579,864)		(1,615,641)
	Revenue Reserves:	
33,380	Financial Instruments Adjustment Account	44,685
776,574	Pensions Reserve	930,663
(5,380)	Collection Fund Adjustment Account	(17,234)
8,634	Accumulated Absences Account	9,158
813,208		967,272
(766,656)	**Total**	**(648,369)**

Capital Reserves

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

Revaluation Reserve

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

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

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

2017/18 £000 Restated		2018/19 £000
(390,312)	**Balance at 1 April**	**(434,970)**
(104,674)	Upward revaluation of assets	(93,822)
42,255	Downward revaluation of assets and impairment losses	76,300
(62,419)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(17,522)
7,089	Difference between fair value depreciation and historical cost depreciation	5,502
10,672	Accumulated gains on assets sold or scrapped	12,406
17,761	Amount written off to the Capital Adjustment Account	17,908
(434,970)	**Balance at 31 March**	**(434,584)**

Capital Adjustment Account

2017/18 £000		2018/19 £000
(1,134,735)	**Balance at 1 April**	**(1,144,841)**
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:	
74,263	Depreciation of non-current assets	73,992
0	Impairment of non-current assets	0
29,390	Revaluation losses of non-current assets	(24,885)
(4,845)	Movement in fair value of Investment Properties	(1,390)
15,827	Revenue expenditure funded from capital under statute	18,838
70,058	Non-current assets written off on disposal	89,221
184,693		155,776
	Adjusting amounts written out of the Revaluation Reserve:	
(7,089)	Difference between fair value depreciation and historical cost depreciation	(5,502)
(10,672)	Accumulated gains on assets sold or scrapped	(12,406)
(17,761)		(17,908)
(967,803)	Net written out amount of the cost of non-current assets consumed in the year	(1,006,973)
	Capital financing applied in the year:	
(12,897)	Use of the Capital Receipts Reserve to finance new capital expenditure	(15,619)
(52,212)	Use of the Major Repairs Reserve to finance new capital expenditure	(46,765)
(56,518)	Capital grants and contributions credited to the CI&ES	(59,940)
(4,469)	Application of grants and contributions from the Capital Grants Unapplied Reserve	(9,737)
(49,879)	Statutory provision for the repayment of debt	(41,907)
(1,063)	Voluntary provision for the repayment of debt	(27)
(177,038)		(173,995)
0	Other	(36)
(1,144,841)	**Balance at 31 March**	**(1,181,004)**

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 Property, Plant and Equipment (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.

2017/18 £000		2018/19 £000
(53)	**Balance at 1 April**	**(53)**
0	Transfer to the Capital Adjustment Account	0
(53)	**Balance at 31 March**	**(53)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund to the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund 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.

2017/18 £000		2018/19 £000
34,297	**Balance at 1 April**	**33,380**
(838)	Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	11,371
(13)	Soft Loan Amortisation	2
(66)	Other movements	(68)
(917)	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	11,305
33,380	**Balance at 31 March**	**44,685**

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.

2017/18 £000		2018/19 £000
897,558	**Balance at 1 April**	**776,574**
(165,667)	Actuarial (gains) or losses on pensions assets and liabilities	83,068
81,319	Reversal of items relating to retirement benefits debited or credited to the CI&ES	109,354
(36,636)	Employer's pensions contributions and direct payments to pensioners payable in the year	(38,333)
776,574	**Balance at 31 March**	**930,663**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and National 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.

2017/18 £000		2018/19 £000
(3,541)	**Balance at 1 April**	**(5,380)**
(1,839)	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	(11,854)
(5,380)	**Balance at 31 March**	**(17,234)**

Accumulated Absences Account

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

2017/18 £000		2018/19 £000
9,554	**Balance at 1 April**	**8,634**
(920)	Amount by which officer remuneration charged to the CI&ES is different from remuneration chargeable in the year in accordance with statutory requirements	524
8,634	**Balance at 31 March**	**9,158**

36. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2017/18 £000		2018/19 £000
711	Interest Received	1,069
(93,633)	Interest Paid	(106,049)

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:

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

2017/18 £000		2018/19 £000
74,261	Depreciation	73,811
29,635	Impairment and downward valuations	(24,885)
0	Amortisation	181
(5,665)	Increase / (Decrease) in creditors	2,127
(31,432)	(Increase) / Decrease in debtors	42,308
(1,251)	(Increase) / Decrease in inventories	(94)
44,683	Movement in pension liability	71,021
70,058	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	89,221
620	Other non-cash items charged to the net surplus or deficit on the provision of services	(5,571)
180,909	**Total**	**248,119**

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

2017/18 Restated * £000		2018/19 £000
(21,792)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(24,263)
(67,080)	Any other items for which cash effects are investing or financing cash flows	(67,961)
(88,872)	**Total**	**(92,224)**

37. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2017/18 Restated * £000		2018/19 £000
(187,557)	Purchase of property, plant and equipment, investment property and intangible assets	(193,632)
(79,042)	Purchase of short and long term investments	(48,401)
0	Other payments for investing activities	(2,318)
21,792	Proceeds from the sale of property, plant and equipment, investment property, intangible assets and deferred capital receipts	24,263
52,042	Proceeds from short term and long term investments	82,901
61,113	Other receipts from investing activities	91,008
(131,652)	**Net cash flow from investing activities**	**(46,179)**

* Notes 36 and 37 have been re-presented due to a miss-classification in the prior year.

38. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2017/18 £000		2018/19 £000
75,000	Cash receipts of short and long term borrowing	45,000
(36,115)	Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	(9,473)
(37,326)	Repayment of short and long term borrowing	(77,329)
4,005	Other payments for financing activities	7,986
5,564	**Net cash flow from financing activities**	**(33,816)**

39. Trading Operations

On 2 January 2000 Section 21 of the Local Government Act 1999 repealed the compulsory competitive tendering provisions requiring Direct Service Organisations (DSO) accounts and replaced them with the provision of trading accounts under the Service Reporting Code of Practise (SeRCOP). The Council has established a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. The main trading units are:

Sheffield Markets Operation

The provision of the city and district markets service including operational and staffing costs associated with wholesale permanent and temporary internal and external venues.

Commercial Estate (Property)

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

Transport Services

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

Schools Property Traded Service

Provision of property services provided to schools on a traded basis.

Capital Delivery Service

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

2018/19	Income	Expenditure	Operating (Surplus)/Deficit	Accounting Adjustments	Accounting (Surplus)/Deficit
	£000	£000	£000	£000	£000
Sheffield Markets Operation	(2,174)	3,155	981	665	1,646
Commercial Estates (Property)	(1,817)	842	(975)	23,845	22,870
Transport Services	(777)	866	89	(80)	9
Schools Property Traded Services	(691)	279	(412)	899	487
Capital Delivery Service	0	102	102	206	308
Total	**(5,459)**	**5,244**	**(215)**	**25,535**	**25,320**

2017/18 – Comparative Information	Income	Expenditure	Operating (Surplus)/Deficit	Accounting Adjustments	Accounting (Surplus)/Deficit
	£000	£000	£000	£000	£000
Sheffield Markets Operation	(2,248)	3,253	1,005	(33)	972
Commercial Estates (Property)	(1,647)	477	(1,170)	13,305	12,135
Transport Services	(783)	1,294	511	173	684
Schools Property Traded Services	(761)	420	(341)	1,017	676
Capital Delivery Service	(28)	(7)	(35)	291	256
Total	**(5,467)**	**5,437**	**(30)**	**14,753**	**14,723**

Trading operations overall reported surpluses on controllable income and expenditure. Accounting adjustments include charges for capital and pensions, which are managed corporately and not the responsibility of the Managers of the trading accounts.

It is the Council's policy that Revenue services, support services and trading accounts are debited with charges that relate to non-current assets, such as depreciation and amortisation and revaluation and impairment losses, to show the cost of holding fixed assets during the year. In 2018/19 £24m was charged to Commercial Estates (Property) that represents a downward revaluation on Grosvenor House. This was charged against Commercial Estates (Property) to reflect their involvement in the management of the asset on behalf of the Council's estate, but which is outside the scope of the service's normal day to day trading.

40. 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 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	**2018/19**			**2017/18**		
	NHS Sheffield CCG	**Sheffield City Council**	**Total**	**NHS Sheffield CCG**	**Sheffield City Council**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
The Better Care Fund	266,273	181,890	448,163	256,921	169,830	426,751
Total	**266,273**	**181,890**	**448,163**	**256,921**	**169,830**	**426,751**

The memorandum account for the pooled budget is:

The Better Care Fund

	2018/19 £000	2017/18 £000
Income		
NHS Clinical Commissioning Group	266,273	256,921
Sheffield City Council	181,890	169,830
Total	**448,163**	**426,751**
Allocation of expenditure		
Theme 1 - People Keeping Well in their Local Community	(11,283)	(9,033)
Theme 2 - Active Support and Recovery	(58,548)	(51,458)
Theme 3 - Independent Living Solutions	(8,249)	(6,303)
Theme 4 - Ongoing Care	(186,738)	(186,410)
Theme 5 - Adult inpatient Medical Emergency Admissions	(69,307)	(65,177)
Theme 6 - Mental Health	(110,497)	(105,637)
Theme 7 - Capital Grants	(3,542)	(2,733)
Total	**(448,163)**	**(426,751)**

41. 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:

2017/18 £000		2018/19 £000
201	Fees payable with regard to external audit services carried out by the appointed auditor	156
44	Fees payable for the certification of grant claims and returns	41
6	Fees payable in respect of any other services provided over and above those listed above	6
251	**Total**	**203**

Within the 2018/19 total includes £7.7k relating to the audit of an objection raised by a member of the public to the 2016/17 accounts. A further audit fee of approximately £20k is expected in 2019/20 relating to the audit of a second objection raised in 2016/17 by a member of the public.

42. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

For Sheffield City Council, the main categories of related parties are other public bodies, or those organisations over which a Sheffield City Council Member or Chief Officer holds a position of general control or management. Sheffield City Council's material related party transactions in year amounted to net payments of £163m (£144m for 2017/18). All such material related party transactions are disclosed either individually or in aggregate below.

Council Members

In respect of financial year 2018/19 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.

2018/19

Related Party	Notes	Receipts £000	Payments £000	Net Receipts/Payments £000	Receivables £000	Payables £000	Net Assets/Liabilities £000
Learn Sheffield Ltd	**1**	(85)	837	**752**	69	0	**69**
Seven Hills Leisure Trust	**2**	(21)	148	**127**	7	76	**83**
Sheffield City Trust	**3**	(4)	18,611	**18,607**	0	0	**0**
Sheffield Futures	**4**	(104)	3,815	**3,711**	(7)	0	**(7)**
Sheffield Housing Company	**5**	(343)	965	**622**	1,029	0	**1,029**
Sheffield Industrial Museums Trust	**6**	(13)	372	**359**	0	194	**194**
Sheffield International Venues	**7**	(9)	716	**707**	1	0	**1**
Sheffield Theatres Trust	**8**	(248)	299	**51**	10	0	**10**
SOAR	**9**	(2)	832	**830**	0	(59)	**(59)**
Veolia	**10**	0	12,342	**12,342**	0	0	**0**
Youth Justice Board for England	**11**	(939)	0	**(939)**	257	0	**257**
Heely City Farm	**12**	2	318	**320**	0	6	**6**

Notes relating to significant transactions:

1 £437k Commission Payments
2 £120k SIV Grant Paid
3 £6.3m bond interest, £12.1m bond principal repayments
4 £3.3m Futures Core Contract
5 £964k Housing Improvement Contracts
6 £210k Sheffield Industrial Museums Grant, £130k Service Agreement
7 £665k Service Agreement
8 £290k Service Agreement
9 £260k People Keeping Well, £140k Sheffield Working Place Contract, £60k Sheffield Community Investment Deal
10 £13.3m Outstanding discount on Band 1 Gate Fee, £2m retained value from contract payment, (£5m) settlement value, £2m VAT
11 (£939k) Income from providing Secure Accommodation paid by HMPPS
12 £100k People Keeping Well

2017/18 – Comparative Information – Restated *							
Related Party	**Notes**	**Receipts £000**	**Payments £000**	**Net Receipts/Payments £000**	**Receivables £000**	**Payables £000**	**Net Assets/Liabilities £000**
Aspiring Communities Together	**1**	0	90	**90**	(1)	0	**(1)**
Autism Plus	**2**	(2)	1,209	**1,207**	0	(4)	**(4)**
Seven Hills Leisure Trust	**3**	(29)	276	**247**	8	40	**48**
Sheffield City Trust	**4**	(24)	18,523	**18,499**	8	0	**8**
Sheffield Futures	**5**	(166)	3,650	**3,484**	55	0	**55**
Sheffield Housing Company	**6**	(1,269)	568	**(701)**	860	0	**860**
Sheffield Industrial Museums Trust	**7**	(23)	761	**738**	0	0	**0**
Sheffield International Venues	**8**	(38)	1,395	**1,357**	9	(92)	**(83)**
Sheffield Theatres Trust	**9**	(217)	319	**102**	6	1	**7**
SOAR	**10**	(2)	674	**672**	1	(27)	**(26)**

Notes relating to significant transactions:

1 Funding for cost of Adult & Community Learning across the year - all invoices less than £10k.
2 90% of supplier invoices under £10k. Purchases within Learning Disabilities Commissioning.
3 £105k grant funding paid.
4 £6.3m bond interest, £12.1m bond principal repayments.
5 £3.3m for Futures Core Contract - targeted Youth Support.
6 £555k CHAPS payment & £1.2m of receipts under various housing improvement contracts between SCC/Sheffield Housing Co collaboration.
7 £852k payments under service agreements and grants.
8 £1.3m grant funding paid including 18/19 Q1 payment.
9 £292k grant prepayment for 18/19
10 Payments of £336k to Community Wellbeing Program, £175k to Working Locally in disadvantaged areas, £40k to Social Prescribing and £75K to Community Education.

* Restated – One disclosure line has been removed as it had been incorrectly categorised as a related party in 2017/18.

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:

2018/19	Notes	Receipts	Payments	Net Payments/Receipts	Receivables	Payables	Net Accruals
Related Party		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Sheffield City Region Combined Authority Group	**1**	(14,223)	24,826	**10,603**	515	0	**515**
South Yorkshire Passenger Transport Executive (SYPTE)	**2**	(3,674)	956	**(2,718)**	210	(4)	**206**
South Yorkshire Fire and Rescue Authority	**3**	(12)	11,904	**11,892**	0	(1)	**(1)**
South Yorkshire Pensions Authority	**4**	(16)	51,653	**51,637**	0	0	**0**
South Yorkshire Police and Crime Commissioner	**5**	(1,670)	24,170	**22,500**	559	0	**559**
NHS bodies	**6**	(1,835)	24,643	**22,808**	439	(231)	**208**
Other Local Authorities	**7**	(3,910)	12,841	**8,931**	445	(91)	**354**

Notes relating to significant transactions

1 £23.2m Transport Levy Payments, £533k EZ Growth NNDR, £488k Subscription Fees, Income: (£2.3m) from LTP Funding, (£1m) from support to SCR and Prow Improvements

2 £600k Zero Fare passes, £140k SY Safety Camera Partnership Contribution, £61k Rent

3 £10.9m Council Tax Precept & Surplus Payments

4 £24m Pension Prepayment £14.5m Pension Payments, £5.4m Council Tax, £1.5m Redundancy Payments

5 £21.9m Council Tax Precept and Surplus

6 £8.9m SLA Payments to Children's Hospital, £4.6m Sexual Health Service, £3.9m Sheffield DACT, £1m Prescribing Recharges, £585k Admin, Management and Overheads, £326k STEP funding, £303k changes in funding eligibility, £273 Better Care Fund, £160k Building Successful Families, £116k FEL Funding, £114k Sheffield DTOC

7 £4.3m Debt Repayment to Rotherham, £2m Loan Repayment to New Forest DC, £2.4m STEP, £270k Emergency Planning Shared Service, £250k ITB Project

2017/18 – Comparative Information

	Notes	Receipts	Payments	Net Payments/Receipts	Receivables	Payables	Net Accruals
Related Party		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Sheffield City Region Combined Authority Group	**1**	(18,879)	26,543	**7,664**	1,005	0	**1,005**
South Yorkshire Passenger Transport Executive (SYPTE)	**2**	(8,247)	1,191	**(7,056)**	5,062	(1)	**5,061**
Environment Agency	**3**	0	6,518	**6,518**	0	0	**0**
South Yorkshire Fire and Rescue Authority	**4**	(8)	11,370	**11,362**	4	0	**4**
South Yorkshire Pensions Authority	**5**	(16)	27,367	**27,351**	0	0	**0**
South Yorkshire Police and Crime Commissioner	**6**	(630)	22,468	**21,838**	8	0	**8**
NHS bodies	**7**	(2,783)	26,709	**23,926**	1,364	(494)	**870**
Other Local Authorities	**8**	(3,872)	30,662	**26,790**	760	(56)	**704**

Notes relating to significant transactions

1 £23.8m Transport Levy payments, £0.4m LEP subscriptions and £1.6m Enterprise Zone fees for 16/17 and 17/18

2 £4.3m grant received relating to the Better Buses capital scheme, £2.9m LTP funding (£0.6m owed) and £0.4m Safety Camera and Safer Roads partnership funding. Paid £0.6m in zero-fare bus passes,

3 £6.1m CHAPS payment for refund of overpayment in relation to Lower Valley Flood Protection

4 £1.8m share of NNDR, £9.5m Council tax precept and surplus payment

5 £15.2m contributions, £6.7m levy

6 £21.8m Council tax precept payment

7 £9.5m expenditure relates to SLA payments to Children's Hospital and £5.2m to Sheffield Teaching Hospitals.

8 £20.2m payment to Northumberland Unitary Authority in relation to bonds and loan payments.

43. Members' Allowances

The Council paid the following amounts to Council Members and Co-optees during 2018/19:

2017/18 £000		2018/19 £000
	Councillors:	
990	Basic Allowance	1,016
268	Special Responsibility Allowance	266
31	Expenses	27
1,289		**1,309**
	Co-optees:	
4	Basic Allowance	4
1,293	**Total**	**1,313**

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

44. 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 (i.e. Chief Executive also known as the head of paid service, Director of Children's Services, Director of Adult Social Services, Section 151 Officer, etc.) 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.

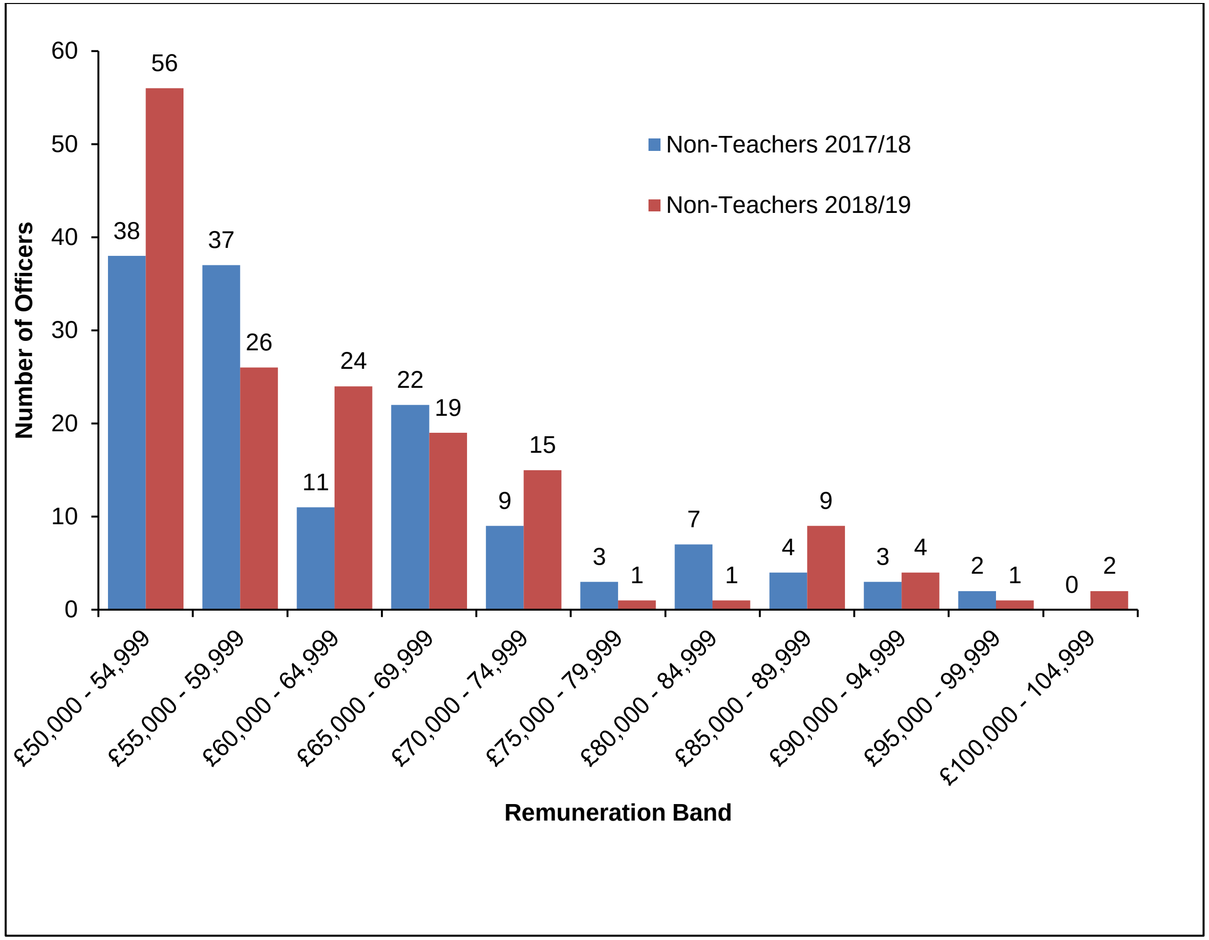
The remuneration paid to the Council's senior employees is shown in the table below:

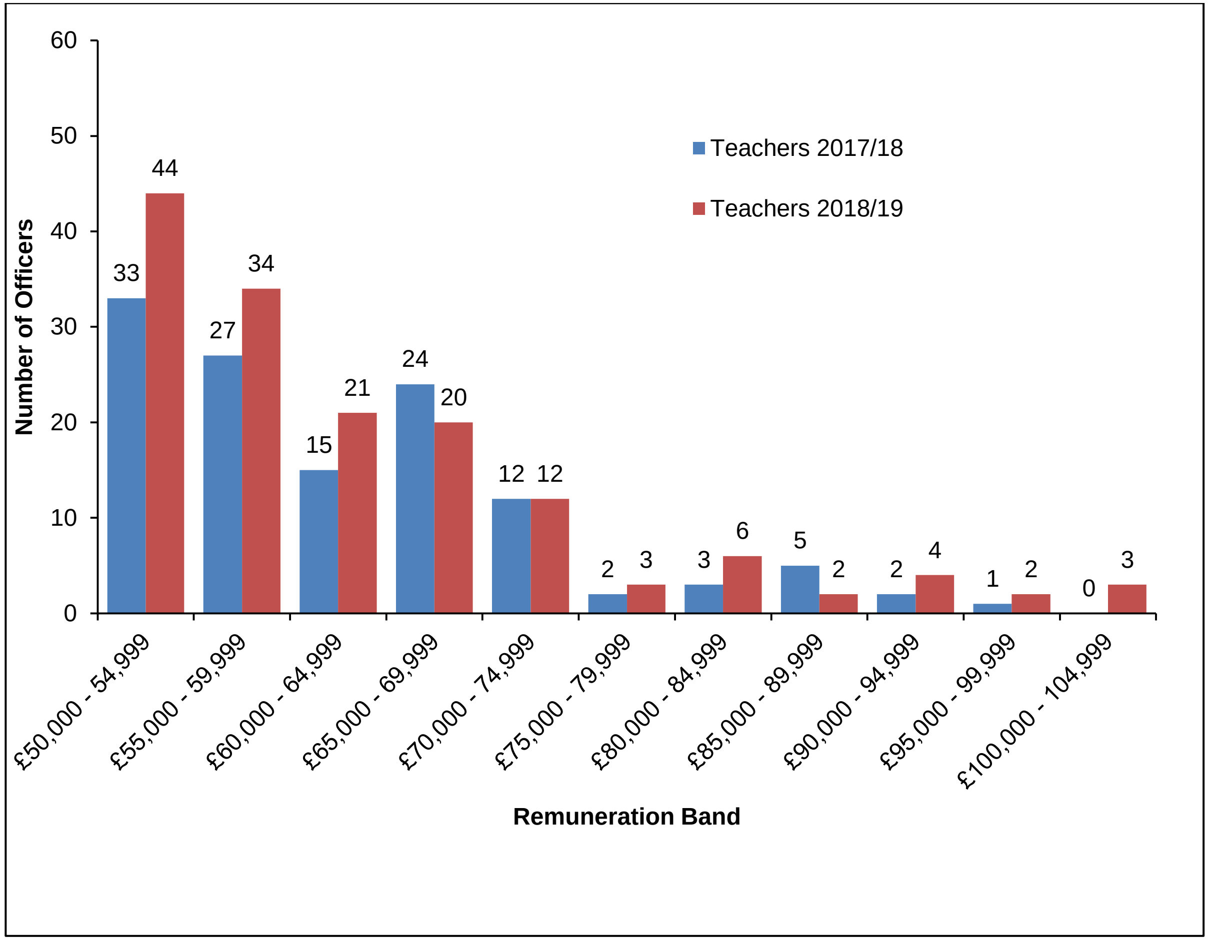
2018/19						
Post Holder Information	**Note**	**Salary – including Fees and Allowances £**	**Expenses Allowances £**	**Total Remuneration exc Pension Contributions £**	**Pension Contributions £**	**Total Remuneration inc Pension Contributions £**
Chief Executive – John Mothersole		192,064	0	192,064	29,194	221,258
Executive Director – People		135,533	0	135,533	20,601	156,134
Executive Director – Place		138,752	0	138,752	21,090	159,842
Executive Director – Resources		132,760	0	132,760	20,179	152,939
Director of Public Health		114,497	102	114,599	16,570	131,169
Director of Policy and Performance		83,830	0	83,830	12,742	96,572
Total		**797,436**	**102**	**797,538**	**120,376**	**917,914**

2017/18 – Comparative Information – Restated *						
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 – John Mothersole		186,125	0	186,125	28,291	214,416
Executive Director – People	**1**	127,480	45	127,525	19,377	146,902
Executive Director – Place		139,596	0	139,596	21,219	160,815
Executive Director – Resources		127,192	0	127,192	19,333	146,525
Director of Public Health		108,876	126	109,002	15,656	124,658
Director of Policy and Performance		83,430	0	83,430	12,681	96,111
Total		**772,699**	**171**	**772,870**	**116,557**	**889,427**
Notes – 1) The People Portfolio incorporates services from the former Communities and CYPF portfolios.						

* Restated due to the use of accurate pension figures relating to the individuals.

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


Number of Officers
60
50
40
30
20
10
0
Non-Teachers 2017/18
Non-Teachers 2018/19
38
56
37
26
11
24
22
19
9
15
3
1
7
1
4
9
3
4
2
1
0
2
£50,000 - 54,999
£55,000 - 59,999
£60,000 - 64,999
£65,000 - 69,999
£70,000 - 74,999
£75,000 - 79,999
£80,000 - 84,999
£85,000 - 89,999
£90,000 - 94,999
£95,000 - 99,999
£100,000 - 104,999
Remuneration Band


60
50
40
30
20
10
0
Number of Officers
Teachers 2017/18
Teachers 2018/19
33
44
27
34
15
21
24
20
12
12
2
3
3
6
5
2
2
4
1
2
0
3
£50,000 - 54,999
£55,000 - 59,999
£60,000 - 64,999
£65,000 - 69,999
£70,000 - 74,999
£75,000 - 79,999
£80,000 - 84,999
£85,000 - 89,999
£90,000 - 94,999
£95,000 - 99,999
£100,000 - 104,999
Remuneration Band

45. Termination Benefits

The Council terminated the contracts of a number of employees in 2018/19 incurring liabilities of £3.3m (£1.6m in 2017/18). This includes redundancy and pension payments.

This amount was payable to 99 people (53 people in 2017/18) from across the Council, who were made redundant as part of its strategy to reduce the workforce in order to achieve budget savings. This included 18 people whose termination benefits were funded by the Housing Revenue Account.

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

2017/18			2018/19	
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**
28	312	£0 - £20,000	46	544
14	422	£20,001 - £40,000	30	847
4	174	£40,001 - £60,000	5	228
2	139	£60,001 - £80,000	8	535
3	256	£80,001 - £100,000	2	173
2	259	£100,001 - £180,000	8	985
53	**1,562**	**Total**	**99**	**3,312**

The table above includes 4 people who were made compulsory redundant with a total value of £64k (4 people in 2017/18 with a total value of £34k).

In 2018/19 contributions of £612k for the termination costs under contract / partnership obligations were incurred. In 2017/18 the equivalent cost was nil. These are not included in the above table.

46. 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, the City Council makes contributions to the following pension schemes in respect of its employees.

Teachers' Pension Scheme

In 2018/19 the City Council paid £9.9m (£10.8m 2017/18) to Department for Education (DfE) in respect of Teachers' pension costs, which represented 16.48% (16.48% 2017/18) of Teachers' pensionable pay. In addition, the City Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2018/19 these amounted to £3.9m (£4.0m 2017/18), representing 6.48% (6.12% 2017/18) of pensionable pay.

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 2018/19 the City Council paid £136k (£132k 2017/18) to NHS pensions in respect of NHS pension costs, which represented 14.38% (14.38% 2017/18) 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:

2017/18 £000		2018/19 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
62,801	Current service cost	62,754
13	Past service costs	26,762
(4,764)	(Gains) and Losses on Settlements	(2,422)
913	Curtailments	1,791
58,963	**Charge to (Surplus) / Deficit on Continuing Operations**	**62,129**
	Other Operating Expenditure:	
771	Administration expenses	805
771		805
	Financing and Investment Income and Expenditure:	
72,623	Interest cost on pension liabilities	73,466
(51,038)	Interest on plan assets	(53,802)
21,585		19,664
22,356	**Charge to the (Surplus) / Deficit on the Provision of Services**	**20,469**
	Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:	
(165,667)	Re-measurements of the net defined benefit liability	83,068
(165,667)		83,068
(84,348)	**Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement**	**192,422**

2017/18 £000		2018/19 £000
	Movement in Reserves Statement	
(81,319)	Reversal of net charges made to the (Surplus) / Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(109,354)
	Actual amount charged against the General Fund for pensions in the year:	
36,636	Employer's contributions payable to scheme	38,333

The cumulative amount of actuarial (gains) and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2019 is a loss of £454.6m (£371.5m loss in 2017/18).

The employers' contributions payable to the scheme decreased from £98m in 2016/17 to £37m in 2017/18 and to £38m in 2018/19. During 2016/17 the Council made a significant early payment of the planned 2017/18 to 2019/20 pension deficit contributions in return for a substantial reduction in the amount due.

Assets and Liabilities in Relation to Post-Employment Benefits

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

2017/18 £000		2018/19 £000
(2,944,254)	Opening Balance at 1 April	(2,867,131)
(62,801)	Current service cost	(62,754)
(72,623)	Interest cost	(73,466)
(12,334)	Contributions by scheme participants	(12,932)
132,158	Re-measurements	(150,774)
88,291	Benefits Paid	93,187
(13)	Past Service Costs	(26,762)
(913)	Curtailments	(1,791)
5,358	Settlements	3,002
(2,867,131)	**Closing Balance at 31 March**	**(3,099,421)**

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

2017/18 £000		2018/19 £000
2,046,696	Opening Balance at 1 April	2,090,557
51,038	Interest on plan assets	53,802
33,509	Re-measurements	67,706
(771)	Administration expenses	(805)
36,636	Contributions by Employer	38,333
12,334	Contributions by scheme (plan) participants	12,932
(88,291)	Benefits paid	(93,187)
(594)	Settlements	(580)
2,090,557	**Closing Balance at 31 March**	**2,168,758**

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 £121.5m (£84.6m 2017/18).

Local Government Pension Scheme assets comprised:

	31 March 2018 £000	31 March 2019 £000
Equities:		
UK quoted	310,867	309,265
Overseas quoted	857,128	793,549
Bonds:		
UK Government Fixed	0	0
UK Government indexed	237,069	281,288
Overseas Government Fixed	53,936	58,990
UK Other	98,883	103,667
Overseas Other	55,400	57,472
Property:		
UK direct	165,781	189,549
Property Funds	25,296	20,169
Alternatives:		
Pooled investment vehicles	185,014	283,023
Cash:		
Cash accounts	101,183	71,786

Scheme History

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Present value of liabilities	(2,585,920)	(2,498,584)	(2,944,254)	(2,867,131)	(3,099,421)
Fair value of scheme assets	1,729,513	1,702,602	2,046,696	2,090,557	2,168,758
Surplus / (deficit) in the scheme	**(856,407)**	**(795,982)**	**(897,558)**	**(776,574)**	**(930,663)**

The liabilities show the underlying commitments that the Council has, in the long run, to pay post-employment benefits. The total liability of £931m (£777m 2017/18) has a substantial impact on the net worth of the Council as recorded on the Balance Sheet, reducing the balance from £1.1bn to £2bn (£1.1bn to £1.9bn 2017/18). 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 Mercer Human Resourcing Ltd using the projected unit method. This involved making an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The main assumptions used in their calculations are as follows:

2017/18		2018/19
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23 years	Men	23.1 years
25.8 years	Women	25.9 years
	Longevity at 65 for future pensioners:	
25.2 years	Men	25.3 years
28.1 years	Women	28.3 years
	Financial assumptions:	
2.1%	Rate of CPI inflation	2.2%
3.35%	Rate of increase in salaries	3.45%
2.2%	Rate of increase in pensions	2.3%
2.6%	Rate for discounting scheme liabilities	2.4%

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 2017/18.

Change in Assumptions at 31 March 2019	**£000**
Increase in life expectancy (1 year increase)	61,506
Rate of inflation (0.1% increase)	52,887
Rate of increase in salaries (0.1% increase)	6,706
Rate of discount (0.1% increase)	(52,000)

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserves in 2018/19 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2019:

	2014/15 %	**2015/16 %**	**2016/17 %**	**2017/18 %**	**2018/19 %**
Differences between the expected and actual return on assets	8.3	-2.3	12.9	1.6	3.1
Experience gains and losses on liabilities	13.5	-5.5	14.0	-4.6	4.9

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

2017/18 £000		Note	2018/19 £000
	Expenditure:		
34,615	Repairs and maintenance		37,027
48,539	Supervision and management		51,013
1,246	Rents, rates, taxes and other charges		1,255
20,136	Depreciation and impairment / losses of non-current assets	8 / 9	(25,406)
206	Debt management costs		193
2,163	Movement in the allowance for Bad or Doubtful Debts		2,288
106,905	**Total Expenditure**		**66,370**
	Income:		
(146,506)	Dwelling rents	11	(143,931)
(1,471)	Non-dwelling rents - garages, garage sites, shops	11	(1,350)
(6,161)	Charges for services and facilities		(6,166)
(917)	Contributions towards expenditure		(522)
(155,055)	**Total Income**		**(151,969)**
(48,150)	Net Income / Cost of HRA Services as included in the whole Council’s Comprehensive Income and Expenditure Statement		**(85,599)**
649	HRA share of Corporate and Democratic Core		793
(47,501)	**Net Income / Cost of HRA Services**		**(84,806)**
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:		
(2,441)	(Gain) or loss on sale of HRA non-current assets		(3,010)
13,194	Interest payable and similar charges		13,110
(268)	Interest and investment income		(293)
(37,016)	**(Surplus) / Deficit for the year on HRA services**		**(74,999)**

Movement on the Housing Revenue Account Statement

2017/18 £000		Note	2018/19 £000
(9,199)	**Balance as at 1 April**		**(9,267)**
(37,016)	(Surplus) / Deficit on the HRA Income and Expenditure Statement		(74,999)
0	Other Comprehensive Income and Expenditure	1	0
6,973	Adjustments between accounting basis and funding basis under regulation	2	52,740
(30,043)	**Net (increase) / decrease before transfers to reserves**		**(22,259)**
29,975	Transfer to / from reserves	3	23,199
(68)	**(Increase) / decrease in year on the HRA**		**940**
(9,267)	**Balance as at 31 March**		**(8,327)**

Notes to the Housing Revenue Account

01. Other Comprehensive Income and Expenditure

In 2018/19 and 2017/18, there were no other items.

02. Adjustments Between Accounting Basis and Funding Basis Under Regulation

2017/18 £000		2018/19 £000
3,451	Impairment / revaluation losses on HRA non-current assets	48,716
2,441	Net gain / (loss) on sale of HRA non-current assets	3,010
1,054	Difference between interest payable and similar charges (including amortisation of premiums and discounts determined in accordance with Statute)	987
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
6,973	**Total**	**52,740**

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 2018/19.

2017/18 £000		2018/19 £000
29,975	Transfer to / (from) the Major Repairs Reserve	23,484
0	Transfer to / (from) the HRA Earmarked Reserve	(285)
29,975	**Total**	**23,199**

04. Housing Stock

The Council was responsible for managing, on average 39,410 dwellings during 2018/19 (39,745 for 2017/18). The movement in stock can be summarised as follows:

2017/18		2018/19
39,930	Housing Stock as at 1 April	39,559
(393)	Less: Sales	(361)
(24)	Less: Demolitions and other deductions	(1)
46	Add: New build and acquisitions	63
39,559	**Housing Stock as at 31 March**	**39,260**

The housing stock can be analysed by type as follows:

2018/19	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	11,912	1,687	13,599
2 Bedrooms	5,545	8,510	14,055
3 Bedrooms	833	10,023	10,856
4 Bedrooms	12	371	383
5 Bedrooms	1	19	20
6 Bedrooms or more	1	3	4
Bedsits	341	2	343
Total	**18,645**	**20,615**	**39,260**

2017/18 – Comparative Information	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	11,937	1,690	13,627
2 Bedrooms	5,580	8,585	14,165
3 Bedrooms	837	10,189	11,026
4 Bedrooms	13	361	374
5 Bedrooms	1	19	20
6 Bedrooms or more	1	3	4
Bedsits	341	2	343
Total	**18,710**	**20,849**	**39,559**

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

2017/18 Value at 1 April £000	2017/18 Value at 31 March £000		2018/19 Value at 1 April £000	2018/19 Value at 31 March £000
1,245,721	1,307,442	Council Dwellings	1,307,442	1,325,606
8,413	5,721	Other Land and Buildings	5,721	14,737
30,926	29,459	Surplus Assets	29,459	42,370
5,568	6,978	Assets Held for Sale	6,978	7,766
0	5	Community Assets	5	82
0	0	Assets Under Construction	0	1,635
1,290,628	**1,349,605**	**Total**	**1,349,605**	**1,392,196**

05. Vacant Possession

The vacant possession value of Council Dwellings as at 1 April 2018 was £3.2bn (£3.04bn at 1 April 2017).
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:

2017/18 £000		2018/19 £000
(69,311)	Balance at 1 April	(70,661)
(23,587)	Transfers from the Capital Adjustment Account (re. Depreciation)	(23,310)
0	Transfers from the HRA (re. Revenue Contribution)	0
(29,975)	Transfers from the HRA (re. Additional Revenue Contribution)	(23,484)
52,212	Expenditure on capital assets	46,765
(70,661)	**Balance at 31 March**	**(70,690)**

07. Capital Expenditure

During the financial year total capital expenditure was £52.3m, (£53.7m in 2017/18) split between houses £50.3m (£53.1m in 2017/18) and other property and land within the Housing Revenue Account £2m (£0.6m in 2017/18).

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

2017/18 £000		2018/19 £000
52,212	Major Repairs Reserve	46,765
556	Usable Capital Receipts Reserve	2,682
882	Capital Grants and Other Contributions	2,854
53,650	**Total**	**52,301**

Capital receipts amounting to £18.2m (£19.3m in 2017/18) 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 £23.3m (£23.6m in 2017/18) was made to the HRA during the financial year. The split of the depreciation charge is detailed below:

2017/18 £000		2018/19 £000
23,508	Council Dwellings	23,228
73	Other Land and Buildings	75
6	Surplus Assets	7
23,587	**Total**	**23,310**

09. Impairment

There were no impairment charges in 2018/19 or 2017/18. However, there are reversals of previous impairments of £76.2m (£20.1m in 2017/18) representing an improvement to a previous impairment value for Council Dwellings.

10. Rent Arrears

Rent arrears (excluding amounts collectable on behalf of other agencies) as at 31 March 2019 amounted to £10.2m (£9.5m as at 31 March 2018). The provision for doubtful debts in respect of these rent arrears is £7.9m (£6.8m as at 31 March 2018).

11. Rent Income

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

2017/18 Dwellings	2017/18 Non-Dwellings	2017/18 Total		2018/19 Dwellings	2018/19 Non-Dwellings	2018/19 Total
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(149,088)	(2,248)	(151,336)	Gross rent income before allowances	(146,530)	(2,097)	(148,627)
2,582	777	3,359	Less vacant properties	2,599	746	3,345
(146,506)	**(1,471)**	**(147,977)**	**Gross rent income after allowances**	**(143,931)**	**(1,351)**	**(145,282)**

12. Dwellings Rents

This represents rent income due from tenants. The average rent per week at 31 March 2019 was £74.34 (50 week basis) compared with £75.02 per week at 31 March 2018, a decrease of 0.68p or 0.91%.

13. Rebates

Rent rebates are available through the Housing Benefits scheme. As at 31 March 2019, 60% (64% as at 31 March 2018) of Council tenants were receiving assistance from the scheme.

Collection Fund

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

2017/18 Non-domestic Rates £000	2017/18 Council Tax £000	2017/18 Total £000		Notes	2018/19 Non-domestic Rates £000	2018/19 Council Tax £000	2018/19 Total £000
			Income:				
0	(233,272)	**(233,272)**	Council Tax Receivable	1	0	(250,108)	**(250,108)**
(211,857)	0	**(211,857)**	NNDR Receivable	2	(224,579)	0	**(224,579)**
(211,857)	**(233,272)**	**(445,129)**	**Total Income**		**(224,579)**	**(250,108)**	**(474,687)**
			Expenditure:				
			Precepts and Demands:				
95,702	191,035	**286,737**	- Sheffield City Council		98,404	205,728	**304,132**
0	21,153	**21,153**	- SY Police Authority		0	23,123	**23,123**
1,953	9,223	**11,176**	- SY Fire and Rescue Authority		2,008	9,649	**11,657**
97,655	0	**97,655**	- Central Government share of NNDR		100,412	0	**100,412**
195,310	221,411	**416,721**			200,824	238,500	**439,324**
			Apportionment of Previous Years' Surplus:				
(5,919)	6,325	**406**	- Sheffield City Council		(5,553)	7,428	**1,875**
0	712	**712**	- SY Police Authority		0	820	**820**
(121)	314	**193**	- SY Fire and Rescue Authority		(113)	358	**245**
(6,040)	0	**(6,040)**	- Central Government share of NNDR		(5,666)	0	**(5,666)**
(12,080)	7,351	**(4,729)**			(11,332)	8,606	**(2,726)**
			Charges to Collection Fund:				
11,466	0	**11,466**	Non-domestic Transitional Protection Payments		5,372	0	**5,372**
			Non-domestic Rates Supplement:		0	0	**0**
			Impairment of debts:				
0	2,169	**2,169**	- Write Offs	1	0	1,327	**1,327**
1,643	3,199	**4,842**	- Allowance for impairment		1,001	3,298	**4,299**
			Appeals				
7,745	0	**7,745**	- Allowance for impairment		(781)	0	**(781)**
765	0	**765**	Cost of Collection		752	0	**752**
1,073	0	**1,073**	Renewable Energy Disregarded		1,539	0	**1,539**
758	0	**0**	Enterprise Zone Growth		607	0	**607**
0	0	**0**	New Development Deal Growth		0	0	**0**
206,680	**234,130**	**440,810**	**Total Expenditure**		**197,982**	**251,731**	**449,713**
(5,177)	**858**	**(4319)**	**Movement on the Fund**		**(26,597)**	**1,623**	**(24,974)**
14,888	**(12,336)**	**2,552**	**Opening Fund Balance**		**9,711**	**(11,478)**	**(1,767)**
9,711	**(11,478)**	**(1,767)**	**Closing Fund Balance**		**(16,886)**	**(9,855)**	**(26,741)**

Notes to the Collection Fund

01. Council Tax

There are an estimated 246,932 (244,642 for 2017/18) residential properties in Sheffield and each is placed into one of eight valuation bands (A to H), by the Inland Revenue Valuation Office Agency, based on its assessed capital value at 1 April 1991. The totals for each band are converted and expressed in terms of a number of band D dwellings to give the tax base for the City of 135,890.79 for 2018/19 (133,743.89 for 2017/18). 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 £1,755.09 for 2018/19 (£1,655.48 for 2017/18). 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:

2018/19						
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		281.71	281.71	247.21	05:09	137.34
A	144,369	(37,399.88)	106,969.12	91,207.24	06:09	60,804.83
B	39,317	(4,814.16)	34,502.84	31,655.59	07:09	24,621.01
C	31,141	(3,623.99)	27,517.01	25,642.26	08:09	22,793.12
D	15,825	(1,466.65)	14,358.35	13,519.35	09:09	13,519.35
E	9,108	(455.76)	8,652.24	8,236.74	11:09	10,067.13
F	4,225	(46.22)	4,178.78	3,997.28	13:09	5,773.85
G	2,758	(58.50)	2,699.5	2,584.00	15:09	4,306.66
H	189	(48.50)	140.5	132.75	18:09	265.50
	246,932	(47,631.95)	199,300.05	177,222.42		142,288.79
Less: Allowance for non-collection						(6,403.00)
Add: Defence-exempt properties						5.00
Tax Base for the calculation of 2018/19 Council Tax						**135890.79**

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.

2017/18						
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		269.71	269.71	236.71	05:09	131.51
A	142,935	(37,540)	105,395	89,582	06:09	59,721.33
B	38,972	(4,904)	34,068	31,234	07:09	24,293.25
C	30,937	(3,759)	27,178	25,329	08:09	22,515.08
D	15,697	(1,670)	14,027	13,183	09:09	13,182.69
E	9,002	(447)	8,555	8,143	11:09	9,952.96
F	4,177	(52)	4,125	3,950	13:09	5,705.89
G	2,739	(53)	2,686	2,572	15:09	4,286.88
H	183	(51.5)	131.5	124.75	18:09	249.50
	244,642	(48,206.79)	196,435.21	174,354.46		140,039.09
Less: Allowance for non-collection						(6,301.76)
Add: Defence-exempt properties						6.56
Tax Base for the calculation of 2017/18 Council Tax						**133,743.89**

The income of £248.8m for 2018/19 (£231.1m 2017/18), which is net of write offs, is broken down as follows:

2017/18 £000		**2018/19 £000**
(233,272)	Billed to Council Tax Payers	(250,108)
2,169	Write Offs	1,327
(231,103)	**Total**	**(248,781)**

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 2018/19 the Standard Rate was 49.3p (47.9p in 2017/18) and the Small Business Rate was 48.0p in 2018/19 (46.6p in 2017/18). Subject to the effects of transitionary arrangements, local businesses pay rates are calculated by multiplying their rateable value by these amounts. The Council is responsible for collecting rates due from the ratepayers in its area but pays 50% to Government and 1% to South Yorkshire Fire and Rescue Authority. The NNDR income of £224.6m for 2018/19 (£211.9m 2017/18) was based on a total rateable value for the Council's area of £535.2m for the year 2018/19 (£543.5m for 2017/18).

Accounting Policies

I. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. 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 2018/19 ('the Code') and the CIPFA Service Reporting Code of Practice 2018/19, 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.

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 (DoH).

- 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.

<u>The Local Government Pension Scheme</u>

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 49 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 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 both Museums Sheffield and Sheffield Industrial Museums Trust. High value works are valued annually, either through external valuation or with reference to auction guides. Variations are made to the insurance schedule on an annual basis or sooner as appropriate.

Land and buildings assets have been reported 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.

- Museums Sheffield works to a Collections Development Policy that is revised every five years as part of the Arts Council England Accreditation Scheme and is approved by Museums Sheffield Board of Trustees and the Council.

- Sheffield Industrial Museums Trust works to the Collections Agreement between the Trust and the Council, which provides the basis for the collections activity of the Trust. This document includes the Acquisitions and Disposal policy.

Standards of care are governed by the requirements of the National Museum Accreditation Scheme, with which both Trusts have achieved accreditation.

Civic Collections

The Civic Collections include gifts of silverware and paintings given to the city and examples of products manufactured by Sheffield's industries. The collection of silverware is reported 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 (eg 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:

- infrastructure, community assets and assets under construction – depreciated historical cost.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).

- Surplus assets – 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.

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.

- Infrastructure assets between 20 and 40 years.

- Vehicles, plant, furniture and equipment between 5 and 10 years, with the exception of the incinerator plant under the Veolia Public Private Partnership (PPP) contract, which has a useful economic life of 23 years and the District Heating Network of 26 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. 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.

XXIII. 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.

XXIV. 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.

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

XXV. 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.

XXVI. 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.

XXVII. 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.

XXVIII. 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 added to NNDR 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).

XXIX. 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 2018/19 (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 2018/19 there would be no material change, as detailed below.

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

IFRS 9 Financial Instruments sets out the requirements for recognising and measuring financial instruments. After its issue the IFRS Interpretations Committee received a submission asking how a company would classify and measure a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Such a prepayment amount is often described as including 'negative compensation'. Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss.

To respond to concerns raised about the usefulness of information provided about these instruments, the IASB proposed minor amendments to IFRS 9 to enable companies to measure some prepayable financial assets at amortised cost.

In October 2017, the Board issued Prepayment Features with Negative Compensation (Amendments to IFRS 9). Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

IFRS 9 has now been implemented by SCC but no prepayments with negative compensation feature; therefore the above amendments to IFRS 9 are currently not applicable to SCC.

Amendments to IAS 40 Investment Property: Transfers of Investment Property

The amendment to IAS 40 states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The Investment Properties held by SCC are small and large format advertising hoarding contracts; and there is no intention to change the use of these contracts in the near future.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or payed at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

SCC as an authority has a very small number of foreign currency transactions and any fluctuation to this would be immaterial to the authority.

IFRIC 23 Uncertainty over Income Tax Treatments

IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes for example when it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment.

This is merely a clarification of Income Tax treatments, and we don't foresee it to materially impact the Tax Position in the Financial Statements.

Annual Improvements to IFRS Standards 2014 - 2016 Cycle

IFRS 1 First-time Adoption of International Financial Reporting Standards

There have been deletions of short-term exemptions for first-time adopters.

This amendment does not apply to local authorities.

IFRS 12 Disclosure of Interests in Other Entities

This amendment to IFRS 12 clarifies the scope of IFRS 12 with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

This amendment does not relate to common transactions for local authorities and it is merely a clarification of the scope of the Standard, hence no additional disclosure is required.

IAS 28 Investments in Associates and Joint Ventures

This amendment applies to when an investment in an associate or joint venture is held by, or is held indirectly through, a venture capital organisation, or a mutual fund, unit trust and similar entities. This amendment clarifies whether the entity is able to choose between applying the equity method, and measuring the investment at fair value for each investment, or whether instead the entity applies the same accounting to all of its investments in associates and joint ventures.

This amendment might apply to local authorities although it is not considered to have a wide application. Therefore no direct amendments have been made to the Code.

However, this amendment is not seen to have a material impact on the reported figures hence no additional disclosures have been made.

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 March 2019 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 £652k for every year that useful lives had to be reduced.
Property, Plant and Equipment, HRA valuation (Note 23)	The value of the Council's housing dwellings stock is calculated using beacon properties. These valuations are then adjusted for the vacant possession value for the properties and to reflect their occupation by a secure tenant. This adjustment is considered to reflect the additional risk and liability that public sector landlords undertake when compared with private sector investors.	The fair value of the Council's housing dwellings stock as at 31 March 2019 has been determined using MHCLG'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 £33.1m in 2018/19.

Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs or commissions relevant experts to identify the most appropriate valuation techniques to determine fair value (e.g. for Surplus Assets, the Council's chief valuation officer or for loans and investments, the Council's Treasury advisors). Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 14, 23 and 26.	Non-Financial Assets: The Council uses the market approach and income approach models to measure the fair value of its Surplus Assets and Investment Properties. The significant observable inputs used in the fair value measurement include using current market conditions, recent sale prices / rentals achieved and other relevant information for similar assets within the local authority area. Financial Assets and liabilities: The Council assesses fair value by calculating the net present value (NPV) of the cash flows that take place over the remaining life of the instruments. Significant changes in any of the inputs would result in a significantly lower or higher fair value measurement for the Council's assets and liabilities valued at fair value.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. See Note 24 for further details	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £51.6m. However, the assumptions interact in complex ways. During 2018/19, the Council's actuaries advised that the net pension liability had decreased by £77.8m as a result of estimates relating to fund assets being corrected based on experience and increased by £205.5m attributable to updating of the assumptions around pension liabilities – a net impact of an increased liability of £127.7m.

Arrears	At 31 March 2019, the Council had a balance for sundry debtors of £24.4m. An impairment of doubtful debts of £18.9m (77%) was considered appropriate; 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 £5.5m 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 £34.2m 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, this will feed into a surplus on the collection fund. Estimates will be taken in January 2020 and so such a surplus would be made available for distribution to preceptors in the 2020/21. Conversely, an increase in the provision would mean a reduction to available resources in 2020/21.
Expected Credit Loss (ECL)	Estimating ECL involves forecasting future economic conditions over a number of years. These longer term forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have a significant risk of resulting in a material adjustment to a carrying amount within the next financial year.	Significant changes in any of the assumptions used in forecasting the future economic conditions would result in in a material adjustment to a carrying amount within the next financial year.

Annual Governance Statement

Scope of Responsibility

Sheffield City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used 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 2019 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 2019 and up to the date of approval of the Annual Report and Statement of Accounts.

In discharging its responsibility, the Council has a published constitution that specifies the business of the Council, as well as establishing the role of the Cabinet, Scrutiny Committees and Regulatory Committees. The Leader's Scheme of Delegation lays 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.

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**
   Following the local elections held during May and with the appointment of a new Cabinet, the coming months will see the development of new corporate priorities to replace the current Corporate Plan. The current plan was developed to show clearly the link between the key aims of the Council and the corporate priorities to achieve these. The Council has a business planning process that is designed to align service activity and objectives to the corporate priorities. A quarterly performance monitoring process continues to track progress against the Council's key priorities and to highlight any potential risks and issues in achieving these.

   The Council's Executive Management Team (EMT) and Elected Members have the responsibility for formulating the Council's medium term financial strategy in order to ensure that adequate resources are available to meet the Council's objectives.

   Cabinet receives regular 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 corporate objectives is also provided regularly to Cabinet members, and may also be considered by Members at the Overview and Scrutiny Management Committee.

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

The Corporate Plan and minutes of Council meetings are publicly available through the Council's website – www.sheffield.gov.uk.

2) The facilitation of policy and decision-making

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

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

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

3) Ensuring compliance with established policies, procedures, laws and regulations

Procedures are covered by the Council's Constitution, backed up by Standing Orders, the Financial Regulations and Protocol, and procurement guidelines.

The Monitoring Officer carries overall responsibility for ensuring the lawfulness and fairness of decision-making and supporting and advising the 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 in the managers' section of the Council's intranet. A formal staff induction process is in place that is designed to ensure that new employees are made aware of their responsibilities. The Executive Director of Resources carries overall responsibility for financial issues, 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 has been agreed by Cabinet. A risk management report is produced for EMT every quarter and an update report is provided to the 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 has an Audit & Standards Committee which oversees the Council's Code of Conduct for Members. The Council has a Members' 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.

The Corporate Plan acknowledges that it is more important than ever to make the best use of public money. The Council will continue to ensure that it prioritises its efforts and resources for the greatest impact; by having an agreed, prioritised set of strategic changes that it will make, to achieve its long 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 Executive Director of Resources under s151 Local Government Act 1972 responsibilities.
- The work of the Contract Management Teams in monitoring the work undertaken by Capita (the Council's contractor for financial business processes).

6) **Performance management and its reporting**
The performance management regime is an integral part of the Council's business planning process. The business planning process ensures that the Council defines clear priorities and outcomes in its Corporate Plan. 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 at respective People Boards 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 a core development programme 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.

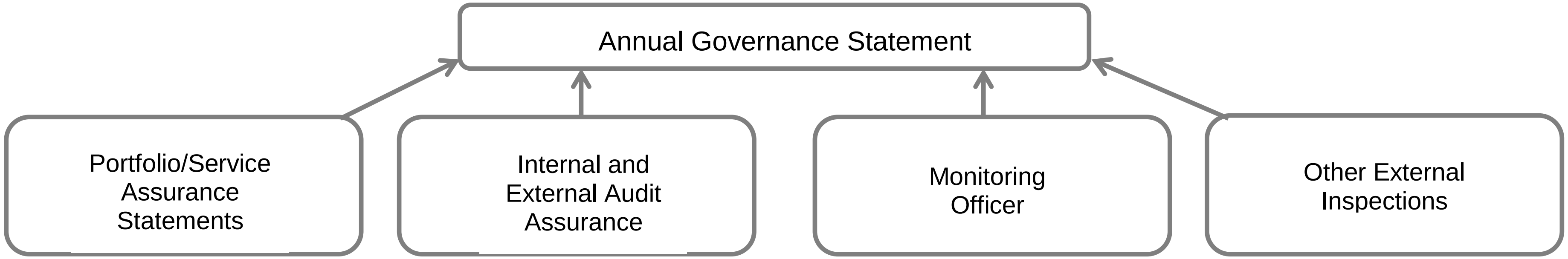
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

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 Council’s EMT agreed a process of positive verification of the system of internal control in order to formally fulfil the requirements of the Accounts and Audit Regulations. The overall process has been summarised in the diagram below:



All Service Directors have provided written assurance to the effect that they are adhering to the Council's corporate policies, such as those relating to health and safety and personnel procedures, and are maintaining adequate control over areas of Council activity for which they have responsibility, e.g. service areas and control of specific contracts. The review of internal control has been adopted as a positive way forward. Some areas of control weakness have been identified through this process and management action to address them 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 and 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 2018/19 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 through the annual declarations, 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 following significant financial inspection reports were received:

Service	Inspection	Date carried out - result
All Council	External Audit - Statutory Accounts 2017/18	June - July 2018: unqualified opinion but certificate yet to be issued due to objections on the 2016/17 accounts.
Revenues & Benefits	External Audit – Housing Benefits	August - November 2018 – qualified opinion and certificate issued.
People	External Audit – Teachers Pensions	November 2018 – Assurance Letter issued.
Housing	External Audit – Pooling of Housing Capital Receipts	November 2018 – Assurance Letter issued.
All Council	External Audit - Statutory Accounts 2018/19	Interim Audit (part-year February 2019) - Verbal update provided with no significant issues identified.

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 non-Executive 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 Members' 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.

Development of the Governance Framework

The Council's control framework needs to evolve to take into account the changes that are taking place across the organisation. In the forthcoming year, several initiatives have been planned which will have an impact on the control assurance mechanisms in place:

- The current financial climate has led to significant reductions in the money available for support services such as the finance service. However, the firm foundations laid in previous years of improvements to financial systems, controls and governance mean that the Council is relatively well placed to cope with these reductions and to report effectively on the budget and savings required.
- The 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.

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 2018/19, recommendations have been made by Internal Audit and agreed with relevant managers to address weaknesses identified in the internal controls of financial and other systems.

This review of effectiveness has highlighted the following issues that the Executive Management Team wishes to monitor the arrangements across the Council:

1) Inconsistencies in application of the Council's Financial Regulations and Contract Standing Orders.
2) Inconsistent application by Portfolios of the decision-making processes for approval of External Funding - compliance with Leaders Scheme of Delegation.
3) Information Management– variable levels of data quality, poor application of retention periods and data breaches.
4) Overspends on portfolio Budgets.

Significant Governance Issues

The following significant control weaknesses have been identified through the Annual Governance process.

1) Performance of the Special Educational Needs and/or Disabilities Service

   Areas of weakness have been identified in how the Special Educational Needs and Disabilities (SEND) Reforms (set out by law in 2014) have been introduced in Sheffield.

   An Ofsted and CQC inspection of the local area of Sheffield (including Sheffield City Council) in November 2018 found that significant improvements are needed to support children with SEND. Primarily around timescales of; completing Education and Health and Care (EHC) Plans; undertaking Annual Reviews; identifying and meeting needs; processing Tribunals; resolving complaints. This reflected the understanding already held by the Council as to the areas of improvement.

   As part of improvements across SEND substantial work has already taken place in the past 12 months and there is more work to do. This is jointly owned by Sheffield City Council and Sheffield's Clinical Commissioning Group. An action plan (Sheffield's 'written statement of action', which has been approved by the Inspectors) has been produced to describe how further improvements will be made and by when. Governance and challenge around SEND has been developed through the Inclusion Improvement Board and associated improvement plan. Key improvement areas include:

- *Improving the timeliness and quality of Education, Health and Care (EHC) Plans:* Significant improvement has been made over the past 12 months and there are now no EHC Needs Assessments that are in process that are beyond the 20 week statutory timeframe. Activity continues to increase the quality of EHC Plans.

- *Annual reviews being progressed within timeframe:* The SEND Statutory Assessment and Review Service is in the early stages of ensuring that these are all compliant with requirements. A full re-modelling of our processes, systems and training has taken place.

- *Tribunal process:* Whilst tribunals remain high, the service has improved the process for ensuring that these are managed well and in a timely manner. The majority of challenges include a request for a change of school place and we work closely with commissioners to source additional places in some of our special schools. Discussions between secondary and post-16 sector to look at capacity issues and agreement for a further two new schools has been made to address some of these issues.

- *Addressing complaints:* Resource has been put in place to ensure that complaints are dealt with in a timely manner. The service is working to improve practice and decision making from the early stages of when a complaint is raised. There has been further training with services and weekly monitoring meetings take place at service manager and head of service level to ensure complaints are addressed. This includes ensuring that a resolution is offered and progressed.

- *Ensuring children's needs are identified and are being met in mainstream schools:* Although there is some very good practice, this is not happening everywhere. Significant investment has happened to ensure that there is greater consistency across the city, for example using the Sheffield Support Grid (SSG) which provides a 'baseline' for a child's level of need and therefore the type of provision they should receive. Moderation of 50% of mainstream schools against the SSG is taking place during Summer term 2019 in order to understand the complexity of need across the city and the support that individual schools require to ensure that needs are identified and met.

- *Improving communication with children, young people and families, and between services:* There has been training within the service on managing communication and improvement is being seen. Routes of access for parents and carers contacting the service are being improved. This area will continue to be monitored over the next 12 months alongside the monitoring of complaints and further staff training and support, including through agreed performance management processes.

2) Manager's Compliance with Human Resources (HR) Requirements

The HR Service has responded to concerns previously raised about systems, policy and processes not supporting manager compliance and will continue to engage with Managers to review and implement simplified arrangements.

The Performance Development Reviews (PDRs) completion rates are below expectations: For 2018/19 it was 56% which was a significant improvement on the previous year but still below the organisational target of 95%. PDR performance has been discussed with EMT and it was agreed that this remains a priority area. We expect to see further performance improvements in 2019/20.

Sickness absence is not reducing below the agreed target: Despite it having been a priority for a number of years and despite having a wide range of support and interventions in place, sickness absence is high and has been slowly increasing over recent years. In 2017/18 it was 4.99%, or 12.94 days lost per person per year and sickness absence figures for 2018/19 increased further to 5.21% or 13.65 days per person.

In December 2018 EMT agreed two new initiatives to support employee health and wellbeing: Day One absence reporting and a temporary Attendance & Wellbeing Team. Day One absence reporting is where employees contact a team of qualified nurses (instead of their managers) to report sickness absence and receive medical advice upon their illness/condition. The Attendance and Wellbeing Team comprises 3 full time equivalent HR consultants dedicated purely to supporting services with returning employees to work and trying to prevent sickness.

Large services with high levels of sickness absence were identified to receive both forms of support and several other services were identified to receive just Day One absence reporting. This approach ensures that the additional support is targeted where it can have the biggest impact as it allows the impact of just Day One absence reporting to be assessed to determine if it should be rolled out to all services. The impact of these additional interventions is being monitored regularly by EMT.

Contractual changes and leavers not processed in a timely manner via manager self-service: Although payroll accuracy rates are over 99%, any payroll error can have significant implications for the member of staff concerned. A recent internal audit highlighted the issue of payment errors made when staff were leaving their post and further investigation determined that a proportion of these errors related to correct notifications not being sent by managers to our payroll service. Over the summer we will be implementing a new HR System which gives us the opportunity to improve our business processes by:

- Cleansing data, so that HR has accurate employee records and from which we can produce representative and precise management information to the organisation.
- Reducing manager process tasks, making it easier for managers to complete a HR change for their team.
- Enabling managers to keep their data accurate and up-to-date (saving them time in the long term) by introducing some new tasks.

To complement the work that is being done in these three areas there will also be a focus over the next 12 months on mandatory e-learning, which equips managers with the basic skills and information required to be a manager at Sheffield City Council. The HR service has reviewed all of the e-learning modules and has defined the 9 modules which are deemed to be essential.

The service will do more to communicate why these modules are an essential element of the overall learning & development offer and engage senior managers and gain their commitment to achieving compliance.

From July, 'live' management information will be produced at service level so that Heads of Service can monitor compliance within their services. A learning offer will also be available for staff that do not have direct access to our IT systems.

The other approach to improving compliance has been to set a clear expectation with Senior and Middle Managers as part of our Leading Together Development Programme that they are accountable for ensuring completion, whilst also ensuring that our staff have the right skills and behaviours to fulfil their leadership and managerial responsibilities through a first line manager development programme.

3) Early Payment of Suppliers in Adult Social Care without adhering to the Financial Regulations

An early payment was made to some care providers in September 2018 in order to guarantee payment during the cutover between the outgoing Care First system and its replacement ICT Case Management system Liquid Logic.

Advanced payment was considered necessary given the significant reputational and relationship issues with providers. There was some risk of smaller providers having financial difficulties due to late payment and any delay in implementation of the new system was a risk of increased delay to payment. Whilst this decision was appropriate in the circumstances as it de-risked payment to care providers, approximately £7m was paid early to care providers without the appropriate authorisations, as required by the Financial Regulations. This issue was reviewed by Internal Audit and a number of recommendations have been made and agreed. The Council has implemented a number of remedial actions including:

- Implementation of the new Case Management system which has improved overall financial controls
- Implementation of the recommendations made by Internal Audit – which will be verified by a follow up audit to be undertaken by Internal Audit by September 2019.
- Development of new financial controls. These include improved reporting and early flagging of potential overpayments or early payments, which allows better oversight by finance teams. This reduces the risk of advanced payments being released without the correct authorisation.

- Additional guidance and training with the service about financial regulations that has already demonstrated improvements to practice, since September.
- An exercise to check whether any early payments to care providers resulted in any over payment. The results of this are to be verified by internal audit in June 2019.

Statement

Over the coming year, 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 Executive Management Team and the Council Leader.

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 commence.

We will monitor and review the implementation and operation of any new governance framework as part of our annual review.

Signed: ……….............……………………………………………………………………..………Date……………………
Eugene Walker – Executive Director of Resources (Section 151 Officer)

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

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

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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 by 31 July each year. The data must also be included in the annual Statement of Accounts.

Table 1 - Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
94	84.66

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%	29
1-50%	47
51%-99%	3
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	£478,253.27
Provide the total pay bill	£274,468,217.00
Provide the percentage of the total pay bill spent on facility time	0.17

Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours	Unable to provide this figure held at Individual level by the Reps

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?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
19	11.31

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%	5
1-50%	3
51%-99%	0
100%	11

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	£209,472.05
Provide the total pay bill	£274,468,217.00
Provide the percentage of the total pay bill spent on facility time	0.08

Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours	Unable to provide this figure held at Individual level by the Reps

Glossary

Term

Abbreviations

The symbol 'k' following a figure represents £thousand.
The symbol 'm' following a figure represents £million.
The symbol 'bn' following a figure represents £billion.

Accounting Period

The period of time covered by the Council's accounts. Normally 12 months, beginning on 1 April. Also known as the Financial Year.

Accounting Policies

These are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Accruals Concept

Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.

Added Years

A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers must exercise this discretion in accordance with the national regulations and the City Council's own policies.

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.

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

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

Opinion

We have audited the financial statements of Sheffield City Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement;
- Movement in Reserves Statement;
- Balance Sheet;
- Cash Flow Statement;
- the related notes 1 to 46;
- 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; and
- Accounting Policies and the related notes 1 to 3.

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Sheffield City Council as at 31 March 2019 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 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report below. We are independent of the Sheffield City 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 (C&AG) - AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2018/19, other than the financial statements and our auditor's report thereon. The Executive Director of Resources is responsible for the other information.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Sheffield City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Executive Director of Resources

As explained more fully in the Statement of Responsibilities of the Executive Director of Resources set out on page 19, the Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Executive Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have 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.

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, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Sheffield City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 Authority's Whole of Government Accounts consolidation pack.

In addition, we cannot formally conclude the audit and issue the audit certificate for 2018/19 until the certificates for 2016/17 and 2017/18 are issued.

We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 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 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 Sheffield City Council and Sheffield City Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Clark (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Birmingham

Date:

The maintenance and integrity of the Sheffield City Council web site is the responsibility of the members; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.