SHEFFIELD CITY COUNCIL

STATEMENT OF ACCOUNTS 2012/13

For the period
1 April 2012 to 31 March 2013

Contents

Foreword by the Executive Director of Resources

1. INTRODUCTION

Purpose of the Foreword

Sheffield City Council is a large and diverse organisation, and the information contained in these accounts can be technical and complex to follow. The aim of this Foreword, therefore, is to provide narrative context to the accounts by presenting 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. They have been prepared in accordance with the 2012/13 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. Due to the complex nature of the accounts a simpler version has been prepared, and this can be obtained at https://www.sheffield.gov.uk/your-city-council/finance/statement-of-accounts. These summarised statements have no formal legal standing, but by excluding most of the technical accounting adjustments they offer the reader a simplified view of the City Council's financial activities.

The Headlines

The following bullet points summarise the headlines of this year's accounts:

- The Council maintained overall spend within the net revenue budget, which included a savings programme of £54.7m;
- The Council's net worth has reduced by £498m (or 43%) since 2011/12, the main factors being:
  - the increase in the Council's pensions liability (£139m), and;
  - net loss on disposal of fixed assets (£286m), the majority of which relates to the conversion of 18 schools to academies during 2012/13 which means that those schools are no longer shown on the Council's balance sheet.
- Total usable reserves increased from £166.9m to £168.6m in line with the Council's medium term financial strategy;
- The General Fund Balance (an un-earmarked reserve) increased during the year by £0.8m to £11.2m, although its level is still considered to be low at only 2.4% of the 2012/13 net revenue budget in comparison to most other major cities;
- Total capital investment during the year was £190.1m, including £115.6m through the Capital Programme (see Section 5 of this Foreword) and £74.5m for the Highways Private Finance Initiative (PFI) and a PFI school (see Note 39).

2. BACKGROUND TO THE CITY COUNCIL

Population

Sheffield is England's third largest metropolitan authority, with a population of around 552,700 according to the 2011 Census. Having receded in the latter half of the 20th century as a result of the decline in the coal and steel industry, the city's population has risen in the 21st century following substantial economic regeneration combined with increasing birth rates and life expectancy, international migration to Sheffield and the growth of the two universities.

Around 19% of the city's population is from black or minority ethnic groups, the largest of which is the Pakistani community. The city has more recently seen a large influx of economic migrants from the enlarged European Union. The Council monitors population trends closely in order to plan how it delivers its services, particularly in areas such as education and adult social care, the latter of which is forecasting an increase in demand which will put significant strain on the Council's resources.

Deprivation

According to the latest edition (2010) of the Indices of Deprivation, which are published every three years by the Department for Communities and Local Government (DCLG), Sheffield is the 56th most deprived local authority district (LAD) in England (out of a total of 326). Liverpool is the most deprived LAD in England, with Manchester and Birmingham both in the top ten. Of the remaining core cities, Leeds and Bristol are ranked as less deprived than Sheffield.

As a result of the emerging gap between the worst off and best off people across Sheffield, the Council has taken various steps, including:

- Setting aside £1m in the 2013/14 budget to help implement the recommendations in the Fairness Commission's report;
- Introducing the Living Wage to Council staff and encouraging its partners to follow suit;
- Putting the strategic outcome 'Tackling Poverty and Improving Social Justice' at the centre of the business planning process for 2013/14 (see Section 3 of this Foreword).

Geography

The city boundary encompasses a geographically diverse area covering 368 square kilometres. Over 60% of the city comprises green space, due mainly to the inclusion of 135 square kilometres of the Peak District National Park within the city boundary, but also because of the high concentration of woodlands, public parks and public gardens, thus making it Europe's greenest city.

As part of its 'Great Place to Live' strategy, the Council recognises that it needs to maintain and continually invest in its green infrastructure in order to protect local flora and fauna, to provide a good quality of life for residents and to promote tourism.

It also acknowledges that, with further cuts in government funding to come, it will have to find more efficient and effective ways of sustaining its parks and woodlands.

Transport and Infrastructure

The Council actively reviews how it can improve local transport in collaboration with regional and national partners. The most significant development in the financial year 2012/13 was the launch of ‘Streets Ahead’, a £2 billion city-wide project funded by a Private Finance Initiative (PFI) which through its private sector contractor Amey will improve roads, pavements, street lights, bridges and other items on or around Sheffield’s streets.

Sheffield has also been identified as one of the main stations on the Government’s high speed rail network (HS2), a key milestone in the Council’s Corporate Plan ‘Standing Up For Sheffield’ (see Section 3 of this Foreword).

Governance

As a metropolitan district, Sheffield City Council has responsibility for the full range of local authority services. Only public transport, fire and civil defence and the Police Authority are managed across the whole of South Yorkshire.

The Council has 84 councillors representing its 28 wards and is run on a Leader and Cabinet model. At present, Sheffield has a Labour Leader and Cabinet as the largest party.

A large number of council-owned facilities are now operated by independent charitable trusts. Sheffield International Venues (SIV) runs many of the city’s sporting and leisure facilities, whilst the Sheffield Galleries and Museums Trust and the Sheffield Industrial Museums Trust take care of the galleries, museums and theatres.

Culture and Sport

Sheffield has a proud cultural and sporting heritage. Its two main theatres, the Lyceum and the Crucible, continue to attract many tourists to the city, particularly for events such as the World Snooker Championships.

In 2012/13, the City celebrated a number of good news stories in sport:

- Venues such as the English Institute of Sport and Ponds Forge played host to a number of overseas teams preparing for the London Olympics;

- The City welcomed the Olympic Torch Relay and then hosted a reception for Sheffield-born Jessica Ennis who triumphed in the Women’s Heptathlon at the Olympics;

- The Health Secretary announced that Sheffield will be one of three hubs forming the National Sports and Exercise Medicine Centre of Excellence;

- After Yorkshire won the bid to host the early stages of the 2014 Tour de France, it was confirmed that Sheffield will host the end of Stage 2.

On a bleaker note, after much deliberation, the Council took the decision as part of the 2013/14 Budget to close Don Valley Stadium with effect from September 2013. The following page on the Council's website explains the rationale for the decision in further detail.

https://www.sheffield.gov.uk/your-city-council/finance/2013-2014-budget/sports-and-leisure/overview.html

Housing

There are around 237,000 households currently in Sheffield (source: 2011 Census), of which three-quarters are in the private sector. The Council-owned stock totalled 41,056 at the end of March 2013, around 17% of the total households across the city. This number has dropped considerably over the last two decades, mostly due to clearance and to sales. 553 properties have been sold to tenants under the national Right to Buy scheme in the last five years. Much of the clearance has been of properties that were difficult to let.

Up until 31st March 2013, Council housing in Sheffield was managed by Sheffield Homes, an arms-length company. This service was brought in-house with effect from 1st April 2013. The costs of owning and maintaining Council-owned stock and the income from renting them to tenants are reported in the Housing Revenue Account (HRA) further on in the Statement of Accounts.

Whilst Council-owned stock has gradually reduced over the five years to 2012/13, the total number of dwellings in Sheffield has increased over the same period. Over 9,200 new dwellings have been built, including a significant number of flats and apartments in the city centre. Over the past five years, the target of building at least 88% of new properties on brownfield sites (vacant land which has been previously developed) has been comfortably achieved. As well as minimising the impact on green spaces, new residential development in brownfield areas has helped the City Council to generate additional income in the form of the New Homes Bonus (from Central Government) and Council Tax, which helps the Council to deliver a balanced budget when other funding sources are diminishing. This is particularly relevant in the context of the abolition of the Council Tax Benefit scheme, further details of which can be found in Section 7 ('Financial Outlook').

Increasing the supply of new homes in the city is one of the three key objectives of the Council's Strategic Housing Review. See Section 3 for further details about Sheffield's Housing Strategy 2013-23.

3. THE CITY COUNCIL'S CORPORATE AIMS AND OBJECTIVES

Standing up for Sheffield

'Standing Up For Sheffield' is the Council's Corporate Plan 2011-14 which sets out its strategic direction and priorities for the three financial years from 2011/12 to 2013/14. The plan was approved by Cabinet on 9th November 2011.

The plan focuses on four priorities:

- Standing up for Sheffield
- Supporting and protecting communities
- Focusing on jobs
- Being business-friendly

These priorities act as a catalyst to keep the city moving forward in a very challenging economic climate. For example, the Council will:

- Keep pushing forward key regeneration schemes like the Moor, including the new market that will open later this year;

- Focus its efforts on helping small and medium companies with growth potential;

- Maintain its investment in the massive 'Streets Ahead' project – sorting out the city's roads, pavements and streetlights;

- Make sure that big national infrastructure projects like 'High Speed Rail' benefit the Sheffield economy;

- Keep bringing investment into the city by attracting major events and conferences.

The Corporate Plan also sets out the Council's values:

- Fairness
- Spend public money wisely
- Long term view
- Prevention
- Enable individuals and communities
- Aspirational
- Working better together

The plan is structured around eight strategic outcomes:

- A Strong and Competitive Economy
- Better Health and Wellbeing
- Successful Children and Young People
- Tackling Poverty and Increasing Social Justice
- A Great Place to Live
- Safe and Secure Communities
- An Environmentally Responsible City
- Vibrant City

These outcomes played a pivotal role in the Business Planning process for 2013/14. Executive Directors were given responsibility for developing realistic, affordable 2-year delivery plans within a 5-year context for each outcome area. This approach led to the development of savings proposals which were included in budget implementation plans as part of the 2013/14 Revenue Budget approved by Full Council on 1st March 2013.

The plan describes the Council's contribution to delivering the 'City Strategy', the vision of which is to make Sheffield "a city of global significance, distinctive, successful, inclusive, vibrant and sustainable" by 2020.

Sheffield Economic Growth Strategy

The economic priorities for the City are set by the latest revision of the Economic Growth Strategy (2013), which has identified six objectives:

- Distinctive and high performing sectors
- A dynamic private sector
- A skilled and productive workforce
- Future proof infrastructure
- An inclusive economy
- A high profile city brand

As highlighted by Sheffield First Partnership's report 'The State of Sheffield in 2013', Sheffield is not yet fulfilling its full economic potential. A prosperity gap of £1.6 billion persists in comparison to the national average GVA (Gross Value Added). This represents the difference between what the Sheffield economy does produce and what it could produce if performing at the national per capita average. Sheffield's productivity (measured by GVA per worker) is £39,330 compared with Core Cities of £41,440.

The report also refers to the challenge faced by the city in relation to those affected by employment decline in the public sector and manufacturing as well as to young people. Youth unemployment has increased from 2,665 in February 2008 to 5,475 in July 2012. In response to this, the Council has launched various initiatives such as the 'Keep Sheffield Working' fund which focuses on enterprise, export and skills to support the local economy and encourage job growth, the Sheffield 100 Apprenticeships Scheme and a programme to enable small and medium-sized companies to take on more of the talented graduates that live or are studying in the city. The Council has also lent its full support to the City Deal as well as bidding for new funding from the Regional Growth Fund.

- **City Deal on Skills** – in September 2012, the Sheffield City Region (which covers Sheffield and neighbouring local authorities such as Barnsley and Rotherham) Local Enterprise Partnership (SCR LEP) secured £25m of funding devolved from Central Government to invest in apprenticeships, skills and transport projects.

- **Regional Growth Fund (RGF)** – the RGF is a £2.4 billion fund operating across England from 2011 to 2015. The purpose of RGF is to stimulate private sector growth and employment in areas that have experienced (or are likely to experience) significant public sector cuts. On 19th October, the Government announced that it would award £25m of the RGF to the SCR LEP in partnership with Sheffield City Council (as Accountable Body). Subject to negotiation with the Department for Business Innovation and Skills (BIS), this funding is likely to be in exchange for 1,900 jobs created or safeguarded by the end of 2015/16 or an average of over 860 sustained jobs per annum by the end of 2018/19.

- **Sheffield City Region Investment Fund** – this fund will create a single investment pot comprising local and nationally sourced funds to unlock future growth.

Sheffield's Housing Strategy 2013-23

The Housing Strategy was approved by Cabinet in February 2013. It has three key objectives:

- Help younger, older and vulnerable people to live independently
- Increase the supply of new homes in the city
- Make best use of the city's existing housing stock

The aim of the new housing strategy is to help the Council's partners, funders and residents understand its housing ambitions for new and existing homes in the city and the housing services provided for Sheffield's residents.

4. KEY SECTIONS INCLUDED IN THE STATEMENT OF ACCOUNTS

Statement of Responsibilities (page 28)

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

Movement in Reserves Statement (page 29)

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

Comprehensive Income and Expenditure Statement (page 32)

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

Balance Sheet (page 33)

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

Cash Flow Statement (page 35)

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

Notes to the Financial Statements (pages 36 - 132)

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

Housing Revenue Account (HRA) (pages 133 - 139)

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 (pages 140 - 142)

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

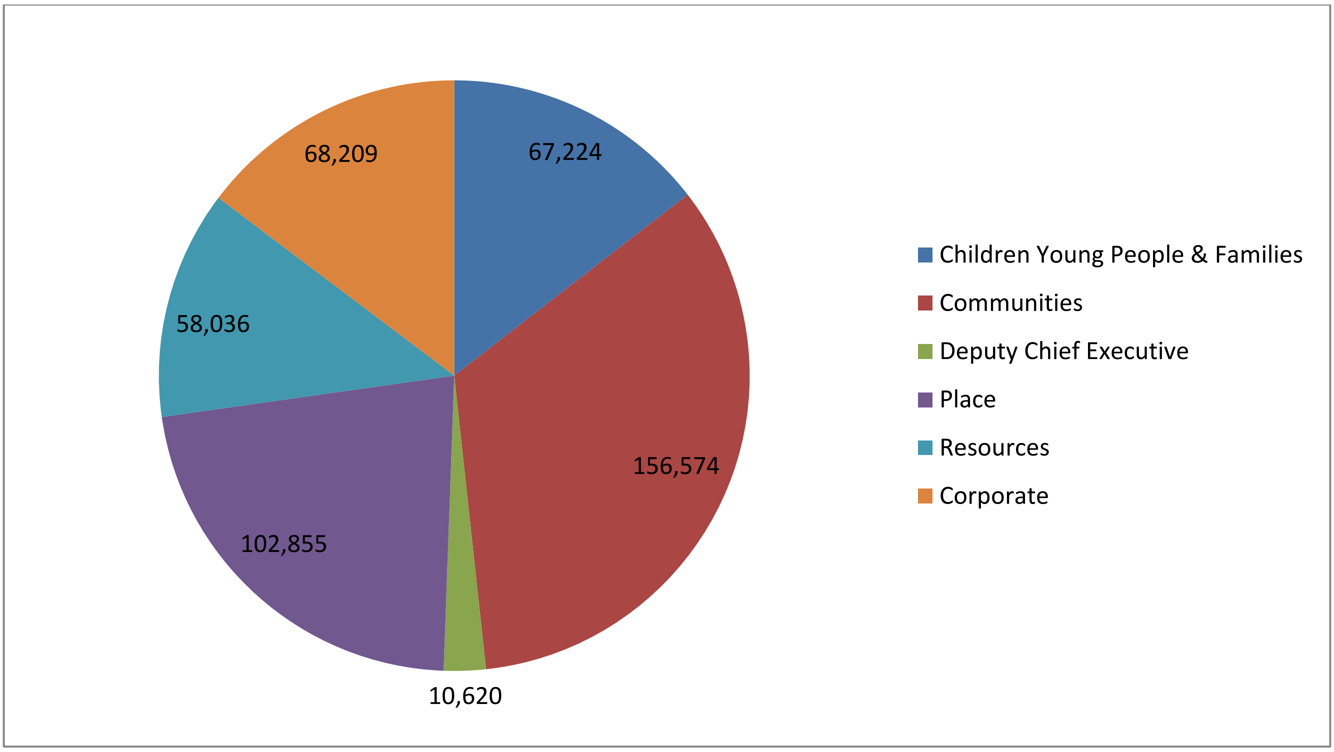
5. FINANCIAL PERFORMANCE FOR THE YEAR

Revenue expenditure

Revenue expenditure covers the day-to-day running costs of the Council's services which are grouped under five portfolios. The net revenue budget for 2012/13, which included a savings programme of £54.7m, was split by portfolio as shown in the chart overleaf. The net expenditure was budgeted to be funded by £265.7m of Revenue Support Grant and the Council's share of National Non Domestic Rates (NNDR), £197.3m of Council Tax and £0.5m surplus from the Collection Fund. Council Tax was frozen for the second year running.

2012/13 was a very challenging year in which all portfolios worked hard to deliver the huge savings programme referred to above. The table after the chart shows the final outturn position for the year, expressed as variances between actual and budgeted net expenditure. For further details, please refer to the Council website where a copy of the final outturn report (approved by Cabinet on 19th June 2013) can be found: http://meetings.sheffield.gov.uk/council-meetings/cabinet/agendas-2013

Sheffield City Council 2012/13 Net Revenue Budget by Portfolio (£'000)



Portfolio	Variance £000
Children Young People and Families	(254)
Communities	2,809
Deputy Chief Executive	(191)
Place	(873)
Resources	(365)
Corporate	(1,585)
Total underspend for the year	**(459)**

As indicated in the table above, the key area of concern is the Communities portfolio which overspent by £2.8m as a result of demand pressures on the Adult Social Care budget. This has been identified in the Corporate Financial Risk Register as part of the 2013/14 Budget.

Revenue expenditure is reported in the Council's Accounts under the Comprehensive Income and Expenditure Statement (CIES). The CIES takes a wider view of financial performance than that shown in the General Fund and shows the accounting position for the year, namely a deficit of £498.1m. This deficit represents the total amount by which the Council's net worth has decreased during the year as shown in the Balance Sheet. The following paragraphs explain the four main sections of the CIES, and are supplemented by a table which reconciles the total underspend on the General Fund (£0.5m) to the deficit in the CIES (£498.1m).

The first section of the CIES shows the cost of the Council's services in gross and net terms, to give a total 'Net Cost of Services'. This total includes items such as depreciation that would ordinarily be a considerable cost in a commercial organisation but which is not required to be funded by Council Tax. Net Cost of Services totals £531.2m in 2012/13.

The second section of the CIES refers to corporate items such as the gain or loss on the disposal of non-current assets, payments made in relation to the pooling of HRA capital receipts and precepts paid to parish councils. This is known as ‘Operating Expenditure’ and totals £288.7m in 2012/13.

The third section of the CIES includes £65.8m of interest paid or received (‘Financing’) and £573.5m of general income due to the Council (share of NNDR, Council Tax, non-ring fenced government grants including those used to fund capital expenditure). The fourth and final section of the CIES contains two major accounting adjustments, one for the actuarial loss on the Council’s pension scheme, the other for the loss on revaluation of fixed assets.

	£000
Total General Fund Underspend per Outturn report	(459)
Net contributions to revenue reserves	(3,101)
Surplus on the Housing Revenue Account	(8,119)
Deficit on Schools Accounts	5,806
Total Underspend	**(5,873)**
Removal of debt charges	(29,348)
Removal of pension contributions	(41,500)
Items that do not affect Council Tax: Inclusion of accounting charges for depreciation, impairment, holiday pay, PFI, etc.	388,905
Deficit on Revaluation of Non-Current Assets	44,427
Actuarial Losses on Pension Assets	141,449
Other Losses	25
Deficit on Total Comprehensive Income and Expenditure in Statement of Accounts	**498,085**

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 2012/13 Capital Outturn is £115.6m against a revised budget of £163.9m. This means that £48.3m of spending will be carried forward into 2013/14 (along with the resources identified to fund it), representing the balance between actual spend and programmed spend at the end of the 2012/13 financial year.

The Outturn for the year as per the table below shows that all portfolios are below budget, recording ‘slippage’ (the extent to which, in terms of expenditure, a capital project is behind schedule) of £43.3m. This is on top of £44.4m slippage already approved earlier in the year, thus bringing to £87.7m the total slippage on a budget of £219m.

Portfolio	Outturn £000	Budget £000	Variance £000
CYPF	39,383	66,942	(27,559)
Place	17,764	27,900	(10,136)
Housing	47,271	51,409	(4,138)
Communities	1,366	1,935	(569)
Resources	9,776	15,728	(5,952)
Total	**115,560**	**163,914**	**(48,354)**

The capital expenditure of £115.6m in 2012/13 was funded via three main sources:

- Capital grants and contributions (£93m)
- Capital receipts (£14.9m)
- Prudential borrowing (£7.7m)

6. SIGNIFICANT CHANGES IN ACCOUNTING POLICY

The Council's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies presented in Note 1 are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

There have been no changes to the Council’s accounting policies in 2012/13. However, a prior year adjustment has been made to the accounts, details of which can be found in Note 5. The adjustment is simply presentational and has no material impact.

7. FINANCIAL OUTLOOK

This section provides a summary of what the future holds for the Council’s finances. Further details can be found in the 2013/14 Revenue Budget (approved by Full Council on 1st March 2013) and the Medium Term Financial Strategy.

Local Government Finance Settlement

The Government announced details of the Final Local Government Finance Settlement for 2012/13 on 5th February 2013. The Settlement is for a two year period covering the 2013/14 and 2014/15 financial years.

The period from April 2013 will see the introduction of significant changes to local government finance and the Finance Settlement reflects these changes:

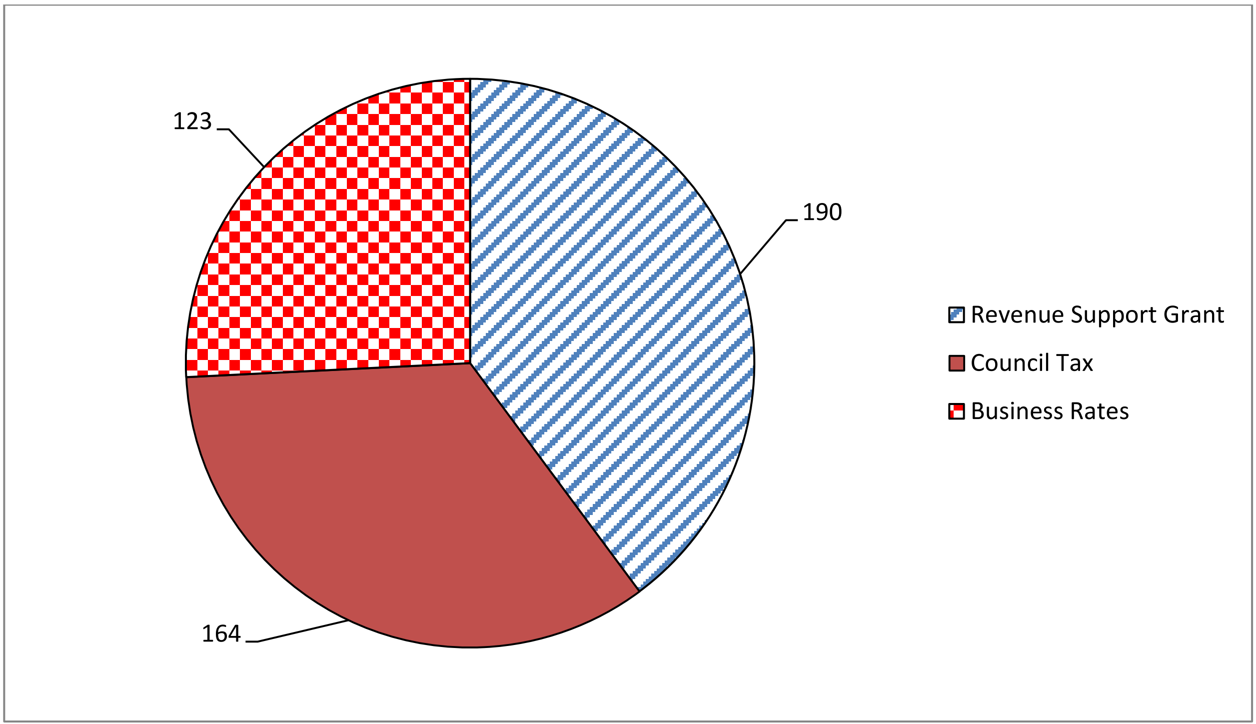
- The retention of 50% of business rates by local authorities. This replaces the current scheme whereby all business rates income is paid over to Government who then redistribute this to local authorities as support for Council expenditure. Under the new arrangements, the Government has estimated each local authority’s 50% share of business rate income and then adjusted this via a system of top up grants or tariffs to arrive at a Business Rates Baseline for each local authority.

- There will then be a Revenue Support Grant allocation which will bring each local authority to a level of funding that is referred to as “Start Up Funding Assessment”

(SUFA). This represents each local authority's share of the overall local government spending control total, i.e. the total amount the Government plans to spend in respect of local government.

- The abolition of Council Tax Benefits and the introduction of a localised council tax support scheme. This has resulted in the abolition of Council Tax Benefit Subsidy and its replacement by financial support that is included in the Start Up Funding Assessment. This new localised support scheme also involves adjustments to the council tax base and impacts on the ability to generate additional income through council tax increases.

The business rates retention scheme introduces the potential for huge instability in what is one of the Council's primary funding streams, as shown in the chart below. Whilst the Government has built a safety net mechanism into the scheme (which minimises council's losses to 7.5%), it has also transferred a substantial proportion of risk to local government, particularly in relation to appeals, charitable relief, tax avoidance, hardship relief and negative growth. The issue of appeals (in some cases dating back to the 2005 rating list) is the greatest risk causing concern across all authorities. There are properties with a rateable value of £195m under appeal currently in Sheffield, with an allowance for £14.8m of refunds as a result of successful appeals in the forecast Collection Fund for 2013/14.



How the 2013/14 net revenue budget is financed (expressed in £m)

Comprehensive Spending Review

The Chancellor of the Exchequer will announce details of the Comprehensive Spending Review (CSR) on 26th June 2013. The purpose of this year's CSR is to set firm expenditure limits for each Government department from 2015/16 onward. It is anticipated that the level of cuts applied to the 2015/16 local government budget will be around 10%. The last CSR, which was announced in 2010, set out local government funding cuts of 7% per annum for the period 2011-15. However, the subsequent review of local government finance (as outlined above) has effectively superseded the level of cuts for 2013/14 and 2014/15 published in the 2010 CSR.

Conclusion

Sheffield City Council has successfully delivered £130m of General Fund budget savings in the past two years, and it has managed to balance the 2013/14 budget which includes additional savings of £50m. However, as outlined above, the Government's plans to reduce the national budget deficit to zero by 2016/17 will undoubtedly place Council services under further intense pressure throughout the next CSR period. As commented on 28th May 2013 by Sir Merrick Cockell, Chairman of the Local Government Association, "Local government's financial sustainability is on a knife edge in many areas and significant new cuts would pose a real threat to valued local services…Local government bore the brunt of cuts in the last Spending Review. For the sake of the public it cannot afford to do so again."

8. EVENTS AFTER THE BALANCE SHEET DATE

Note 6 of the accounts includes a disclosure of any issues which would have had a significant financial impact on the Council if they had occurred on or prior to 31st March 2013.

The following two items have been referred to earlier in this Foreword, but are also discussed in further detail in Note 6:

- Business Rates appeals outstanding as at 31 March 2013
- Re-integration of council housing services (Sheffield Homes)

9. 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:

https://www.sheffield.gov.uk/your-city-council/finance/statement-of-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 in the Sheffield Star on 27 June 2013 and on the Council's website.

Annual Governance Statement

THE POSITION FOR THE FINANCIAL YEAR 2012/13

Scope of responsibility

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

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

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

Sheffield City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website: https://www.sheffield.gov.uk/your-city-council/constitution-and-governance/code-of-corporate-governance.html. This statement explains how Sheffield City Council has complied with the code. It also meets the requirements about the publication of the Annual Governance Statement of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2009.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and also its activities through which it accounts to, engages with and leads the community. This framework enables the 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 designed to identify and prioritise the risks to the achievement of Sheffield City Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Sheffield City Council for the financial year ended 31 March 2013 and up to the date of approval of the Sheffield City Council annual report and statement of accounts.

The governance framework of the Council is constantly being updated to take account of changes in legislation and working practices.

The Sheffield City Council Governance Arrangements

The governance arrangements of the Council contains two key elements, the internal control arrangements of the Council and also how Sheffield City Council demonstrates these arrangements to its citizens and service users. We have documented the key elements of the control environment and how these are communicated below.

Internal Control Environment

The system of internal control as described below has been in place at Sheffield City Council for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

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

In order to illustrate the key elements of internal control, the control environment has been subdivided into six elements as outlined below;

1 - Establishing and monitoring the achievement of the Council's business

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

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

Cabinet receives regular monthly budget monitoring reports in addition to the portfolio members. The Council's corporate systems for producing this information have been developed to provide timely and accurate reports for services and the Council as a whole on a consistent basis.

Performance management information about key corporate objectives is also provided regularly to Cabinet members, and is considered bi-monthly by Members at the Overview and Scrutiny Management Committee.

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

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

2 - The facilitation of policy and decision-making

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

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

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

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

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

The Monitoring Officer carries overall responsibility for ensuring the lawfulness and fairness of decision-making and supporting and advising the Standards Committee. Her staff work closely with portfolios, to ensure the Council complies with its requirement to review and log all formal delegated decisions.

The Council has set out policies and procedures for people management in the managers' section of the Council's intranet. A formal staff induction process is in place that is designed to ensure that new employees are made aware of their responsibilities. The Executive Director Resources carries overall responsibility for financial issues, and her staff work closely with services to ensure that all reports are cleared for financial implications prior to submission to a Member forum.

The Council has a Risk Management Framework in place that has been agreed by Cabinet. The Council has appointed a Corporate Risk Manager who has reviewed and re configured the Council's risk management. He reports to the Audit Committee and EMT 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 risk and performance management processes in particular. This is to ensure that the processes used are simple and effective and meet the requirements of the Council. Workshop training has been delivered to senior managers, and an e-training module has been developed that will be integrated into the manager learning and development curriculum.

The Council has a Standards Committee which oversees the Council's Code of Conduct for Members. 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

Whistle-blowing Policy is in place that is intended to encourage and enable employees to raise such concerns within the Council rather than overlooking a problem. This policy document makes it clear that employees can do so without fear of reprisals. The procedure accords with the requirements of the Public Interest Disclosure Act 1998 and is compatible with the conventions in the Human Rights Act.

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

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

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

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

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

5 - The financial management of the Council

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

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

6 - Performance management and its reporting

The performance management regime is an integral part of the Council's business planning process. The business planning process ensures that the Council defines clear priorities and outcomes in its Corporate Plan, 'Standing up for Sheffield'. Members and officers allocate the Council's resources in a way that aligns with these priorities and outcomes. Council services and commissioners then set clear objectives and targets that reflect the priorities, outcomes, and the level of resource allocated. The Council also has programme boards that commission specific projects to deliver step changes. The Council's performance reporting process ensures that managers and Members have a clear picture of how the Council is performing against the objectives and targets, and whether specific projects are on track. Risks to delivery are escalated and reviewed.

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

The Council has identified a core development programme for managers and employees to embed a consistent approach to management of resources, including its people, and to develop employee knowledge and skills across a range of subjects.

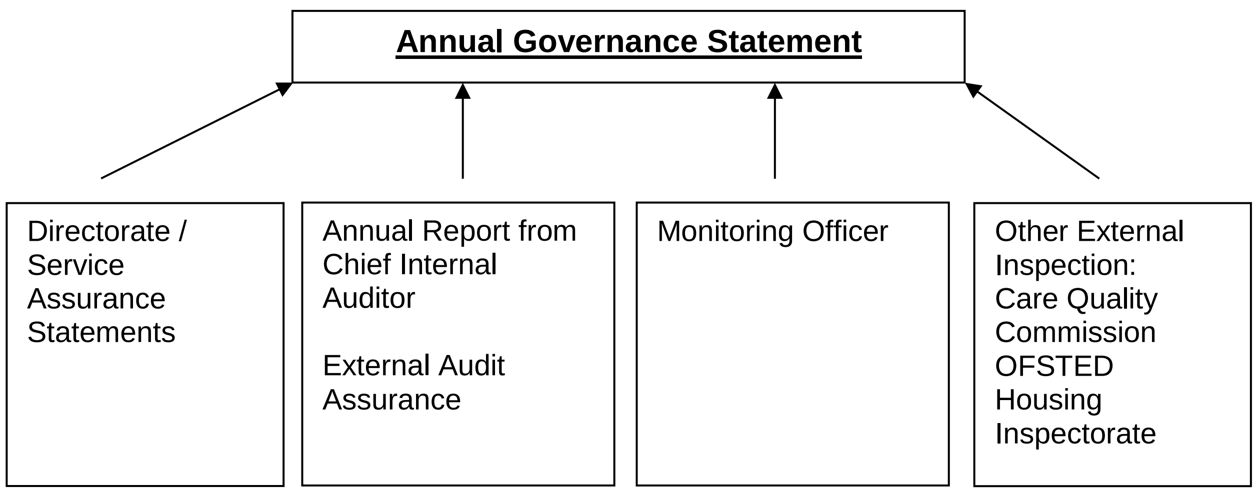
Alongside this the Council is developing Portfolio Commissioning Groups to identify, commission and monitor specific development needs of its employees, and to consider the qualitative and quantitative data relating to Individual Performance Reviews.
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

Review of Effectiveness

Sheffield City Council has a duty to conduct at least annually a review of the effectiveness of its governance framework including the system of internal control, and to publish an Annual Governance Statement (AGS).

The review of the effectiveness of the Council’s governance framework is informed by the work of the internal auditors and the senior managers within the Council. Senior officers are responsible for the development and maintenance of the internal control environment. The process is also informed by comments made by the external auditors and other review agencies and inspectorates.

The Executive Management Team (EMT) agreed a process of positive verification of the system of internal control in order to formally fulfil the requirements of the Accounts and Audit Regulations. The overall process has been summarised in the diagram below:



All service Directors have provided written assurance to the effect that they are adhering to the Council's corporate policies, for example, those relating to health and safety and personnel procedures, and are maintaining adequate control over areas of Council activity for which they have responsibility, e.g. service areas and control of specific contracts. The review of internal control has been adopted as a positive way forward. Some areas of control weakness have been identified through this process and management action to address them initiated. Items raised by managers in the previous year's process have been followed up and confirmation has been received that action has been taken to progress the issues raised.

The role of the Council's internal auditors is to provide an independent appraisal function for the review of internal control systems. Internal Audit undertakes reviews of the main financial and operational systems of the Council, based on a risk analysis of the functions undertaken by service areas. Certain aspects of key financial systems are reviewed on an annual basis. The section also undertakes fraud investigations and other ad hoc responsive investigations relating to the Council's control framework. This element of Internal Audit's work also contributes to the maintenance of a sound system of internal financial control. The section complies in all significant respects with the professional standards required of the service as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA). The section also works closely with the external auditors (KPMG). The service has undertaken a programme of preventative work to mitigate the potential for fraud.

There are some areas of control weakness that have been included under the section relating to weaknesses. The Chief Internal Auditor has confirmed that he is unaware of any other significant control weaknesses that have not been considered when compiling this Statement. The Audit Committee is responsible for scrutinising the work undertaken by Internal Audit.

The Monitoring Officer has responsibility to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are working in practice. Such a review has taken place during the year. The 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 the statement.

The 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 year 2012/13 all these duties have been performed.

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

During the financial year 2012/13 the Council has been inspected by a number of external agencies and a summary of their findings is noted in the following paragraphs. The reports of external inspection agencies are scrutinised to ensure that for any issues raised, the most appropriate senior officer within the Council has been given the responsibility to implement suitable corrective action.

- The Council's external auditors, the Audit Commission, were able to issue an unqualified opinion on the Council's Accounts in their Annual Governance Report for 2011/12.

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

Department	Inspected by	Comments
Legal Services - Register Office	General Register Office	New Governance
CYPF - Childrens and Families	OFSTED - Childrens Homes Inc Secure	Good or outstanding
CYPF - Lifelong Learning Skills & Communities	OFSTED	Full inspection 02/05/12 Requires improvement grade 3
Finance	Audit Commission - Opinion on the Statement of Accounts	30/09/2012 Unqualified audit opinion on 2011/12 Statement of Accounts
Finance	Audit Commission – VFM Conclusion	30/09/2012 Unqualified conclusion
Customer Services	SGS - Customer Service Excellence	25-26 September 2012 Accreditation
Public Health	Local Government Association (Peer Review)	December 2012
Transformation	Travellers - Liability Insurer Annual Audit	2012 Audit of the claims handling function Technical service proficiency (TSP) of 95% (deemed as excellent)

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

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

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

The Audit Committee has been set up to meet best practice guidelines. Its terms of reference include the need to consider the Council's arrangements for corporate governance and any necessary actions to ensure compliance with best practice. The Committee also considers the Council's compliance with its own and other published standards. The Committee has confirmed that it has a significant overview at the highest level of the Council's systems of internal control, so that it is assured that it fulfils the requirements of "those charged with governance" under the International Auditing Standards.

The Audit Committee meets approximately six times per year and has a programme of work based on its terms of reference (covering Audit activity, the Regulatory Framework and Risk Management and the Council's Accounts) and other issues identified by the Committee during the year. This included monitoring the financial and commercial risks of the Council's major external relationships and a process for consideration of all High Risk Audit Reports. An Annual Report on the Committee's work is also submitted to Full Council. The papers and minutes for these meetings are available on the Council's website.

Development of the Governance Framework

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

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

- The Modern Efficient Council Organisational Programme continues to commission and govern change targetted to deliver lasting improvements to the Council's organisational capability, enabling innovative, efficient and customer-focussed services: Challenging the organisation to be innovative and maximise the benefits of change to support the Council's Future Shape.

- The Council continues to monitor closely its most significant external relationships in relation to risk and governance arrangements, with quarterly reports to both the Executive Management Team and Audit Committee. Ensuring that appointed Members receive appropriate officer support remains an important area of activity.

Significant Governance Issues

In a large and complex organisation such as Sheffield City Council, there will always be opportunities to improve services. In the financial year 2012/13, recommendations have been made by Internal Audit and agreed with relevant managers to address weaknesses identified in the internal controls of financial and other systems.

A number of control weaknesses identified in the 2011/12 Annual Governance Statement have now been resolved, or the risks have been reduced to a level where they no longer require reporting in this statement.

However, as part of the 2012/13 Annual Governance Statement process, some significant control weaknesses have been identified. Details of these are recorded below. These issues are significant in that they cover large parts of the Council and its activities and require a corporate solution.

Description of the Control Weaknesses	Officer Action
Adult Social Care Communities noted that the purchasing budgets in care and support were over committed in 12/13. This is forecast at the current time to continue into 13/14. However this area is currently subject to detailed analysis and plans to improve activity, cost and forecasting data. In conjunction with this there are plans in place to manage demand and thus facilitate tighter control of costs. It is vital we have a high level of compliance and quality with regard to the monthly budget forecast process. This must be coupled with the ability to manage and predict demand.	Detailed analysis and plans to improve activity, cost and forecasting data are currently in place. In conjunction with this there are now action plans in place to manage demand and thus facilitate tighter control of costs. Development of a future model to design in control, affordability and performance management is underway. A priority for all is a high level of compliance and quality with regard to the monthly budget forecast process. A communication plan for all stakeholders is about to be implemented.

Capital Project Management	
Improvements to the capital programme scheme approval and monitoring have been in place now for three years. The processes have been reviewed to test suitability since implementation. In light of the position in 12/13, which relate to profiling, although there has been no money lost concerns remain about the level of compliance with and the quality of monthly forecasting of schemes by project managers. The 2012/13 outturn report now shows a higher level of slippage than any of the last 3 years – £87million, which is over 40% of the original planned programme of £200milion. Half of this slippage was reviewed and agreed as part of in year monitoring, but half occurred at year end ie up until the year end PMs were still incorrectly forecasting for £40m to be spent. The situation has arisen as a result of poor profiling and plans are in hand to remedy this.	This performance is on EMT's key measures and receives regular scrutiny in the quarterly performance monitoring. In 2012-13 the number of project forecasts submitted has been measured each month and reported to EMT and PLTs such that the volume has been raised from 35% in June to 84% in March. Whilst there is greater participation, the poor quality of the forecasts was identified last Autumn and it is the subject of workshops with programme managers to ascertain the cause of the inaccurate spend profiling. Issues for attention include: • Unrealistic programming of tasks e.g. not allowing sufficient time for tendering or consultation process; • Holding on to project contingency budget for far too long; and • Overburdened project managers who cannot properly manage the project activities. Programme managers have now recognised these weaknesses and are starting to make fundamental adjustments to profiles over several years to match anticipated spend to delivery capability and present a realistic Capital Programme.

Statement

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

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

Signed: ……….................……………………………………………**Date:** ………………
Laraine Manley – Executive Director 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

Statement of Accounts

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director of Resources.

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Approve the Statement of Accounts.

The Responsibilities of the Executive Director of Resources

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

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

- selected suitable accounting policies and then applied them consistently,

- made judgements and estimates that were reasonable and prudent, and

- complied with the Local Authority Code.

The Executive Director of Resources has also:

- kept proper accounting records, which were up to date, and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I hereby certify that the Statement of Accounts on pages 29 - 148 gives a true and fair view of the financial position of Sheffield City Council at 31 March 2013 and of its income and expenditure for the year ended 31 March 2013.

Laraine Manley
Executive Director of Resources (Section 151 Officer)
25 September 2013

The Core Financial Statements

Movement in Reserves Statement

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

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

2012/2013

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
		24	24	24	24	24	24		25	
Balance at 31 March 2012		**(10,350)**	**(74,840)**	**(14,409)**	**(31,382)**	**(10,106)**	**(25,821)**	**(166,908)**	**(992,525)**	**(1,159,433)**
Movement in reserves during 2012/13:										
(Surplus) / deficit on provision of services	CI&ES	327,201	0	(15,017)	0	0	0	312,184	0	312,184
Other Comprehensive (Income) and Expenditure	CI&ES	0	13	0	9	0	0	22	185,879	185,901
Total Comprehensive (Income) and Expenditure		**327,201**	**13**	**(15,017)**	**9**	**0**	**0**	**312,206**	**185,879**	**498,085**
Adjustments between accounting basis and funding basis under regulations	8	(323,852)	0	6,898	(2)	727	2,357	(313,872)	313,872	0
Net (increase) / decrease before transfers to earmarked reserves		**3,349**	**13**	**(8,119)**	**7**	**727**	**2,357**	**(1,666)**	**499,751**	**498,085**
Transfers (to) / from earmarked reserves	9	(4,182)	6,308	0	1,150	0	(3,276)	0	0	0
(Increase) / decrease in year		**(833)**	**6,321**	**(8,119)**	**1,157**	**727**	**(919)**	**(1,666)**	**499,751**	**498,085**
Balance at 31 March 2013		**(11,183)**	**(68,519)**	**(22,528)**	**(30,225)**	**(9,379)**	**(26,740)**	**(168,574)**	**(492,774)**	**(661,348)**

2011/2012 – Restated Comparative Information

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Note	24	24	24	24	24	24		25	
Balance at 31 March 2011		**(10,887)**	**(76,354)**	**(16,729)**	**(25,189)**	**(9,460)**	**(26,851)**	**(165,470)**	**(749,142)**	**(914,612)**
Movement in reserves during 2011/12:										
(Surplus) / deficit on provision of services	CI&ES	55,505	0	(481,033)	0	0	0	(425,528)	0	(425,528)
Other Comprehensive (Income) and Expenditure	CI&ES	1	54	0	0	0	0	55	180,652	180,707
Total Comprehensive (Income) and Expenditure		**55,506**	**54**	**(481,033)**	**0**	**0**	**0**	**(425,473)**	**180,652**	**(244,821)**
Adjustments between accounting basis and funding basis under regulations	8	(57,360)	0	483,353	(6,193)	(646)	4,881	424,035	(424,035)	0
Net (increase) / decrease before transfers to earmarked reserves		**(1,854)**	**54**	**2,320**	**(6,193)**	**(646)**	**4,881**	**(1,438)**	**(243,383)**	**(244,821)**
Transfers (to) / from earmarked reserves	9	2,391	1,460	0	0	0	(3,851)	0	0	0
(Increase) / decrease in year		**537**	**1,514**	**2,320**	**(6,193)**	**(646)**	**1,030**	**(1,438)**	**(243,383)**	**(244,821)**
Balance at 31 March 2012		**(10,350)**	**(74,840)**	**(14,409)**	**(31,382)**	**(10,106)**	**(25,821)**	**(166,908)**	**(992,525)**	**(1,159,433)**

Comprehensive Income and Expenditure Statement (CI&ES)

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

2011/12					**2012/13**		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Notes**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
			Continuing Operations:				
698,470	(484,263)	214,207	Children's and Education Services		600,118	(434,642)	165,476
199,703	(61,928)	137,775	Adult Social Care		207,444	(67,956)	139,488
83,224	(10,959)	72,265	Highways and Transport Services		100,450	(10,871)	89,579
60,585	(7,199)	53,386	Cultural and Related Services		62,412	(4,896)	57,516
40,085	(10,609)	29,476	Environment and Regulatory Services		43,381	(10,657)	32,724
41,545	(5,286)	36,259	Planning Services		30,021	(7,070)	22,951
157,081	(163,426)	(6,345)	Local Authority Housing (HRA)		110,214	(145,250)	(35,036)
219,595	(192,142)	27,453	Other Housing Services		213,371	(194,843)	18,528
92,079	(62,839)	29,240	Central Services		90,092	(63,366)	26,726
18,312	(5,835)	12,477	Corporate and Democratic Core		18,050	(5,023)	13,027
1,734	(5)	1,729	Non-Distributed Costs (NDC)		234	(2)	232
1,612,413	**(1,004,491)**	**607,922**	**Cost of Services**		**1,475,787**	**(944,576)**	**531,211**
		34,050	Other Operating Expenditure	10			288,669
			Financing and Investment Income and Expenditure:				
		71,731	- HRA Self Financing Transaction	11 / 7			0
		107,550	- Other	11			65,775
			Taxation and Non-Specific Grant Income:				
		(590,084)	- HRA Self Financing Transaction	12 / 7			0
		(656,697)	- Other	12			(573,471)
		(425,528)	**(Surplus) / Deficit on Provision of Services**				**312,184**
		84,414	(Surplus) / deficit on revaluation of non-current assets				44,427
		1,308	Impairment losses on non-current assets charged to Revaluation Reserve				0
		94,918	Actuarial (gains) / losses on pension assets / liabilities				141,449
		67	Other (gains) / losses				25
		180,707	**Other Comprehensive (Income) and Expenditure**				**185,901**
		(244,821)	**Total Comprehensive (Income) and Expenditure**				**498,085**

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 1 April 2011 £000	As at 31 March 2012 £000		Notes	As at 31 March 2013 £000
2,841,011	2,665,845	Property, Plant and Equipment	13	2,360,846
63,182	63,350	Heritage Assets	14	63,757
3,136	3,136	Investment Properties		2,210
15	0	Long term Investments		0
11,010	13,506	Long term Debtors	17	14,345
2,918,354	**2,745,837**	**Long Term Assets**		**2,441,158**
10,000	0	Short Term Investments	15	20,000
1,148	946	Inventories		57
136,267	113,647	Short Term Debtors	18	97,160
6,921	36,245	Cash and Cash Equivalents	15 /19	108,336
5,442	11,556	Assets Held for Sale	20	3,834
159,778	**162,394**	**Current Assets**		**229,387**
(89,006)	(65,648)	Short Term Borrowing	15	(62,925)
(139,260)	(108,091)	Short Term Creditors	21	(97,894)
(16,970)	(43,763)	Short Term Provisions	22	(36,599)
(5,567)	(4,990)	PFI / PPP Finance Lease Liability	15 / 41	(6,930)
0	(43,316)	Capital Grants Receipts in Advance	37	(19,347)
(250,803)	**(265,808)**	**Current Liabilities**		**(223,695)**
(988,364)	(539,889)	Long Term Borrowing	15	(651,000)
(21,548)	(15,387)	Long Term Provisions	22	(14,518)
(226,811)	(221,814)	PFI / PPP Finance Lease Liability	15 / 41	(283,874)
(563,313)	(658,926)	Net Pension Liability	44	(797,832)
(31,092)	(27,716)	Other Long Term Liabilities	23	(23,912)
(81,589)	(19,258)	Capital Grants Receipts in Advance	37	(14,366)
(1,912,717)	**(1,482,990)**	**Long Term Liabilities**		**(1,785,502)**
914,612	**1,159,433**	**Net Assets**		**661,348**
(165,470)	(166,908)	Usable Reserves	24	(168,574)
(749,142)	(992,525)	Unusable Reserves	25	(492,774)
(914,612)	**(1,159,433)**	**Total Reserves**		**(661,348)**

The Statement of Accounts was approved and authorised for issue by the Executive Director of Resources and the Audit Committee, in accordance with the Accounts and Audit (England) Regulations 2011, on 25 September 2013.

These financial statements replace the unaudited financial statements authorised by the Executive Director of Resources on the 17 June 2013.

Laraine Manley
Executive Director of Resources (Section 151 Officer)
25 September 2013

Councillor Ray Satur
Chair of the Audit Committee
25 September 2013

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**.**

2011/12 £000		**Notes**	**2012/13 £000**
425,528	Net surplus / (deficit) on the provision of services		(312,184)
	Adjust net surplus / (deficit) on the provision of services for:		
253,215	- Non-cash movements	26	433,427
(168,001)	- Items that are investing or financing activities	26	(71,487)
510,742	**Net cash flow from operating activities**		**49,756**
(17,712)	Investing activities	27	(78,514)
(463,706)	Financing activities	28	100,849
29,324	**Net increase / (decrease) in cash and cash equivalents**		**72,091**
6,921	Cash and cash equivalents at 1 April	19	36,245
36,245	**Cash and cash equivalents at 31 March**	19	**108,336**

Notes to the Core Financial Statements

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

01. Accounting Policies

I. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. These regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 ('the Local Authority Code') and the CIPFA Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 Regulations.

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

II. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded 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.

- Weekly wages are charged on the basis of full weeks.

- Payments for utilities, such as gas and electricity, are charged at the date of the meter reading rather than being apportioned between years, therefore this policy is applied consistently each year.

- Car parking penalty charge notices – a prudent approach is taken and the income is recognised at the point of actual receipt rather than when the invoice is raised.

- Materiality levels were set to determine the accruals to be taken at the end of the financial year for certain low value revenue transactions. In these instances, the change from year to year is recurring in nature and the sums involved have been deemed not to be material compared with total income and expenditure.

III. Acquisitions and Discontinued Operations

The Council has not acquired any operations in the year to 31 March 2013 (no operations were acquired in the year to 31 March 2012).

The Council has not discontinued any operations in the year to 31 March 2013 (no operations were discontinued in the year to 31 March 2012).

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 public sector reserve account should be classified in the accounts as cash equivalents due to these being highly liquid investments which offer instant access to the funds and are therefore deposited to meet the Council's short term cash requirements. All fixed term investments are not classified as cash equivalents as at the point of making the deposit the Council is unable to convert these to cash until the maturity date of the investment.

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

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 (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

VII. Charges to Revenue for Non-Current Assets

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

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

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

VIII. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

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

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

- The Local Government Pension Scheme, administered by South Yorkshire Pensions Authority on behalf of Sheffield City Council and the other local authorities in South Yorkshire.

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

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

The Local Government Pension Scheme

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

- The liabilities of the pension fund attributable to the Council are included 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 44 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 seven components:

  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the '(Surplus) / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

  - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.

  - contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

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

IX. Events After the 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. 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 into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

- available for sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

Loans and Receivables

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

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

This results in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan 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.

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

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

Available for Sale Assets

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

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any accumulated gains or losses previously recognised in the Available for Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments Entered Into Before 1 April 2006

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

XI. Foreign Currency Translation

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

XII. Goodwill

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

XIII. Government Grants and Other Contributions

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

- the Council will comply with the conditions attached to the payments, and

- the grants or contributions will be received.

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried 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. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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 local historic significance.

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

- Museums Sheffield works to an Acquisition and Disposal Policy that is revised every five years and agreed by Museums Sheffield Board of Trustees and the Council.

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

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

Civic Collections

The Civic Collections include gifts of silverware and paintings given to the city and examples of products manufactured by Sheffield’s industries. The collection of silverware is reported 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. Inventories and Long Term Contracts

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

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

XVI. Investment Property

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

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

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

XVII. Jointly Controlled Operations (Pooled Budgets)

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

XVIII. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment, applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset 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.

XIX. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core i.e. costs relating to the Council's status as a multifunctional, democratic organisation.

- Non-Distributed Costs i.e. the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

XX. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price.

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost.

- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

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

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

Depreciation

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

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

- Buildings are based upon individual asset lives, assessed as part of the rolling programme of revaluations.

- Infrastructure assets between 20 and 40 years.

- Vehicles, plant, furniture and equipment between 5 and 10 years, with the exception of the incinerator plant under the Veolia PPP contract, which has a useful economic life of 19 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A framework for identifying components has been agreed with the Council's valuers Kier Asset Partnership Services (KAPS). 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 (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

XXI. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

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

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

- **finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease).

- **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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

XXII. Provisions and Contingent Liabilities

Provisions

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

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

When payments are eventually made, they are charged to the provision carried 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.

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.

XXIII. Redemption of Debt

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

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

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

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

XXIV. Reserves

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

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

XXV. Revenue Expenditure Funded from Capital under Statute

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

XXVI. Schools

The CIPFA consultation on which types of schools should be recognised on the Council's balance sheet has proved inconclusive. Accordingly, in line with the guidance currently available and until some more definitive guidance is issued, 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 and Community Special schools should be on balance sheet but that Voluntary Aided schools, Voluntary Controlled schools, Foundation 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 or become a Foundation school are derecognised from the Council's balance sheet when the contract is complete and signed and the specific assets have been handed over / transferred.

XXVII. VAT

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

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

The following Accounting Standards have been issued but have not yet been adopted and may require changes to the Council's accounting policies from 1 April 2013:

IAS19 Employee Benefits (June 2011 Amendments)

The adoption of the 2011 amendments to IAS19 Employee Benefits will result in a change in accounting policy. There are new classes of components of defined benefit cost to be recognised in the financial statements (i.e. net interest on the net defined benefit liability (asset) and remeasurements of the net defined benefit liability (asset)). There are also new definitions or recognition criteria for service costs, e.g. past service costs, and new recognition criteria for termination benefits.

At this stage it is not possible to provide a reasonable estimate of the likely impact of adopting the revised standard on the financial statements.

IAS 1 Presentation of Financial Statements – Other Comprehensive Income (June 2011 Amendments)

This standard revises the presentation of other comprehensive income in the financial statements. The changes to this standard are presentational only.

IFRS7 Financial Instruments Disclosures – Offsetting Financial Assets and Liabilities (December 2011 Amendments)

The Council does not offset assets and liabilities and, therefore, a disclosure of this nature is not required under IFRS 7.

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

03. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- The CIPFA Code requires the Council to produce group accounts to reflect significant activities provided to Council taxpayers by other organisations in which the Council has an interest. We have complied with the Code and identified our group, which comprises of the City Council, its arm's length management organisation for housing Sheffield Homes Limited and Digital Region Limited, a company established to deliver high speed broadband to South Yorkshire. However, we have concluded that upon consolidation the value of these entities is not material and therefore the production of all the required statements would not assist the reader.

- Lease arrangements have been reviewed in line with the Code requirements. The property lease review resulted in 2 leases out of 5168 that would require reclassification to finance leases, with immaterial values in property assets on these leases to be derecognised from the balance sheet. However, due to the immaterial value and with one lease due to terminate in 2013/2014, the changes have not been implemented. The equivalent review for plant and equipment assets concluded that there are multiple, small value leases which are reducing in number and value each year and those which could be re-categorised from operating to finance lease are not deemed to be material.

- Contracts with partners and providers have been considered for embedded leases; the outcome of this review is not to recognise any assets on the Council Balance Sheet.

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

04. 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. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £4m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £39m. However, the assumptions interact in complex ways. During 2012/13, the Council's actuaries advised that the net pension liability had decreased by £106m as a result of estimates being corrected as a result of experience and increased by £248m attributable to updating of the assumptions.
Arrears	At 31 March 2013, the Council had a balance of sundry debtors for £31.4m. An impairment of doubtful debts of £16.2m (52%) was considered appropriate. However, although this is considered appropriate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an additional impairment of doubtful debts would be required to cover some of the £15.2m of sundry debts currently not provided for.

05. Prior Period Adjustments

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

Re-presentation of Reserves

A number of balances which were included within the General Fund Balance have been reclassified as Earmarked General Fund Reserves. This includes the Major Sporting

Facilities reserve, the Private Finance Initiative reserve, the Invest to Save reserve and an element of the general balance allocated for specific purposes.

This adjustment was required to bring the figures shown within the Statement of Accounts in line with the Council's Budget Report and monitoring, where these reserves have always been classed as Earmarked reserves.

The 1 April 2011 and 31 March 2012 Balance Sheets and 2011/12 comparative figures have thus been restated in the 2012/13 Statement of Accounts. The effects of the restatement are shown in the tables below.

1 April 2011 Balance Sheet			
	Original £000	**Adjustment £000**	**Revised £000**
Usable Reserves:			
General Fund Balance	(38,503)	27,616	(10,887)
Earmarked General Fund Reserves	(48,738)	(27,616)	(76,354)

31 March 2012 Balance Sheet				
	Original £000	**Adjustments to 1 April 2011 (above) £000**	**Adjustment £000**	**Restated £000**
Usable Reserves:				
General Fund Balance	(43,361)	27,616	5,395	(10,350)
Earmarked General Fund Reserves	(41,829)	(27,616)	(5,395)	(74,840)

Although, within the Movement in Reserves Statement, the individual columns for the General Fund Balance and the Earmarked General Fund Reserves have been restated in line with the above adjustments the total reserves balance remains unchanged. The above adjustment has no impact on the figures shown in the Comprehensive Income and Expenditure Statement or the Cash Flow Statement. Notes 9 and 24 have been restated as a result of this adjustment.

06. Events After the Reporting Date

The Statement of Accounts was authorised for issue by Laraine Manley, Executive Director of Resources (Section 151 Officer) on 25 September 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2013 as it provides information that is relevant to an understanding of the Council's financial position but does not relate to conditions at that date:

Non Domestic Rates – Appeals Outstanding at 31 March 2013

From the 1 April 2013 new arrangements for the retention of business rates come into effect. Local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were paid over (to Central Government) in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the Council, but would have been transferred to DCLG.

Of the business rate bills raised in 2012/13 we anticipate that £3.2m will be successfully appealed against by the end of the revaluation cycle. These will be back dated to 2010 and so £9.6m of the business rates collected to date, in respect of the 2010 valuation list, will eventually be refunded. We also anticipate £2m to be refunded in respect of the 2005 list.

These refunds become relevant to local authorities as a result of the business rates retention scheme which comes into effect on 1 April 2013.

Transfer of Sheffield Homes

For 9 years, council homes in Sheffield were managed by the Arm's Length Management Organisation (ALMO) Sheffield Homes. In 2012 tenants voted to return Council housing services in the city to the direct control of Sheffield City Council and on 1 April 2013 Sheffield Homes came back under the management of Sheffield City Council. Over 1,000 Sheffield Homes staff transferred into the Council and are now working with customers to plan the next phase in the future of Sheffield's homes and estates.

Sheffield Homes will be consolidated into the Council's accounts from the date of transfer. The pension liability for Sheffield Homes, which is the largest figure on the Sheffield Homes balance sheet, is already included in the Council's accounts. Sheffield Homes do not have any non-current assets and the consolidation of any other assets, liabilities or reserves is not expected to be material.

Digital Region Ltd

Digital Region Limited was established as a project to deliver superfast broadband across South Yorkshire. In August the company's shareholders unanimously agreed that, due to increased financial risk around compliance with EU State Aid rules and significant development of the broadband market since the inception of the project, the process for seeking a new private sector partner should cease and that a managed closedown of the network, including migration of existing customers to alternative networks, should now take place as the most cost effective deal for the public.

The shareholders will now seek to minimise all costs of closure through negotiation over the next 12 months. The Council will be required to meet its share of the closure costs and has a provision in the Accounts which covers the latest available maximum estimated costs.

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

2012/2013

There were no exceptional items in 2012/2013.

2011/2012

The 2011/12 comparative Comprehensive Income and Expenditure Statement figures include the following exceptional item:

Housing Revenue Account – Self Financing Transaction

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

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

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

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.

2012/13									
		General Fund Balance £000	**Housing Revenue Account Balance £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied £000**	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Council Reserves £000**
	Note							25	
Reversal of items debited or credited to the CI&ES:									
Depreciation of Non-current assets		(61,333)	0	0	(15,838)	0	(77,171)	77,171	**0**
The excess of depreciation charged to HRA services over the Major Repairs Allowance		0	0	0	0	0	0	0	**0**
Impairment losses charged to the CI&ES		87	35,532	0	0	0	35,619	(35,619)	**0**
Revaluation losses charged to the CI&ES		(57,647)	(44,503)	0	0	0	(102,150)	102,150	**0**
Movements in fair value of Investment Properties		(926)	0	0	0	0	(926)	926	**0**
Capital grants and contributions credited to the CI&ES		52,131	849	0	0	(5,775)	47,205	(47,205)	**0**
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve		0	0	0	0	8,132	8,132	(8,132)	**0**
Revenue expenditure funded from capital under statute		(9,175)	0	0	0	0	(9,175)	9,175	**0**
Costs of disposal funded from capital receipts		(106)	0	106	0	0	0	0	**0**
Net gain / (loss) on sale of non-current assets		(279,029)	(6,824)	(18,755)	0	0	(304,608)	304,608	**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		(153)	1,110	0	0	0	957	(957)	**0**
Reversal of items relating to retirement benefits debited or credited to the CI&ES		(49,670)	0	0	0	0	(49,670)	49,670	**0**

2012/13 (Continued)

	Note	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Note							25	
Amount by which council tax income and residual community charge adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation		992	0	0	0	0	992	(992)	**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		3,219	0	0	0	0	3,219	(3,219)	**0**
Insertion of items not debited or credited to the CI&ES:									
Statutory provision for repayment of debt		28,471	0	800	0	0	29,271	(29,271)	**0**
Revenue Contribution to Major Repairs Reserve		0	20,734	0	(20,734)	0	0	0	**0**
Capital expenditure charged to the General Fund Balance		0	0	0	0	0	0	0	**0**
Transfer of Capital Receipts (<£10k) to the General Fund and HRA		(154)	0	154	0	0	0	0	**0**
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(2,347)	0	2,347	0	0	0	0	**0**
Employer's contribution to pension scheme		52,213	0	0	0	0	52,213	(52,213)	**0**
Other:									
Use of Capital Receipts Reserve to finance new capital expenditure		0	0	14,921	0	0	14,921	(14,921)	**0**
Use of Major Repairs Reserve to finance new capital expenditure		0	0	0	37,299	0	37,299	(37,299)	**0**
Other		(425)	0	425	0	0	0	0	**0**
Total		**(323,852)**	**6,898**	**(2)**	**727**	**2,357**	**(313,872)**	**313,872**	**0**

2011/12 – Comparative Information

	Note	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Note							25	
Reversal of items debited or credited to the CI&ES:									
Depreciation of Non-current assets		(58,296)	0	0	(16,396)	0	(74,692)	74,692	**0**
The excess of depreciation charged to HRA services over the Major Repairs Allowance		0	11,108	0	(11,108)	0	0	0	**0**
Impairment losses charged to the CI&ES		2,118	17,829	0	0	0	19,947	(19,947)	**0**
Revaluation losses charged to the CI&ES		(92,023)	(68,401)	0	0	0	(160,424)	160,424	**0**
Movements in fair value of Investment Properties		0	0	0	0	0	0	0	**0**
Capital grants and contributions credited to the CI&ES		157,032	2,150	(81)	0	0	159,101	(159,101)	**0**
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve		0	0	0	0	3,294	3,294	(3,294)	**0**
Revenue expenditure funded from capital under statute		(42,279)	0	27	0	162	(42,090)	42,090	**0**
Costs of disposal funded from capital receipts		0	0	0	0	0	0	0	**0**
Net gain / (loss) on sale of non-current assets		(31,731)	1,100	(17,895)	0	0	(48,526)	48,526	**0**
Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance statutory requirements		(156)	1,238	0	0	0	1,082	(1,082)	**0**
Reversal of items relating to retirement benefits debited or credited to the CI&ES		(55,024)	0	0	0	0	(55,024)	55,024	**0**

2011/12 – Comparative Information (Continued)

	Note	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Note							25	
Amount by which council tax income and residual community charge adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation		1,315	0	0	0	0	1,315	(1,315)	**0**
Amount by which officer remunerations costs calculated in accordance with the code are different from the amount of costs calculated in accordance with statutory requirements		(11,840)	0	0	0	0	(11,840)	11,840	**0**
Insertion of items not debited or credited to the CI&ES:									
Statutory provision for repayment of debt		20,005	22	0	0	0	20,027	(20,027)	**0**
Revenue Contribution to Major Repairs Reserve		0	0	0	0	0	0	0	**0**
Capital expenditure charged to the General Fund Balance		2,191	0	0	0	1,425	3,616	(3,616)	**0**
Transfer of Capital Receipts (<£10k) to the General Fund and HRA		(50)	(46)	96	0	0	0	0	**0**
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(2,951)	0	2,951	0	0	0	0	**0**
Employer's contribution to pension scheme		54,329	0	0	0	0	54,329	(54,329)	**0**
Other:									
Use of Capital Receipts Reserve to finance new capital expenditure		0	0	8,709	0	0	8,709	(8,709)	**0**
Use of Major Repairs Reserve to finance new capital expenditure		0	0	0	26,858	0	26,858	(26,858)	**0**
HRA Self Financing Transaction		0	518,353	(518,353)	0	0	0	0	**0**
HRA Self Financing Transaction		0	0	518,353	0	0	518,353	(518,353)	**0**
Total		**(57,360)**	**483,353**	**(6,193)**	**(646)**	**4,881**	**424,035**	**(424,035)**	**0**

09. Transfers (to) / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

	Note	1 April 2011 Restated £000	Transfer Out 2011/12 Restated £000	Transfer In 2011/12 Restated £000	Other 2011/12 Restated £000	31 March 2012 Restated £000	Transfer Out 2012/13 £000	Transfer In 2012/13 £000	Other 2012/13 £000	31 March 2013 £000
General Fund:										
Schools Reserves	24	**(23,729)**	**0**	**(1,479)**	**54**	**(25,154)**	**8,706**	**0**	**13**	**(16,435)**
Revenue Grants and Contributions	24	**(4,828)**	**3,969**	**0**	**0**	**(859)**	**330**	**0**	**0**	**(529)**
Other Earmarked Revenue Reserves	24	**(47,797)**	**0**	**(1,030)**	**0**	**(48,827)**	**0**	**(2,728)**	**0**	**(51,555)**
Total		**(76,354)**	**3,969**	**(2,509)**	**54**	**(74,840)**	**9,036**	**(2,728)**	**13**	**(68,519)**

Further details about the Council's earmarked reserves can be found in note 24.

10. Other Operating Expenditure

The following table provides a breakdown of Other Operating Expenditure:

2011/12 £000		2012/13 £000
465	Precepts (paid to non-principal authorities)	469
2,951	Payments to the housing capital receipts pool	2,347
30,631	(Gain) / loss on the disposal of non-current assets	285,853
3	Other	0
34,050	**Total**	**288,669**

11. Financing and Investment Income and Expenditure

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

2011/12 £000		Note	2012/13 £000
96,876	Interest payable and similar charges		44,229
17,681	Pensions interest cost and expected return on pensions assets		22,333
(3,499)	Interest receivable and similar income		(2,225)
(3,508)	(Surplus) on Trading Undertakings	30	1,438
107,550			65,775
71,731	Interest payable and similar charges – HRA Self Financing Transaction	7	0
71,731			0
179,281	**Total**		**65,775**

12. Taxation and Non Specific Grant Income

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

2011/12 £000	2011/12 £000		Note	2012/13 £000	2012/13 £000
	(198,375)	Council Tax Income			(199,248)
	(216,816)	NNDR Distribution			(255,875)
		Non-ring fenced government grants:	37		
(66,983)		- Revenue Support Grant (RSG)		(5,053)	
(24,186)		- Private Finance Initiative Grant (PFI)		(46,849)	
(4,919)		- Council Tax Freeze Grant		(9,851)	
(7,605)		- Funding from the Health Service		(7,280)	
(2,231)		- New Homes Bonus		(3,102)	
(1,491)		- Local Support Services Grant		(1,368)	
(116)		- Other		(455)	
	(107,531)				(73,958)
	(522,722)				(529,081)
	(133,975)	Capital Grants and Contributions	37		(44,390)
	(656,697)				(573,471)
	(590,084)	HRA Self Financing Transaction			0
	(1,246,781)	**Total**			**(573,471)**

13. Property, Plant and Equipment (PPE)

Movements on Balances:

Movements in 2012/13	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	PFI Assets included in Other Land and Buildings £000	PFI Assets included in VPFE £000	Total PFI Assets included in PPE £000
Cost or Valuation:											
At 1 April 2012	1,402,997	1,204,112	119,832	527,467	40,124	146,395	632	**3,441,559**	260,097	52,860	**312,957**
Additions - recognition	68	0	0	0	0	0	0	**68**	0	0	**0**
Additions - programmed investment	40,380	64,375	3,118	65,055	1,199	656	5,053	**179,836**	26,616	0	**26,616**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,197)	(45,495)	0	0	36	(12,879)	0	**(59,535)**	(5,544)	0	**(5,544)**
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	(40,827)	(46,366)	0	0	(7,962)	(8,968)	0	**(104,123)**	(3,011)	0	**(3,011)**
De-recognition – disposals	(3,686)	(289,623)	(37,395)	0	(37)	(14,589)	0	**(345,330)**	(130,288)	0	**(130,288)**
De-recognition – other	(2,499)	0	0	0	0	0	0	**(2,499)**	0	0	**0**
Assets reclassified (to) / from Assets Held for Sale	(1,324)	1,683	0	0	67	7,316	0	**7,742**	15	0	**15**
Reclassification and Transfers	0	(19,000)	0	0	2,278	11,738	(618)	**(5,602)**	79	0	**79**
At 31 March 2013	**1,393,912**	**869,686**	**85,555**	**592,522**	**35,705**	**129,669**	**5,067**	**3,112,116**	**147,964**	**52,860**	**200,824**

Movements in 2012/13 (Continued)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	PFI Assets included in Other Land and Buildings £000	PFI Assets included in VPFE £000	Total PFI Assets included in PPE £000
Accumulated Depreciation and Impairment:											
At 1 April 2012	(567,176)	(30,362)	(43,593)	(122,800)	0	(11,783)	0	**(775,714)**	(4,207)	(5,293)	**(9,500)**
Depreciation charge	(15,502)	(34,608)	(10,266)	(15,690)	0	(1,089)	0	**(77,155)**	(7,143)	(2,647)	**(9,790)**
Depreciation written out to the Revaluation Reserve	0	14,781	0	0	0	1,727	0	**16,508**	2,181	0	**2,181**
Depreciation written out to the Surplus / Deficit on the Provision of Services	15,502	3,628	0	0	164	27	0	**19,321**	168	0	**168**
Impairment (losses) / reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**	0	0	**0**
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	20,030	51	0	0	0	37	0	**20,118**	51	0	**51**
De-recognition – disposals	0	10,831	31,887	0	0	37	0	**42,755**	3,416	0	**3,416**
De-recognition - other	2,496	0	0	0	0	0	0	**2,496**	0	0	**0**
Reclassification and Transfers	0	1,059	0	0	(164)	(494)	0	**401**	(2)	0	**(2)**
At 31 March 2013	**(544,650)**	**(34,620)**	**(21,972)**	**(138,490)**	**0**	**(11,538)**	**0**	**(751,270)**	**(5,536)**	**(7,940)**	**(13,476)**
Net Book Value:											
At 31 March 2013	849,262	835,066	63,583	454,032	35,705	118,131	5,067	**2,360,846**	142,428	44,920	**187,348**
At 31 March 2012	835,821	1,173,750	76,239	404,667	40,124	134,612	632	**2,665,845**	255,890	47,567	**303,457**

Movements in 2011/12

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

Movements in 2011/12 (Continued)

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

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 2013 the Council has entered into a number of construction contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14. Future years budgeted costs are £63.5m, with similar commitments at 31 March 2012 of £116.5m. The major commitments are:

31 March 2012 £000		**31 March 2013 £000**
45,030	Schools Refurbishment	12,182
47,305	Decent Homes / Council Housing	33,361
24,128	Other	17,977
116,463	**Total**	**63,520**

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at Fair Value, is revalued at least every five years. All valuations were carried out by Kier Asset Partnership Services (KAPS) and supervised by Mr N. Seneviratne FRICS, Director of Capital and Major Projects. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices, with the exception of the waste incinerator which requires a specialist plant valuation, carried out by Charterfields International Asset Consultants.

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

Council Dwellings are measured at Existing Use Value - Social Housing based on freehold vacant possession values by Beacon and adjusted by a regional adjustment factor, determined by Communities and Local Government (CLG). The adjustment factor has not been revised during 2012/13.

Since 2005 there has been a programme of modernisation and improvement work to bring the properties up to the Government's Decent Home Standards. Currently 36,991 dwellings, approximately 90% of the current stock meet the Decent Homes Standards. As part of the 5 year Rolling Programme 20% of the Beacons have been revalued this year on the basis that the properties have been improved.

Where the Decent Homes programme has fallen behind there was a potential shortfall in the 5 yearly revaluation programme affecting the 4,065 properties not yet improved. To address this Kier Asset Partnership Services (KAPS) has valued these properties on the assumption they have met decent homes then applied a deflator of 12.5% to reflect that they are still unimproved. This deflator was derived from analysis of the mean percentage increase of the properties improved this year. The general market adjustment of 1.75% has then been applied to these figures to give a value as at 31 March 2013.

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	**£000**	**£000**	**£000**	**£000**
Carried at Historical Cost	**810,264**	**97,104**	**32,695**	**39,403**	**979,466**
Valued at Fair Value as at:					
31 March 2013	557,556	216,721	0	33,822	808,099
31 March 2012	2,089	339,819	0	9,286	351,194
31 March 2011	2,174	12,185	0	10,511	24,870
31 March 2010	3,815	31,659	52,860	6,593	94,927
31 March 2009	18,014	172,198	0	30,054	220,266
Total Cost or Valuation	**1,393,912**	**869,686**	**85,555**	**129,669**	**2,478,822**

14. Heritage Assets

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

2012/13	Reported at Cost				Reported at Valuation				
	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	Total Assets £000
Cost or Valuation:									
At 1 April 2012	646	48	0	0	58,500	1,000	3,182	0	**63,376**
Additions	76	0	0	0	0	0	0	0	**76**
Reclassification and Transfers	357	0	0	0	0	0	0	0	**357**
At 31 March 2013	1,079	48	0	0	58,500	1,000	3,182	0	**63,809**
Depreciation and Impairment:									
At 1 April 2012	(26)	0	0	0	0	0	0	0	**(26)**
Depreciation	(16)	0	0	0	0	0	0	0	**(16)**
Reclassification and Transfers	(10)	0	0	0	0	0	0	0	**(10)**
At 31 March 2013	(52)	0	0	0	0	0	0	0	**(52)**
Net Book Value:									
At 31 March 2013	1,027	48	0	0	58,500	1,000	3,182	0	**63,757**
At 31 March 2012	620	48	0	0	58,500	1,000	3,182	0	**63,350**

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

Five Year Summary of Movements:

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Cost of Acquisitions of Heritage Assets:					
Museums and Galleries	0	0	33	60	76
Total Cost of Purchases	**0**	**0**	**33**	**60**	**76**
Value of Heritage Assets Acquired by Donation:					
Museums and Galleries	0	0	0	125	0
Total Donations	**0**	**0**	**0**	**125**	**0**
Carrying Value	**0**	**0**	**33**	**185**	**76**

The table above shows acquisitions (purchases and donations) between 2010 and 2013, where individual valuations are available. It is not practicable to gather information for earlier years, given the low value of additions during the period.

Museums and Galleries

Museums Sheffield

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

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

- **Decorative Art Collection** – including approximately 16,000 examples of art, craft and design, British ceramics, glass, horology and an outstanding collection of Chinese carved ivories.

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

- **Social History Collection** – has strong family and community connections with the people of Sheffield and comprises around 25,000 objects including ephemera, personalia, costume, domestic items, furniture, and approximately 1500 watercolours, drawings, prints and oil paintings documenting the changing city.

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

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

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

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

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

Sheffield Industrial Museums Trust

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

Kelham Island Museum

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

- **Heavy Industries Collections** – cover the Iron 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 6000 items which relate to the general production of steel and other metals and the manufacture of metal, particularly steel, products.

- **Light Trades Industries Collections** – are represented by items relating to cutlery manufacture, hollowware and tool making industries.

- **General Trades Collection** – covers a range of non-metal working industries, such as brewing, retail and food production. The collection numbering about 550 items represents Sheffield's other manufacturing industries, including, button making, bookbinding 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 1 Listed building and a Scheduled Ancient Monument. The buildings and machinery include a crucible shop, water powered tilt hammers, grinding hull, scythe riveting shop, blacking shop along with workers cottages and a manager's cottage.

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

Shepherd Wheel

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

Bishops House

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

Civic Collections

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

Archives and Libraries

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

Public Realm

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

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

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

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

There are many contemporary pieces of public art in the city centre resulting from the 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.

15. Financial Instruments

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

Short Term 1 April 2011 £000	Long Term 1 April 2011 £000	Short Term 31 March 2012 £000	Long Term 31 March 2012 £000		Short Term 31 March 2013 £000	Long Term 31 March 2013 £000
(89,006)	(988,364)	(65,648)	(539,889)	Financial liabilities at amortised cost	(62,925)	(651,000)
(89,006)	**(988,364)**	**(65,648)**	**(539,889)**	**Total borrowing**	**(62,925)**	**(651,000)**
(5,567)	(226,811)	(4,990)	(221,814)	PFI and finance lease liabilities	(6,930)	(283,874)
(94,573)	**(1,215,175)**	**(70,638)**	**(761,703)**	**Total other long term liabilities**	**(69,855)**	**(934,874)**
10,070	0	0	0	Loans and receivables	20,000	0
9,550	0	45,675	0	Cash and Cash Equivalents	117,885	0
19,620	**0**	**45,675**	**0**	**Total investment**	**137,885**	**0**
0	**485**	**0**	**512**	**Soft Loans Provided**	**0**	**540**

Note 1 -

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

Note 2 - Sheffield Galleries and Museums Trust Soft Loan

The Council made a £650k cash flow loan to Sheffield Museums and Galleries Trust (SMGT) in 2010/11 at 0% interest, which was less than market rates of approximately 5.5% and therefore must be accounted for as a soft loan. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from SMGT, with the difference serving to increase the amortised cost of the loan 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). The detailed soft loans information is shown in the table below:

31 March 2012 £000		**31 March 2013 £000**
485	Opening Balance	512
27	Increase in the Discounted Amount	28
512	**Balance Carried Forward**	**540**
650	**Nominal Value Carried Forward**	**650**

Financial Instrument Gain / Losses

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

2011/12				**2012/13**		
Financial Liabilities	**Financial Assets Loans and Receivables**	**Total**		**Financial Liabilities**	**Financial Assets Loans and Receivables**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(63,235)	0	(63,235)	Interest expense	(31,329)	0	(31,329)
(30,196)	0	(30,196)	Interest on PFI scheme liabilities	(10,025)	0	(10,025)
(93,431)	**0**	**(93,431)**	**Interest payable and similar charges**	**(41,354)**	**0**	**(41,354)**
0	596	596	Interest income	0	601	601
0	**596**	**596**	**Interest and investment income**	**0**	**601**	**601**
(93,431)	**596**	**(92,835)**	**Net gain / (loss) for the year**	**(41,354)**	**601**	**(40,753)**

Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- The discount rate used were the market rates as at 31 March (using bid prices where applicable) for instruments with the same duration (i.e. equal to the outstanding period from valuation date to maturity), loan structure and terms as that of the comparable instrument.

- As the purpose of the fair value disclosure is to provide a comparison with the carrying value on the Balance Sheet, accrued interest has been included in the fair valuation calculation as this is also reflected in the carrying amount. The accrued interest figure is calculated up to and including the valuation date.

- To calculate the PWLB fair value the new borrowing rate has been used, as opposed to the premature repayment rate, as the discount factor for all PWLB borrowing. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

- Interest is calculated using the most common market convention ACT/365 (366 days in a leap year with the exception of PWLB which are charged on a 365 day basis regardless of leap years).

- Where interest is paid / received every 6 months on a daily basis, the value of interest is rounded to 2 equal instalments.

- For fixed term deposits it is assumed that interest is received on maturity, or annually if duration is greater than 1 year.

- The interest value and date has not been adjusted where a relevant date occurs on a non-working day.

The fair values calculated are:

31 March 2012			31 March 2013	
Carrying Amount	**Fair Value**		**Carrying Amount**	**Fair Value**
£000	**£000**		**£000**	**£000**
(184,723)	(211,961)	PWLB debt	(332,327)	(370,107)
(420,814)	(415,055)	Non-PWLB debt	(381,598)	(398,814)
(605,537)	**(627,016)**	**Total Financial Liabilities**	**(713,925)**	**(768,921)**

The table above reflected the aggregate position of Sheffield City Council's loan portfolio as at the Balance Sheet date. The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates applicable to similar loans in the market at the Balance Sheet date. This commitment to pay interest above current market rate increases the amount that the Council would have to pay (in terms of premiums etc.) if the lender requested or agreed to early repayment of the loans.

31 March 2012			31 March 2013	
Carrying Amount	**Fair Value**		**Carrying Amount**	**Fair Value**
£000	**£000**		**£000**	**£000**
0	0	**Total Loans and Receivables**	20,000	20,490

The Council held one fixed term investment with Bank of Scotland (BoS) as at 31 March 2013 with a maturity date of 4 June 2013. All other deposits were held in instant access Money Market Funds (MMFs) and are classed as Cash or Cash Equivalents.

16. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

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

The prudential indicators are reported and approved as part of the Council's annual budget setting process. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported six monthly and annually to Members.

As the investment rates during 2012/13 were lower than the cost of borrowing the Council used accumulated investment balances and short term temporary borrowing (as this is significantly cheaper that long term borrowing) where possible to fund capital expenditure rather than incurring any new long term external borrowing. This reduced the Council's exposure to higher debt charges during the year and also reduced the Council's risk exposure to banks and other financial institutions during a time of economic uncertainty.

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

Credit Risk

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

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

- Credit updates and credit outlooks from credit rating agencies.

- Credit Default Swap spreads to give early warning of likely changes in credit ratings (a CDS is the market perception of credit risk for financial institutions).

- Sovereign ratings to enable the Council to only select counterparties from the most creditworthy countries.

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

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

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

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

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

The following analysis summarises the Council's potential maximum exposure to credit risk as at 31 March 2013, based on experience of default assessed by the rating agencies and the Council's past experience, adjusted to reflect current market conditions.

	Amount at 31 March 2013	Historical Experience of Default	Adjustment for conditions at 31 March 2013	Estimated Maximum Exposure to Default
	£000			£000
Deposits with BoS*	20,000	0%	0.017%	0
Customers**	30,975	0.35%	0.35%	108
	50,975			**108**

* As per the Code guidance the percentage for financial instruments in terms of both historical default and adjustment for conditions were calculated by looking at Sheffield City Council's actual experience of default rather than the general position in the market. In the case of Sheffield there has been no past experience of default and the Council has no exposure to Iceland so the percentage used is 0%. As at 31 March 2013 the Council held £20m in a short term account with BoS who were rated A at this time. The adjustment for conditions at 31 March 2013 reflects the risk on this deposit at that date as determined by Credit Rating Agencies.
** The figure used for customers in terms of both historical default and adjustment for conditions were calculated by using the 2012/13 write offs as a % of the total amount of invoices raised in 2012/13.

As at 31 March 2013 the Council held £20m in short term deposits with Bank of Scotland (Part Nationalised Bank). This deposit matured at 4 June 2013 however, a small default risk was attached to this deposit of 0.017% at 31 March 2013. The Council had £95k in overnight deposits with its Commercial Banker (Co-operative Bank) at 31 March 2013. Other funds held at the year-end (£117.8m) were deposited with AAA Money Market Funds (MMFs). As the Co-operative Account and MMFs offer instant access to funds these have been classified as Cash and Cash Equivalents in the accounts.

The table below shows that the Council's outstanding investment balance as at 31 March 2013 was £20m, there were no investment amounts at 31 March 2012.

31 March 2013			
Financial Institution	**Rating of Counterparty**	**Country**	**Amount £000**
Bank of Scotland	A	UK	20,000

31 March 2012 – Comparative Information			
Financial Institution	**Rating of Counterparty**	**Country**	**Amount £000**
None			0

No breaches of the Council's counterparty criteria occurred during 2012/13. During the reporting period the Council held no collateral as security.

The Council does not allow credit for customers therefore the value of £31m for 2012/13 (£30.9m for 2011/12) shown in the following table are all debtors which are past their due date for payment. The past due amounts can be analysed by age as follows:

31 March 2012 £000		**31 March 2013 £000**
14,073	Less than three months	14,590
864	Three to six months	829
1,392	Six months to one year	890
14,552	More than one year	14,666
30,881	**Total**	**30,975**

The Council's bad debt impairment at 31 March 2013 is £52.7m (£41.7m for 2011/12) of this £16.2m (£16.6m for 2011/12) relates to the above outstanding debt.

Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow needs and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

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

All sums owing to the Council from funds deposited in MMFs (£117.8m as at 31 March 2013) offer instant repayment.

Refinancing and Maturity Risk

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

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

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt.

- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is:

2011/12 Principal £000	2011/12 Accrued Interest £000	2011/12 Principal plus Interest £000		2012/13 Principal £000	2012/13 Accrued Interest £000	2012/13 Principal plus Interest £000
51,123	14,525	65,648	Less than one year	47,389	15,536	62,925
52,389	0	52,389	Between one and two years	6,163	0	6,163
16,284	0	16,284	Between two and five years	30,121	0	30,121
26,298	0	26,298	Between five and ten years	4,499	0	4,499
444,918	0	444,918	More than ten years	610,217	0	610,217
591,012	**14,525**	**605,537**	**Total**	**698,389**	**15,536**	**713,925**

The maturity analysis of financial assets is:

2011/12 Principal £000	2011/12 Accrued Interest £000	2011/12 Principal plus Interest £000		2012/13 Principal £000	2012/13 Accrued Interest £000	2012/13 Principal plus Interest £000
0	0	0	Less than one year	20,000	490	20,490
0	**0**	**0**	**Total**	**20,000**	**490**	**20,490**

The table above highlights that in both 2011/12 and 2012/13 the Council met its policy of not investing for greater than one year.

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

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

Market Risk

Interest Rate Risk

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

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

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

In order to minimise the Council's exposure to loan interest fluctuations the Council will only have a maximum of 35% variable rate debt as a percentage of total debt. At the 31 March 2013, variable rate debt as a proportion of total debt was 28% (36% as at March 2012 following the conversion to HRA Self Financing).

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

	£000
Increase in interest payable on variable rate borrowings *	1,780
Increase in interest receivable on variable rate investments **	(1,563)
Increase in government grant receivable for financing costs	0
Impact on (Surplus) or Deficit on the Provision of Services	217
Share of overall impact debited to the HRA ***	67
Increase in fair value of fixed rate investment assets****	(205)
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)	67,904

Notes:
*All borrowing raised from the PWLB and £140m of Market loans were at fixed rates in 2012/13 and as a result a change in interest rates would have no effect on the interest payable on these loans, the amount of government grant received and on the Comprehensive Income and Expenditure Statement or HRA. There are a number of LOBO loans (£178m) which have moved out of their 'fixed' period and onto calls which are shown in the accounts as variable (although in reality they are fixed at each call period until the next call, so are only affected by a change of interest rates when the loan was 'called' at which point the Council would have the option to repay the loan without any premiums being payable). There were no LOBOs called during 2011/12. For the purposes of this note the average rate of these loans (4.96%) has been inflated by 1% to show the impact this may have.
** Based on a 1% increase on the weighted average interest rate and investment balance for 2012/13.
*** HRA share is 31%
**** There was one fixed term investment of £20m held with BoS at the year end. All other investments held by the Council at the year-end were deposited with Money Market Funds (MMFs) which offer instant access to funds and therefore classified as Cash or Cash Equivalents on the Balance Sheet. As a result of this the fixed rate investment balance at year end was zero.
***** All Sheffield City Council assets are classed as loans and receivables and therefore this figure is zero as there is no impact on the Comprehensive Income and Expenditure Statement.

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

Foreign Exchange Risk

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

17. Long Term Debtors

The following is an analysis of Long Term Debtors:

1 April 2011	31 March 2012		31 March 2013
£000	£000		£000
1,284	0	Goodwill	0
8,383	7,943	Up Front Contributions for Private Finance Initiative (PFI) Schemes	7,504
		Loans to Third Parties:	
0	0	- Sheffield City Region	148
0	4,434	- Hammerson (New Retail Quarter Development)	4,898
272	4,000	- Digital Region	0
0	(4,000)	- Impairment of Digital Region Loan	0
(165)	(138)	- Sheffield Galleries and Museum Trust	540
1,020	1,053	Housing Advances	1,053
216	214	Other	202
11,010	**13,506**	**Total**	**14,345**

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

18. Short Term Debtors

The following is an analysis of Debtors:

1 April 2011 £000	31 March 2012 £000		31 March 2013 £000
24,181	16,442	Central Government Bodies	17,003
0	0	Less Impairment for Bad Debts	0
24,181	**16,442**	**Central Government Bodies (Net of Impairment)**	**17,003**
9,128	8,784	Other Local Authorities	11,070
0	0	Less Impairment for Bad Debts	0
9,128	**8,784**	**Other Local Authorities (Net of Impairment)**	**11,070**
2,420	2,964	NHS Bodies	2,586
0	0	Less Impairment for Bad Debts	0
2,420	**2,964**	**NHS Bodies (Net of Impairment)**	**2,586**
19	0	Public Corporations and Trading Funds	26
0	0	Less Impairment for Bad Debts	0
19	**0**	**Public Corporations and Trading Funds (Net of Impairment)**	**26**
7,687	7,520	Housing Tenants	7,771
(6,484)	(6,276)	Less Impairment for Bad Debts	(6,139)
1,203	**1,244**	**Housing Tenants (Net of Impairment)**	**1,632**
32,522	25,414	Local Taxpayers and NNDR	34,155
(18,439)	(18,700)	Less Impairment for Bad Debts	(30,340)
14,083	**6,714**	**Local Tax Payers and NNDR (Net of Impairment)**	**3,815**
27,170	24,072	Capital Project	11,091
0	0	Less Impairment for Bad Debts	0
27,170	**24,072**	**Capital Projects (Net of Impairment)**	**11,091**
74,600	70,113	Other Entities and Individuals	66,165
(16,537)	(16,686)	Less Impairment for Bad Debts	(16,228)
58,063	**53,427**	**Other Entities and Individuals (Net of Impairment)**	**49,937**
177,727	**155,309**	**Total Debtors (Gross)**	**149,867**
(41,460)	**(41,662)**	**Less Total Impairment for Bad Debts**	**(52,707)**
136,267	**113,647**	**Total Debtors (Net of Impairment)**	**97,160**

19. Cash and Cash Equivalents

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

1 April 2011 £000	31 March 2012 £000		31 March 2013 £000
(2,629)	(9,430)	Cash at Bank	(9,549)
0	45,675	Call Investments	117,790
9,550	0	Short term deposits in the Council's Business Reserve Account	95
6,921	**36,245**	**Total**	**108,336**

20. Assets Held for Sale

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

2011/12 Current £000		2012/13 Current £000
5,442	Balance at 1 April	11,556
9,508	Assets newly classified as Held for Sale from Property, Plant and Equipment	7,840
(281)	Revaluation losses	(4,164)
2,367	Revaluation gains	0
(411)	Assets declassified as held for sale	(9,805)
(5,496)	Assets sold	(2,030)
427	Accounting Additions	437
11,556	**Balance at 31 March**	**3,834**

21. Short Term Creditors

The following is an analysis of Creditors:

1 April 2011 £000	31 March 2012 £000		31 March 2013 £000
(34,971)	(19,173)	Central Government Bodies	(19,758)
(1,493)	(764)	Other Local Authorities	(1,084)
(1,638)	(1,493)	NHS Bodies	(1,058)
(210)	(169)	Public Corporations and Trading Funds	0
(2,267)	(2,273)	Housing Tenants	(2,229)
(3,193)	(3,925)	Local Taxpayers and NNDR	(3,604)
(18,412)	(21,519)	Capital Projects	(6,312)
(77,076)	(58,775)	Other Entities and Individuals	(63,849)
(139,260)	**(108,091)**	**Total**	**(97,894)**

22. Provisions and Deferred Credits

The Council maintains the following provisions:

	Insurance	Employee Benefits	Digital Region	Termin-ation Benefits	HRA - Week 53 Rent Deferred Credit	Other	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2011	(14,683)	(3,620)	0	0	(1,289)	(18,926)	(38,518)
Balance at 1 April 2012	(16,502)	(15,460)	(12,380)	(4,497)	(922)	(9,389)	**(59,150)**
Additional Provisions	(8,504)	0	(2,600)	(4,137)	0	(10,418)	**(25,659)**
Amounts Used	6,474	15,460	2,400	2,388	367	4,431	**31,520**
Unused Amounts Reversed	0	0	0	2,109	0	63	**2,172**
Balance at 31 March 2013	**(18,532)**	**0**	**(12,580)**	**(4,137)**	**(555)**	**(15,313)**	**(51,117)**
Comprising of:							
Short Term	(8,200)	0	(12,580)	(4,137)	(367)	(11,315)	**(36,599)**
Long Term	(10,332)	0	0	0	(188)	(3,998)	**(14,518)**
	(18,532)	**0**	**(12,580)**	**(4,137)**	**(555)**	**(15,313)**	**(51,117)**

Insurance

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

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

During the financial year 1992/93 Municipal Mutual Insurance Limited (MMI) ceased accepting new business. The Directors of MMI ‘triggered’ the scheme of arrangement under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006) on 13 November 2012. From that date Ernst and Young became responsible for the management of the MMI’s business, affairs and assets in accordance with the terms of the Scheme.

The Scheme provides that following the occurrence of a Trigger Event, a levy may be imposed on all those scheme creditors which, since the record date, have paid an amount or amounts in respect of established scheme liabilities which, together with the amount of elective defence costs paid by MMI on its behalf, exceeding £50k in aggregate. Additionally, payments made after the imposition of a Levy in respect of established scheme creditors will be made at a reduced rate (the payment percentage).

Ernst and Young have carried out a review of assets and liabilities of MMI and concluded that the initial rate of the levy will be 15%, which will be raised in the near future. The levy will be reviewed at least once every 12 months.

The Council has a potential claw back of £4.5m with MMI and £640k relating to South Yorkshire Residuary Body (SYRB). The Council has evaluated the risk and believes that the current level of the Internal Insurance Account is sufficient to cover any losses that may materialise from MMI.

Employee Benefits

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

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

Up until the 31 March 2012 this adjustment was treated as a provision within the accounts based on the Council's interpretation of the guidance. However, the wording of the Code has now been clarified and as a result, at the 31 March 2013, this is now accounted for as a short term debtor or short term creditor depending on if amounts are owed to / from employees.

Digital Region

The provision covers costs, which are attributable to the Council as a shareholder of Digital Region Limited. An additional contribution of £2.6m has been made in 2012/13 following a revision of options and expected costs.

In August 2013 the decision was taken to commence the managed closedown of the network (Note 6 Events After the Reporting Date). The provision is expected to cover the Council's share of expenses, based on the latest available estimates.

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 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, the purchase of allowances under the Carbon Reduction Commitment Scheme, grant claw back, risks relating to Waste Contract and various other smaller provisions.

23. Other Long Term Liabilities

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

1 April 2011 £000	31 March 2012 £000		31 March 2013 £000
(28,408)	(26,316)	Deferred Liabilities	(23,912)
(2,684)	(1,400)	Goodwill Deferred Account	0
(31,092)	**(27,716)**	**Total**	**(23,912)**

Deferred Liabilities

The Council has a proportionate share in the interests of the former South Yorkshire Council Debt. As at 31 March 2013 the deferred liabilities of Sheffield City Council amounted to £26.2m (£28.4m in 2011/12), comprising £2.3m (£2.1m in 2011/12) maturing within one year, which has been disclosed in short term creditors – other entities and individuals (Note 21) and £23.9m (£26.3m in 2011/12) after that date.

Goodwill Deferred Account

In 2011/12 an amount of £1.4m was included in the Goodwill Deferred Account representing the amount of goodwill consideration on the disposal of the Council's building services and maintenance activities. The balance at the 31 March 2013 is nil.

24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 8 and 9.

General Fund Balance

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

The table below provides a breakdown of the General Fund balance:

1 April 2011 Restated £000	31 March 2012 Restated £000		31 March 2013 £000
(10,887)	(10,350)	General Balances Available	(11,183)
(10,887)	**(10,350)**	**Total**	**(11,183)**

The General Fund Balance was £11.2m at 31 March 2013, representing only 2.4% of the 2012/13 net budget requirement of £463.5m. If this £11.2m 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.

There is no overall formula that can calculate what the level of reserves should be; it is a matter of judgement based on the known risks, budgetary pressures and local factors. The Audit Commission report 'Striking a Balance' indicated that:

> *"most Chief Finance Officers in our research regarded an amount between 3 and 5 per cent of the council's net spending as a prudent level for risk-based reserves…"*

The report also noted that the average (median) unallocated reserves in individual single tier councils (like Sheffield) is 5 per cent. Sheffield's level of general fund reserves at 2.4% of the 2012/13 net revenue budget is well below these benchmarks. It is also low in comparison to most other major cities.

Earmarked General Fund Reserves

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

1 April 2011 Restated £000	31 March 2012 Restated £000		31 March 2013 £000
(23,729)	(25,154)	Schools Reserves	(16,435)
(4,828)	(859)	Revenue Grants and Contributions	(529)
		Other Earmarked Revenue Reserves:	
(3,079)	(949)	- Local Authority Business Growth Initiative (LABGI)	0
0	(2,202)	- Local Growth Fund (LGF)	(1,697)
(4,277)	(7,383)	- Major Sporting Facilities	(15,865)
(9,133)	(8,289)	- PFI Future Expenditure	(5,311)
(6,648)	(3,630)	- Service Area Reserves	(6,626)
(24,660)	(26,374)	- Other	(22,056)
(76,354)	**(74,840)**	**Total**	**(68,519)**

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

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. Some of the reserves are in deficit and represent a "borrowing" from other reserves internally to invest temporarily in projects on an invest to save basis.

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.

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.

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, Don Valley Stadium and Hillsborough Leisure Centre). In the interim, £25m of this reserve has been available on a temporary basis and used to fund Invest to Save projects. Invest to Save allows for investment in key projects to deliver transformational change. In the short term, the savings achieved are being used to repay the initial investment from the MSF reserve and will be fully repaid by 2015. Any on-going savings will then be available to support the Councils revenue budget in future years.

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.

The Invest to Save reserve allows for investment in key projects to deliver long term savings that will support the budget on an on-going basis. In the short term, these savings are being used to repay the deficit, which is scheduled to be fully repaid by 2015.

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 has agreed to use the payments to create a Local Growth Fund for projects that promote housing and economic growth. This reserve sets aside the payments until required for agreed projects.

Other Earmarked reserves also include funds which are set aside to cover predicted liabilities such as business rates appeals, redundancies, Equal Pay claims, Insurance risks, social care pressures and items earmarked for use by particular services.

Housing Revenue Account

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

Capital Receipts Reserve

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

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls 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.

Capital Grants Unapplied Reserve

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

25. Unusable Reserves

The following table summarises the Unusable Reserves balances:

1 April 2011 £000	**31 March 2012 £000**		**31 March 2013 £000**
		Capital Reserves:	
(637,037)	(505,393)	Revaluation Reserve	(374,013)
(718,901)	(1,198,996)	Capital Adjustment Account	(964,366)
(60)	(48)	Deferred Capital Receipts Reserve	(45)
(1,355,998)	(1,704,437)		(1,338,424)
		Revenue Reserves:	
39,657	38,575	Financial Instruments Adjustment Account	37,618
563,313	658,926	Pensions Reserve	797,832
265	(1,050)	Collection Fund Adjustment Account	(2,042)
3,621	15,461	Accumulated Absences Account	12,242
606,856	711,912		845,650
(749,142)	**(992,525)**	**Total**	**(492,774)**

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.

2011/12 £000		£000	2012/13 £000
(637,037)	**Balance at 1 April**		**(505,393)**
(43,860)	Upward revaluation of assets	(28,554)	
129,582	Downward revaluation of assets and impairment losses	72,981	
85,722	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**44,427**
12,350	Difference between fair value depreciation and historical cost depreciation	11,880	
33,572	Accumulated gains on assets sold or scrapped	75,073	
45,922	Amount written off to the Capital Adjustment Account		**86,953**
(505,393)	**Balance at 31 March**		**(374,013)**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

Note 13 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.

2011/12 £000		£000	2012/13 £000
(718,901)	**Balance at 1 April**		**(1,198,996)**
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:		
74,692	Depreciation of non-current assets	77,171	
(19,947)	Impairment of non-current assets	(35,619)	
160,424	Revaluation losses of non-current assets	102,150	
0	Movement in fair value of Investment Properties	926	
42,090	Revenue expenditure funded from capital under statute	9,175	
48,526	Non-current assets written off on disposal	304,608	
305,785			**458,411**
	Adjusting amounts written out of the Revaluation Reserve:		
(12,350)	Difference between fair value depreciation and historical cost depreciation	(11,880)	
(33,572)	Accumulated gains on assets sold or scrapped	(75,073)	
(45,922)			**(86,953)**
(459,038)	Net written out amount of the cost of non-current assets consumed in the year		**(827,538)**
	Capital financing applied in the year:		
(8,709)	Use of the Capital Receipts Reserve to finance new capital expenditure	(14,921)	
(26,858)	Use of the Major Repairs Reserve to finance new capital expenditure	(37,299)	
(159,101)	Capital grants and contributions credited to the CI&ES	(47,205)	
(3,294)	Application of grants and contributions from the Capital Grants Unapplied Reserve	(8,132)	
(20,027)	Statutory provision for the repayment of debt	(29,271)	
(3,616)	Capital expenditure charged to the General Fund and HRA	0	
(518,353)	HRA Self Financing Transaction	0	
(739,958)			**(136,828)**
(1,198,996)	**Balance at 31 March**		**(964,366)**

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.

2011/12 £000		2012/13 £000
(60)	Balance at 1 April	(48)
12	Transfer to the Capital Receipts Reserve upon receipt of cash	3
(48)	**Balance at 31 March**	**(45)**

Financial Instruments Adjustment Account

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

2011/12 £000		£000	2012/13 £000
39,657	**Balance at 1 April**		**38,575**
(1,005)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(877)	
(77)	Other movements	(80)	
(1,082)	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements		(957)
38,575	**Balance at 31 March**		**37,618**

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.

2011/12 £000		2012/13 £000
563,313	Balance at 1 April	658,926
94,918	Actuarial (gains) or losses on pensions assets and liabilities	141,449
55,024	Reversal of items relating to retirement benefits debited or credited to the CI&ES	49,670
(54,329)	Employer's pensions contributions and direct payments to pensioners payable in the year	(52,213)
658,926	**Balance at 31 March**	**797,832**

Collection Fund Adjustment Account

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

2011/12 £000		2012/13 £000
265	Balance at 1 April	(1,050)
(1,315)	Amount by which Council Tax income credited to the CI&ES is different from Council Tax income calculated for the year in accordance with statutory requirements	(992)
(1,050)	**Balance at 31 March**	**(2,042)**

Accumulated Absences Account

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

2011/12 £000		**2012/13 £000**
3,621	Balance at 1 April	15,461
11,840	Amount by which officer remuneration charged to the CI&ES is different from remuneration chargeable in the year in accordance with statutory requirements	(3,219)
15,461	**Balance at 31 March**	**12,242**

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2011/12 £000		**2012/13 £000**
608	Interest Received	810
(102,148)	Interest Paid	(57,134)

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:

2011/12 £000		**2012/13 £000**
74,692	Depreciation	77,171
136,477	Impairment and downward revaluations	66,531
15	Impairment losses on loans and advances in year	0
(50)	Adjustment for effective interest rate	(52)
(27)	Soft loans - interest adjustment to CI&ES in year	(28)
202	Increase / (Decrease) in impairment for bad debts re. Short Term Debtors	11,045
4,000	Increase / (Decrease) in impairment for bad debts re. Loans Advanced	0
(44,759)	Increase / (Decrease) in creditors	1,666
12,610	(Increase) / Decrease in debtors	(8,112)
202	(Increase) / Decrease in inventories	889
695	Movement in the Pension liability	(2,543)
48,526	Carrying amount of non-current assets sold	304,608
20,632	Contributions to / (from) provisions	(8,033)
0	Movement in Investment Property values	926
0	Other non-cash items charged to the net surplus or deficit on the provision of services	(10,641)
253,215	**Total**	**433,427**

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

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

2011/12 £000		2012/13 £000
(160,118)	Capital grants credited to surplus or deficit on the provision of services	(52,994)
10,000	Net adjustment from the sale of short and long term investments	0
(17,883)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(18,493)
(168,001)	**Total**	**(71,487)**

27. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2011/12 £000		2012/13 £000
(172,872)	Purchase of property, plant and equipment, investment property and intangible assets	(121,104)
0	Purchase of short and long term investments	(20,000)
(8,183)	Other payments for investing activities	(613)
17,895	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	18,497
145,448	Capital grants received	44,697
0	Other receipts from investing activities	9
(17,712)	**Net cash flow from investing activities**	**(78,514)**

28. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2011/12 £000		2012/13 £000
152,000	Cash receipts of short and long term borrowing	168,500
8,865	Council tax and NNDR adjustments	1,373
(5,574)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	(5,696)
(618,997)	Repayment of short and long term borrowing	(63,328)
(463,706)	**Net cash flow from financing activities**	**100,849**

29. Amounts Reported for Resource Allocation Decisions

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

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

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

- expenditure on some support services is budgeted for centrally and not charged to portfolios.

The following tables show how the figures reported in the Council's outturn report reconcile to the figures in the Comprehensive Income and Expenditure Statement. A simplified version of this disclosure can be found within section 5 of the Foreword.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year ended 31 March 2013 is as follows:

2012/13 Portfolio Income and Expenditure	Children, Young People and Families £000	Place £000	Communities £000	Deputy Chief Executive £000	Resources £000	Corporate £000	Total General Fund £000	Housing Revenue Account £000	Total £000
Grants	(74,730)	(3,155)	(16,874)	(73)	(240,602)	0	(335,434)	(184)	(335,618)
Other reimbursements and contributions	(3,479)	(1,573)	(10,287)	(884)	(1,368)	0	(17,591)	(521)	(18,112)
Sales	(2,927)	(1,432)	(288)	(4)	(37)	0	(4,688)	0	(4,688)
Fees and charges	(23,009)	(22,603)	(28,258)	(822)	(28,030)	(128)	(102,850)	(3,569)	(106,419)
Income from Council Tax	0	0	0	0	0	(8,289)	(8,289)	0	(8,289)
Other Income	(1,489)	(3,342)	(16,745)	(1,415)	(7,510)	0	(30,501)	(146,088)	(176,589)
Corporate Revenue Income	0	0	0	0	0	(215)	(215)	(53)	(268)
Recharges	(23,636)	(37,021)	(6,743)	(2,658)	(71,274)	0	(141,332)	(70)	(141,402)
Total Income	**(129,270)**	**(69,126)**	**(79,195)**	**(5,856)**	**(348,821)**	**(8,632)**	**(640,900)**	**(150,485)**	**(791,385)**
Employees	73,395	39,843	67,482	5,676	44,157	0	230,553	0	230,553
Premises	3,220	41,372	4,075	77	54,115	2	102,861	47,290	150,151
Transport	6,506	2,257	2,853	113	3,399	0	15,128	512	15,640
Supplies and services	45,647	41,048	7,417	8,174	14,528	42,903	159,717	55,895	215,612
Third party payments	42,999	98,395	154,768	1,011	227	59	297,459	113	297,572
Transfer payments	789	0	5,419	0	232,861	0	239,069	0	239,069
Central and departmental support	37,475	9,525	10,732	2,431	59,982	0	120,145	7,490	127,635
Other	256	2,614	0	0	9	(527,370)	(524,491)	31,066	(493,425)
Total Expenditure	**210,287**	**235,054**	**252,746**	**17,482**	**409,278**	**(484,406)**	**640,441**	**142,366**	**782,807**
Net Expenditure	**81,017**	**165,928**	**173,551**	**11,626**	**60,457**	**(493,038)**	**(459)**	**(8,119)**	**(8,578)**

2011/12 – Comparative Information

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

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

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

2011/12 £000		2012/13 £000
(12,870)	**Net Expenditure in the Portfolio Analysis**	**(8,578)**
(686)	Additional segments not included in the analysis	5,806
109,813	Amounts not included in the analysis but included in the CI&ES	79,294
511,665	Amounts included in the analysis but not included in the CI&ES	454,689
607,922	**Cost of Services in the CI&ES**	**531,211**

Reconciliation to Subjective Analysis:

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

2012/13	Net Expenditure in the Portfolio Analysis	Additional segments not included in the analysis	Amounts not included in the analysis but included in the CI&ES	Amounts included in the analysis but not included in the CI&ES	Allocation of Recharges	Cost of Services in the CI&ES	Amounts reported below the net expenditure of Continuing Operation in the CI&ES	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(447,424)	(305,372)	5,617	(2,381)	153,912	**(595,648)**	0	**(595,648)**
Interest and investment income	(53)	0	0	53	0	**0**	(2,225)	**(2,225)**
Income from Council Tax	(8,289)	0	0	8,289	0	**0**	(199,248)	**(199,248)**
Non Domestic Rates Distribution	0	0	0	0	0	**0**	(255,875)	**(255,875)**
Government grants and contributions	(335,619)	(4,598)	(8,711)	0	0	**(348,928)**	(118,348)	**(467,276)**
Total Income	**(791,385)**	**(309,970)**	**(3,094)**	**5,961**	**153,912**	**(944,576)**	**(575,696)**	**(1,520,272)**
Employee expenses	230,553	238,194	(27,430)	0	0	**441,317**	0	**441,317**
Other service expenses	522,089	77,582	(42,080)	486,163	0	**1,043,754**	0	**1,043,754**
Support service recharge	0	0	0	0	(153,912)	**(153,912)**	0	**(153,912)**
Depreciation, amortisation, and impairment	15,838	0	128,790	0	0	**144,628**	0	**144,628**
Interest payments	14,856	0	(1,381)	(13,475)	0	**0**	44,229	**44,229**
Precepts and levies	469	0	0	(469)	0	**0**	469	**469**
Payment to housing capital receipt pool	0	0	0	0	0	**0**	2,347	**2,347**
Gain or loss on disposal of fixed assets	0	0	0	0	0	**0**	285,853	**285,853**
(Surplus) / deficit of trading undertakings or other operations	(998)	0	2,436	(1,438)	0	**0**	1,438	**1,438**
Pension interest cost and expected return in pension assets	0	0	22,053	(22,053)	0	**0**	22,333	**22,333**
Total Expenditure	**782,807**	**315,776**	**82,388**	**448,728**	**(153,912)**	**1,475,787**	**356,669**	**1,832,456**
(Surplus) or deficit on the provision of services	**(8,578)**	**5,806**	**79,294**	**454,689**	**0**	**531,211**	**(219,027)**	**312,184**

2011/12 – Comparative Information

	Net Expenditure in the Portfolio Analysis	Additional segments not included in the analysis	Amounts not included in the analysis but included in the CI&ES	Amounts included in the analysis but not included in the CI&ES	Allocation of Support Service Recharges	Cost of Services in the CI&ES	Amounts reported below the net expenditure of Continuing Operation in the CI&ES	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(557,773)	(345,594)	(201)	130,767	150,900	**(621,901)**	0	**(621,901)**
Interest and investment income	(168)	0	0	168	0	**0**	(3,499)	**(3,499)**
Income from Council Tax	(197,060)	0	0	197,060	0	**0**	(198,375)	**(198,375)**
Non Domestic Rates Distribution	0	0	0	0	0	**0**	(216,816)	**(216,816)**
Government grants and contributions	(679,626)	(5,284)	(22,860)	325,180	0	**(382,590)**	(831,590)	**(1,214,180)**
Total Income	**(1,434,627)**	**(350,878)**	**(23,061)**	**653,175**	**150,900**	**(1,004,491)**	**(1,250,280)**	**(2,254,771)**
Employee expenses	253,436	266,885	(12,849)	0	0	**507,472**	0	**507,472**
Other service expenses	1,002,088	83,307	6,957	(47,680)	0	**1,044,672**	3	**1,044,675**
Support service recharge	0	0	0	0	(150,900)	**(150,900)**	0	**(150,900)**
Depreciation, amortisation, and impairment	85,802	0	125,367	0	0	**211,169**	0	**211,169**
Interest payments	79,192	0	0	(79,192)	0	**0**	168,607	**168,607**
Precepts and levies	465	0	0	(465)	0	**0**	465	**465**
Payment to housing capital receipts pool	0	0	0	0	0	**0**	2,951	**2,951**
Gain or loss on disposal of fixed assets	0	0	0	0	0	**0**	30,631	**30,631**
(Surplus) / deficit of trading undertakings or other operations	774	0	(4,282)	3,508	0	**0**	(3,508)	**(3,508)**
Pension interest cost and expected return in pension assets	0	0	17,681	(17,681)	0	**0**	17,681	**17,681**
Total Expenditure	**1,421,757**	**350,192**	**132,874**	**(141,510)**	**(150,900)**	**1,612,413**	**216,830**	**1,829,243**
(Surplus) or deficit on the provision of services	**(12,870)**	**(686)**	**109,813**	**511,665**	**0**	**607,922**	**(1,033,450)**	**(425,528)**

Assets and Liabilities

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

30. Trading Operations

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

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

Sheffield Markets Operation

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

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.

Street Force

Street Force is the Council's provider of consultancy and contracting services for the city's highway network, streetscene and general infrastructure within the public realm. Predominantly, this is on behalf of other Council services with some contracted work for external clients. Street Force ceased trading in August 2012 and transferred operations to a private contractor – Amey via a Private Finance Initiative arrangement.

Schools Traded Service

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

Capital Delivery Service (previously Design and Project Management)

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

2012/13	Income	Expenditure	Operating (Surplus)/ Deficit	Accounting Adjustments	Accounting (Surplus)/ Deficit
	£000	£000	£000	£000	£000
Sheffield Markets Operation	(1,944)	2,106	162	487	649
Commercial Estates (Property)	(1,803)	1,358	(445)	1,909	1,464
Transport Services	(1,053)	1,075	22	94	116
Street Force	(541)	740	199	76	275
Schools Traded Services	(1,317)	569	(748)	0	(748)
Capital Delivery Service (previously DPM)	(149)	(39)	(188)	(130)	(318)
	(6,807)	**5,809**	**(998)**	**2,436**	**1,438**

2011/12 – Comparative Information	Income	Expenditure	Operating (Surplus)/ Deficit	Accounting Adjustments	Accounting (Surplus)/ Deficit
	£000	£000	£000	£000	£000
Sheffield Markets Operation	(2,001)	2,767	766	0	766
Commercial Estates (Property)	(1,696)	1,521	(175)	(2,143)	(2,318)
Transport Services	(1,008)	2,844	1,836	(1,993)	(157)
Street Force	(2,112)	445	(1,667)	(6)	(1,673)
Schools Traded Services	(1,424)	1,172	(252)	0	(252)
Capital Delivery Service (previously DPM)	(473)	739	266	(140)	126
	(8,714)	**9,488**	**774**	**(4,282)**	**(3,508)**

31. Pooled Budget Arrangements

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

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

Service Area	Contribution to the Pool		Contribution from the Pool	
	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000
Intermediate Care	108	108	0	0
Learning Disabilities Accommodation	2,296	3,174	4,306	2,841
Equipment and adaptations	1,006	914	1,006	914

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

Intermediate Care

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

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000
Sheffield PCT	294	299	0	0
Sheffield City Council	108	108	0	0
Sheffield Teaching Hospitals	0	0	402	407
Sheffield Care Trust	0	0	0	0
Total	**402**	**407**	**402**	**407**

Learning Disabilities Accommodation

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

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

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000
Sheffield PCT	0	0	0	203
Sheffield City Council	2,296	3,174	4,306	2,841
Carried Forward	0	0	0	2,010
Total	**2,296**	**3,174**	**4,306**	**5,054**

Equipment and Adaptations

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

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000
Sheffield PCT	1,560	1,590	1,560	1,590
Sheffield City Council	1,006	914	1,006	914
Other Local Authorities	8	5	8	5
Carried Forward	0	0	0	0
Total	**2,574**	**2,509**	**2,574**	**2,509**

32. Members' Allowances

The Council paid the following amounts to Council Members and Co-optees' during 2012/13:

2011/12 £000		2012/13 £000
	Councillors:	
986	Basic Allowance	986
297	Special Responsibility Allowance	293
32	Expenses	27
1,315		**1,306**
	Co-optees:	
6	Basic Allowance	6
1,321	**Total**	**1,312**

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

33. Officers' Remuneration

Under the Accounts and Audit Regulations 2011, Local Authorities are required to disclose information on their employees' remuneration in two sections. Full details are required for those employees defined in the Regulations as senior employees whose salary is above £50,000 per annum, and an additional summary disclosure is required of the numbers of other staff whose total remuneration (i.e. salary plus overtime and allowances etc.) is above £50,000. In addition, those senior officers whose salary is above £150,000 are required to be named.

The remuneration paid to the Council's senior employees is as follows:

2012/13							
Post Holder Information	**Note**	**Salary - including Fees and Allowances**	**Expenses Allowances**	**Compensation for Loss of Office**	**Total Remuneration excluding Pension Contributions**	**Pension Contributions**	**Total Remuneration including Pension Contributions**
		£	**£**	**£**	**£**	**£**	**£**
Chief Executive John Mothersole	**1**	175,359	0	0	175,359	35,072	210,431
Executive Director of Resources		129,217	0	0	129,217	24,551	153,768
Executive Director - Place		123,066	123	0	123,189	23,383	146,572
Executive Director - Communities		129,217	0	0	129,217	24,551	153,768
Executive Director - Children Young People and Families	**2**	52,498	192	0	52,690	12,174	64,864
Executive Director - Children Young People and Families (Interim)	**2**	110,986	18	0	111,004	21,087	132,091
Total		**720,343**	**333**	**0**	**720,676**	**140,818**	**861,494**

Notes:

1 The Chief Executive has reduced pay during the period by £9,229 via the salary sacrifice scheme, which is included in the salary figure above. His full time equivalent salary is £184,588 per year.

2 The Executive Director - Children Young People and Families (CYPF) is currently on an unpaid career break, having been paid £52,690 up until her departure on 15 August 2012. Her full time equivalent salary was £141,516 in 2012/13. An interim replacement from the CYPF Leadership Team is in post with full time equivalent salary of £116,902.

2011/12 – Comparative Information

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

Notes:

1 The Chief Executive has reduced pay during the period by £9,229 via the salary sacrifice scheme, which is included in the salary figure above. Their full time equivalent salary is £184,588 per year.

2 The Deputy Chief Executive took Flexible Retirement during 2011/12, which incurred Pension Costs of £57,785. Their full time equivalent salary is £135,368 per year. The Deputy Chief Executive also purchased additional annual leave via the additional annual leave salary sacrifice scheme at a cost of £5,206, which is included in the salary figure above.

3 The Executive Director of Resources, in 2011/12, has been assimilated to a permanent spinal column point. Their full time equivalent salary is now £129,217 per year.

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

2011/12				2012/13		
Teachers	**Other**	**Total**	**Remuneration Band**	**Teachers**	**Other**	**Total**
74	44	**118**	£50,000 - 54,999	69	39	**108**
76	43	**119**	£55,000 - 59,999	51	33	**84**
43	18	**61**	£60,000 - 64,999	25	9	**34**
26	12	**38**	£65,000 - 69,999	21	11	**32**
12	19	**31**	£70,000 - 74,999	16	11	**27**
2	15	**17**	£75,000 - 79,999	5	14	**19**
5	11	**16**	£80,000 - 84,999	4	11	**15**
3	3	**6**	£85,000 - 89,999	4	4	**8**
3	2	**5**	£90,000 - 94,999	3	1	**4**
6	3	**9**	£95,000 - 99,999	3	3	**6**
3	0	**3**	£100,000 - 104,999	1	0	**1**
2	1	**3**	£105,000 - 109,999	1	0	**1**
0	1	**1**	£120,000 - 124,999	0	1	**1**
1	0	**1**	£125,000 - 129,999	0	0	**0**
1	0	**1**	£140,000 - 144,999	0	0	**0**
257	**172**	**429**	**Total**	**203**	**137**	**340**
248	**143**	**391**	**Total Excluding redundancies**	**202**	**124**	**326**

34. Termination Benefits

The Council terminated the contracts of a number of employees in 2012/13, incurring liabilities of £8.6m (£13.6m in 2011/12). This includes redundancy and pension payments.

This amount was payable to 527 people (772 people in 2011/12) from across the Council, who were made redundant as part of the Council's workforce reductions in response to budget reductions.

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

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

2011/12			2012/13	
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**
548	4,639	£0 - £20,000	400	2,684
145	4,006	£20,001 - £40,000	57	1,632
46	2,251	£40,001 - £60,000	44	2,143
18	1,241	£60,001 - £80,000	16	1,073
10	869	£80,001 - £100,000	4	359
5	576	£100,001 - £150,000	6	727
772	**13,582**	**Total**	**527**	**8,618**

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

In 2012/13 contributions of £851k for the termination costs under contract / partnership obligations were also incurred, in 2011/12 the equivalent cost was £890k. These are not included in the above table.

35. External Audit Fees

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

2011/12		**2012/13**
£000		**£000**
413	Fees payable with regard to external audit services carried out by the appointed auditor	248
98	Fees payable for the certification of grant claims and returns	38
7	Fees payable in respect of any other services provided over and above those listed above	40
518	**Total**	**326**

The Audit Commission paid a rebate of £33k from internal efficiency savings, in relation to the 2011/12 main audit, reducing the net amount payable to the Audit Commission for the main audit to £380k. This was received in 2012/13.

36. 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 (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on a Council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

2012/13	**Central Expenditure**	**Individual Schools Budget**	**Total**
	£000	**£000**	**£000**
Final DSG for 2012/13 before Academy recoupment	36,595	314,121	**350,716**
Academy figure recouped for 2012/13	(628)	(41,762)	**(42,390)**
Total DSG after Academy recoupment for 2012/13	35,967	272,359	**308,326**
Brought forward from 2011/12	6,179	0	**6,179**
Carry forward to 2013/14 agreed in advance	0	0	**0**
Agreed initial budgeted DSG distribution in 2012/13	42,146	272,359	**314,505**
In year adjustments	(2,394)	2,394	**0**
Final budgeted distribution for 2012/13	39,752	274,753	**314,505**
Less Actual central expenditure	(36,461)	0	**(36,461)**
Less Actual ISB deployed to schools	0	(274,753)	**(274,753)**
Plus Local Authority contribution for 2012/13	0	0	**0**
Carry forward to 2013/14	**3,291**	**0**	**3,291**

2011/12 – Comparative Information	**Central Expenditure**	**Individual Schools Budget**	**Total**
	£000	**£000**	**£000**
Final DSG for 2011/12	36,076	304,468	**340,544**
Academy figure recouped for 2011/12	0	0	**0**
Total DSG after Academy recoupment for 2011/12	36,076	304,468	**340,544**
Brought forward from 2010/11	5,440	0	**5,440**
Carry forward to 2012/13 agreed in advance	0	0	**0**
Agreed initial budgeted DSG distribution in 2011/12	41,516	304,468	**345,984**
In year adjustments	0	0	**0**
Final budgeted distribution for 2011/12	41,516	304,468	**345,984**
Less Actual central expenditure	(35,337)	0	**(35,337)**
Less Actual ISB deployed to schools	0	(304,468)	**(304,468)**
Plus Local Authority contribution for 2011/12	0	0	**0**
Carry forward to 2012/13	**6,179**	**0**	**6,179**

37. Grant Income

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

2011/12 £000		2012/13 £000
	Credited to Services:	
(5,586)	Department for Business Innovation and Skills	(4,383)
(41,709)	Department for Communities and Local Government	(6,407)
(413,877)	Department for Education	(360,581)
(229,439)	Department for Work and Pensions	(239,994)
(16,150)	Department of Health	(25,259)
0	Home Office	(1,275)
(1,345)	Ministry of Justice	(1,279)
(4,412)	Other	(6,124)
(712,518)	**Total**	**(645,302)**
	Credited to Taxation and Non Specific Grant Income:	
	Non-ring fenced Government Grants:	
(78,422)	Department for Communities and Local Government	(22,185)
(7,721)	Department of Health	(7,722)
0	Department for Transport	(21,478)
(21,388)	Education Funding Agency	(22,573)
(107,531)		(73,958)
	Capital Grants and Contributions:	
(1,358)	Big Lottery Fund	(1,027)
(2,866)	Department for Communities and Local Government	(518)
(113,835)	Department for Education	(23,105)
(1,463)	Department of Health	(1,468)
(9,536)	Department for Transport	(6,550)
(1,216)	European Regional Development Fund	0
(1,985)	Homes and Communities Agency	(21)
(1,716)	Other	(11,701)
(133,975)		(44,390)
(590,084)	HRA Self Financing Transaction	0
(724,059)		(44,390)
(831,590)	**Total**	**(118,348)**

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

1 April 2011 £000	31 March 2012 £000		31 March 2013 £000
		Revenue Grants Receipts in Advance:	
(1,318)	(340)	Department for Business Innovation and Skills	(2,889)
(4,984)	(432)	Department for Education	(750)
(3,524)	(631)	Department for Communities and Local Government	(1,517)
(4,894)	(2,640)	Department of Health	(2,098)
(1,525)	(2,534)	Other	(811)
(16,245)	**(6,577)**	**Total**	**(8,065)**
		Capital Grants Receipts in Advance:	
(3,638)	(22,280)	Department for Communities and Local Government	(12,551)
(74,404)	(36,171)	Department for Education	(15,465)
(1,161)	(3,218)	Section 106 Developers Contributions	0
(1,002)	0	Yorkshire Forward	(971)
(1,384)	(905)	Other	(4,726)
(81,589)	**(62,574)**	**Total**	**(33,713)**

38. 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 £321m (£328m for 2011/12), with £1m (£11m for 2011/12) accrued. All such material related party transactions are disclosed either individually or in aggregate below.

Council Members

In respect of financial year 2012/13 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.

Significant transactions include:

2012/13						
Related Party	**Receipts £000**	**Payments £000**	**Net Payments £000**	**Receivables £000**	**Payables £000**	**Net Assets £000**
Sheffield Homes	(7,223)	44,505	**37,282**	2,081	(5)	**2,076**
Sheffield City Trust	(49)	25,825	**25,776**	16	(97)	**(81)**
Building Schools for the Future	0	11,141	**11,141**	0	(3)	**(3)**
Sheffield Futures	(53)	7,179	**7,126**	6	(20)	**(14)**
South Yorkshire Housing Association	(52)	5,953	**5,901**	1	0	**1**
Sheffield Galleries and Museum Trust	(216)	2,981	**2,765**	27	(931)	**(904)**
Digital Region Ltd	0	2,407	**2,407**	0	(8)	**(8)**
DLA Piper	0	2,635	**2,635**	0	0	**0**
Autism Plus	(1)	2,394	**2,393**	1	0	**1**
Sheffield Lyceum Theatres Trust	0	2,294	**2,294**	0	0	**0**
Roundabout	0	1,090	**1,090**	0	0	**0**
Sheffield Industrial Museums Trust	(29)	723	**694**	1	(258)	**(257)**
Burngreave New Deal	0	0	**0**	2	0	**2**

2011/12 – Comparative Information						
Related Party	**Receipts £000**	**Payments £000**	**Net Payments £000**	**Receivables £000**	**Payables £000**	**Net Assets £000**
Sheffield Homes	(6,793)	43,933	**37,140**	616	0	**616**
Sheffield City Trust	(74)	30,897	**30,823**	33	(15)	**18**
Building Schools for the Future (Paradigm)	0	10,951	**10,951**	0	0	**0**
Sheffield Futures	(55)	7,072	**7,017**	57	0	**57**
South Yorkshire Housing Association	(8)	6,414	**6,406**	0	0	**0**
Sheffield Galleries and Museum Trust	(203)	3,185	**2,982**	66	(9)	**57**
Digital Region Ltd	0	2,692	**2,692**	0	0	**0**
DLA Piper	(12)	3,736	**3,724**	0	0	**0**
Autism Plus	0	1,082	**1,082**	0	0	**0**
Sheffield Lyceum Theatres Trust	0	2,008	**2,008**	0	0	**0**
Roundabout	0	1,056	**1,056**	0	0	**0**
Sheffield Industrial Museums Trust	(29)	715	**686**	258	0	**258**
Burngreave New Deal	(1)	2	**1**	0	(2)	**(2)**

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

Chief Officers

For the purpose of this disclosure the term 'chief officer' is defined as the Chief Executive, the Deputy Chief Executive, the Executive Directors and Director of Finance. The note also covers members of those officers' close families or households. None of the Council's chief officers declared a position of general control or management in a third party organisation during the financial year which was not disclosed elsewhere.

Transactions with Other Public Bodies

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

2012/13						
	Receipts	**Payments**	**Net Payments**	**Receivables**	**Payables**	**Net Accruals**
Related Party	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
South Yorkshire Pensions Authority	(48)	68,844	**68,796**	10	(1,649)	**(1,639)**
South Yorkshire Integrated Transport Authority*	(3,701)	39,007	**35,306**	1,463	(3)	**1,460**
South Yorkshire Police Authority*	(244)	21,327	**21,083**	2	(6)	**(4)**
Other Local Authorities	(2,215)	6,997	**4,782**	8,481	(380)	**8,101**
NHS bodies within Sheffield and regional health organisations	(27,310)	16,879	**(10,431)**	2,311	(979)	**1,332**
South Yorkshire Fire and Rescue Authority*	(24)	9,707	**9,683**	3	0	**3**

*Figures inclusive of precepts and levies

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

*Figures inclusive of precepts and levies

Other Material Transactions

During 2012/13 the Council made net payments of £80m (£80.9m for 2011/12) to Kier Sheffield LLP. This includes £0.8m accruement (nil for 2011/12) at 31 March.

39. 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.

2011/12 £000		2012/13 £000
	Capital Investment	
175,979	Property, Plant and Equipment*	179,904
0	Heritage Assets	76
427	Assets Held for Sale*	437
8,152	Loans Advanced	464
42,090	Revenue Expenditure Funded from Capital Under Statute	9,175
226,648		**190,056**
	Sources of Finance	
162,530	Government Grants and Other Contributions	55,337
0	PFI Lease Liability	74,521
26,857	Major Repairs Reserve	37,299
8,708	Capital Receipts Reserve	14,921
28,553	Borrowing	7,978
226,648		**190,056**
	Capital Financing Requirement	
1,557,061	Opening Balance	1,043,874
16,173	Borrowing in Year	7,602
12,380	Capitalisations	0
(518,353)	HRA Self Financing Transaction	0
(23,387)	MRP / VRP and Other	(29,271)
0	PFI Liabilities recognised in year	74,520
1,043,874	**Closing Balance**	**1,096,725**

* These figures should match to the additions lines in notes 13 and 20 detailing movements on the non-current assets balances.

40. 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:

2011/12 £000		2012/13 £000
2,197	Not later than one year	1,999
5,305	Later than one year and not later than five years	3,223
3,653	Later than five years	3,315
11,155	**Total**	**8,537**

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:

2011/12 £000		2012/13 £000
2,646	Not later than one year	2,951
9,253	Later than one year and not later than five years	10,001
100,594	Later than five years	99,072
112,493	**Total**	**112,024**

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

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

PFI and Similar Contracts

At 31 March 2013 the Council had seven long term contracts under Private Finance Initiative (PFI) arrangements. These were five existing PFI contracts and two new contracts commencing in 2012/13. Because new models were set up for the two new contracts, all previous financing models were recalculated and restated to match the new PFI model methodology. The new models for the five existing PFI contracts incorporate revised principal repayments, which have been amended in year as they were adjudged immaterial.

The first PFI contract is for the provision of office accommodation at Howden House for a period of 30 years from February 2001. Payments to the contractor during the year amounted to £4.2m (£4.9m in 2011/12) and 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 and total payments to the contractor during the year were £10.1m (£9.7m in 2011/12). 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 with total payments to the contractor during the year amounting to £4m (£3.9m in 2011/12). The Schools Phase Three PFI contract, which is for 25 years, became operational during the financial year 2006/07 and total payments during the year were £7.3m (£7.2m in 2011/12). The Building Schools for the Future (BSF) Wave One contract is for 25 years. It became operational in January 2009 and total payments during the year were £9.1m (£9m in 2011/12). The Bradfield School PFI contract, which is for 25 years, became operational during the financial year 2012/13 and total payments during the year were £1.2m.

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. Total payments during the year were £26.7m.

The Council has another long term arrangement that is not PFI funded. This is for the collection and disposal of municipal waste and was entered into in August 2001, originally for 30 years but extended during 2004/05 to 35 years. Payments to the contractor during the year totalled £27.6m (£27.4m in 2011/12). 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 this year.

In accordance with the Accounting Policy for Private Finance Initiatives and Similar Contracts (Note 1 XXI), 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.

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 13.

PFI Finance Lease Liability

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

2011/12 £000		2012/13 £000
(232,378)	Value of the liability as at 1 April	(226,804)
0	Recognition of fixed assets	(74,520)
5,574	Finance lease rental	10,520
0	Lifecycle replacement costs	0
(226,804)	**Value of liability as at 31 March**	**(290,804)**
	Comprising of:	
(4,990)	Short Term	(6,930)
(221,814)	Long Term	(283,874)
(226,804)		**(290,804)**

PFI Payments Due to be Made

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

2011/12 Total £000		Repayment of Current Liability £000	Repayment of Future Liability £000	Interest Charge £000	2012/13 Service Charge £000	Contingent Rents £000	Lifecycle Costs £000	Total £000
66,666	Within one year	6,930	4,375	31,052	66,739	5,666	0	114,762
281,486	Within two and five years	32,489	22,087	156,011	261,170	28,870	9,214	509,841
388,393	Within six and ten years	56,263	19,874	205,252	331,078	53,965	69,528	735,960
427,512	Within eleven and fifteen years	69,358	33,197	161,419	369,757	66,834	92,238	792,803
401,339	Within sixteen and twenty years	74,817	47,687	107,880	372,970	73,191	113,331	789,876
287,117	Within twenty-one and twenty-five years	50,947	73,804	36,426	283,994	58,179	92,787	596,137
1,852,513	**Total**	**290,804**	**201,024**	**698,040**	**1,685,708**	**286,705**	**377,098**	**3,539,379**

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.

42. Long Term Contracts

In addition to the PFI and similar contracts disclosed in Note 41, the Council has a number of other Long Term Contracts in place.

The Council has agreed to meet the cost of arrangements that Sheffield City Trust has entered into with certain leasing banks in respect of the provision of funding for sporting facilities in the city. The cost of this commitment during the year was £16.9m (£16.5m in 2011/12). The agreement will end in 2024 when the amount of capital owing to the leasing banks will be met from the proceeds of the £140m Sheffield Investment Bond which was issued by the Trust in 2000. The Bond, which is guaranteed by the Council, is under an interest only arrangement until 2014, whereupon it will be repaid by equal instalments of interest and capital over a ten year period. The current cost of servicing the Bond is met from interest received from fixed rate deposits of the Bond proceeds.

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

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

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

Payments to Capita Business Services Limited under the contract in 2012/13 totalled £38.3m (£41.2m in 2011/12).

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

Payments to Kier Limited under the contract in 2012/13 totalled £8.6m (£9.5m in 2011/12).

43. Impairment Losses

During 2012/13 there were no charges for impairments. During 2012/13, £36m of previous impairments were reversed following subsequent valuations (£23.9m in 2011/12 offset by an impairment loss of £4m in long term debtors totalling net £19.9m reversals in 2011/12).

44. Post-Employment Benefits

As part of the terms and conditions of employment of its employees, the Council offers post-employment benefits in the form of two pension schemes, which provide members with defined benefits related to pay and service. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

As outlined in the Statement of Accounting Policies (Note 1 VIII) the City Council makes contributions to the following two pension schemes in respect of its employees.

Teachers’ Pension Scheme

In 2012/13 the City Council paid £17.2m (£20.2m 2011/12) to Department for Education (DfE) in respect of Teachers’ pension costs, which represented 14.1% (14.1% 2011/12) 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 2012/13 these amounted to £4.6m (£4.5m 2011/12), representing 3.74% (3.12% 2011/12) of pensionable pay.

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

Local Government Pension Scheme

Transactions Relating to Post-Employment Benefits

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

2011/12 £000		**2012/13 £000**
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
35,910	Current service cost	38,357
226	Past service costs	90
(1,548)	(Gains) and Losses on Settlements	(13,910)
2,755	Curtailments and Settlements	2,800
37,343	**Charge to Net Cost of Services**	**27,337**
	Financing and Investment Income and Expenditure:	
101,372	Interest cost	96,811
(83,691)	Expected return on scheme assets	(74,478)
17,681	**Total Post-Employment Benefits charged to the (Surplus) / Deficit on the Provision of Services**	**22,333**
	Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:	
94,918	**Actuarial (gains) and losses**	**141,449**
149,942	**Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement**	**191,119**

2011/12 £000		**2012/13 £000**
	Movement in Reserves Statement	
(55,024)	Reversal of net charges made to the (Surplus) / Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(49,670)
	Actual amount charged against the General Fund Balance for pensions in the year:	
54,329	Employers contributions payable to scheme	52,213

The cumulative amount of actuarial (gains) and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £406.1m (£264.7m 2011/12).

Assets and Liabilities in Relation to Post-Employment Benefits

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

2011/12 £000		2012/13 £000
(1,859,352)	Opening Balance at 1 April	(1,998,631)
(35,910)	Current service cost	(38,357)
(101,372)	Interest cost	(96,811)
(14,228)	Contributions by scheme participants	(13,250)
(67,192)	Actuarial gains and (losses)	(247,948)
80,856	Benefits Paid	80,415
(226)	Past Service Costs	(90)
(2,755)	Curtailments	(2,800)
1,548	Settlements	13,910
(1,998,631)	**Closing Balance at 31 March**	**(2,303,562)**

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

2011/12 £000		2012/13 £000
1,296,039	Opening Balance at 1 April	1,339,705
83,691	Expected rate of return on scheme (plan) assets	74,478
(27,726)	Actuarial gains and (losses)	106,499
54,329	Contributions by Employer	52,213
14,228	Contributions by scheme (plan) participants	13,250
(80,856)	Benefits paid	(80,415)
0	Settlements	0
1,339,705	**Closing Balance at 31 March**	**1,505,730**

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 £181m (£56m 2011/12).

Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities	(1,452,504)	(1,992,120)	(1,859,352)	(1,998,631)	(2,303,562)
Fair value of scheme assets	948,202	1,253,255	1,296,039	1,339,705	1,505,730
Surplus / (deficit) in the scheme	(504,302)	(738,865)	(563,313)	(658,926)	(797,832)

The liabilities show the underlying commitments that the Council has, in the long run, to pay post-employment benefits. The total liability of £798m (£659m 2011/12) has a substantial impact on the net worth of the Council as recorded on the Balance Sheet, reducing the balance from £1.4bn to £661m (£1.8bn to £1.2bn 2011/12). The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £50m.

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:

2011/12		2012/13
	Long term expected rate of return on assets in the scheme:	
7.0%	Equity investments	7.0%
3.1%	Government bonds	2.8%
4.1%	Other bonds	3.9%
6.0%	Property	5.7%
0.5%	Cash / Liquidity	0.5%
7.0%	Other assets	7.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.5 yrs	Men	21.8 yrs
24.1 yrs	Women	24.7 yrs
	Longevity at 65 for future pensioners:	
22.8 yrs	Men	23.7 yrs
25.8 yrs	Women	26.6 yrs
2.5%	Rate of CPI inflation	2.4%
4.25%	Rate of increase in salaries	4.2%
2.5%	Rate of increase in pensions	2.4%
4.9%	Rate for discounting scheme liabilities	4.2%
50.0%	Take up of option to convert annual pension into retirement lump sum	50.0%

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

2011/12 %		2012/13 %
62.3	Equities	61.4
17.0	Government Bonds	11.1
7.7	Other Bonds	10.2
9.9	Property	9.3
3.1	Other Assets	8.0
100	**Total**	**100**

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserves in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	-26.5	19.4	-2.8	-2.1	7.1
Experience gains and losses on liabilities	-23.4	-23.1	-6.3	3.4	10.8

To satisfy the auditors of Sheffield Homes Limited that the company is a going concern, the Council has issued a letter of support to Sheffield Homes that subject to certain conditions it will guarantee the full amount of their deficit on the South Yorkshire Pension Fund. Under IAS 19 this deficit is £35m for 2012/13 (£23m 2011/12), this sum is included within the Council's overall IAS 19 deficit above.

45. Contingent Liabilities

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

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

Exposure 2011/12 £000		Exposure 2012/13 £000
2,519	Sheffield City Trust City Hall	2,214
6,339	Sheffield Lyceum Theatre Trust Ltd	0
666	Sheffield City Trust Ice Centre	334
156	Sheffield Science Park Co Ltd	143
9,680		**2,691**

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

Academies

In the Commercial Transfer Agreements in relation to the academy transfers, the Council has agreed to consider in good faith all reasonable requests to indemnify the several Academies against losses reasonably incurred in connection to various employment claims. At this stage, it is no more than the Council agreeing to consider in good faith, but this could be a significant liability. No amounts are specified.

Equal Pay

During 2011/12 and 2012/13 the Council made a number of settlement payments to individuals in relation to back dated Equal Pay claims. The bulk of offers have been made to those individuals with outstanding claims, and a small provision is held for those individuals not yet settled with. However, the Council recognises the potential that further equal pay claims may arise, some of which may lead to additional compensation agreements. It is not possible to estimate with any certainty the likely financial impact in advance of such claims being made.

Grant Claw Back

The Council has also undertaken the accountable body role, or has guaranteed that capital schemes funded by grant will continue to provide specified output in relation to a number of projects. These projects have been funded from a variety of grant regimes including European Union sources, the Single Regeneration Budget and Lottery distribution bodies. In the event of projects not achieving their originally stated objectives, grants can be subject to 'claw back' by the funding organisations. These projects are subject to appropriate monitoring and in a situation where any liability of the Council is agreed, it will be disclosed and an appropriate provision made in the relevant year's Accounts.

Local Land Charges Litigation

The Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £153,849.60 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £316,278.96 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh Local Authorities for alleged anti-competitive behaviour**.** It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

Pensions

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

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

Sheffield Cultural Infrastructure Project

SCC is on notice of a Correction in respect of certain procurement irregularities. This is currently estimated to amount to up to £274,000. The Council is unlikely to challenge DCLG but may recover some of the liability from other involved parties. At this stage it is unclear as to where this liability will rest.

Tax - Building Schools for the Future

During financial year 2012/13 HMRC placed the Council on assessment for what they deem to be the incorrect recovery of input VAT associated with the Building Schools for the Future (BSF) work carried out at Notre Dame and All Saints voluntary aided schools dating back to 2009. Should the Council be found liable to an error in the recovery of this VAT it could also face penalties and interest charges. The Council and its advisors are contesting HMRC's assessment and it is not yet possible to derive either an outcome or potential cost.

Termination Benefits

A provision has been recognised in 2012/13 accounts for individuals who the Chief Officer Panel have approved to leave the Council, via voluntary early retirement and voluntary redundancy, but as at 31 March 2013 have not yet left the Council (see note 34). However, there is still some uncertainty surrounding the number of other potential redundancies and related costs. We are unable to quantify the number of employees or costs involved.

46. Trust Funds

The Council administers trust funds which principally relate to legacies left by various individuals, groups etc. There are 40 such accounts, where the Council is sole trustee, with a total value of £2.3m (£2.5m 2011/12). These are:

2011/12 Income £000	2011/12 Expend-iture £000	2011/12 Trust Value £000		2012/13 Income £000	2012/13 Expend-iture £000	2012/13 Trust Value £000
(2)	0	(298)	Beet Street Nursery	(2)	0	(300)
(9)	25	(236)	Norfolk Park Trust	(1)	0	(237)
(1)	1	(230)	Chelsea Park	(1)	0	(231)
(1)	1	(166)	Earl Marshal Street Recreation Ground Trust	(1)	0	(167)
(1)	1	(180)	Wincobank Wood Recreation Ground Trust	(1)	0	(181)
(5)	0	(63)	Comfort Funds	(4)	0	(67)
(1)	0	(108)	Wilkinson Scholarship Fund	0	108	0
(23)	25	(57)	Land at Fulwood / Whirlow	(26)	5	(78)
0	0	(63)	Sir George Franklin Trust Fund (Scholarships)	0	63	0
(9)	0	(743)	Graves Trust Fund	(9)	0	(752)
0	32	(61)	Unit Factories Sinking Fund	(6)	1	(66)
(84)	98	(297)	Other	(32)	74	(255)
(136)	**183**	**(2,502)**	**Total**	**(83)**	**251**	**(2,334)**

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

Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. 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

2011/12 £000		Note	2012/13 £000
	Expenditure:		
33,270	Repairs and maintenance		32,898
54,984	Supervision and management		51,079
658	Rents, rates, taxes and other charges		387
66,968	Depreciation and impairment / losses of non-current assets	7 / 8	24,803
421	Debt management costs		270
780	Movement in the allowance for Bad or Doubtful Debts		777
157,081	**Total Expenditure**		**110,214**
	Income:		
(126,622)	Dwelling rents	11	(136,399)
(1,477)	Non-dwelling rents - garages, garage sites, shops	11	(1,554)
(6,648)	Charges for services and facilities		(6,131)
(611)	Contributions towards expenditure		(1,073)
(28,068)	HRA subsidy receivable	9	(93)
(163,426)	**Total Income**		**(145,250)**
(6,345)	Net Income / Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement		(35,036)
478	HRA share of Corporate and Democratic Core		622
(5,867)	**Net Income / Cost of HRA Services**		**(34,414)**
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:		
(1,100)	(Gain) or loss on sale of HRA non-current assets		6,824
46,198	Interest payable and similar charges		13,475
71,731	Interest payable and similar charges – HRA Self Financing Transaction		0
(1,911)	Interest and investment income		(53)
0	Capital grants and contributions receivable		(849)
(590,084)	Capital grants and contributions receivable – HRA Self Financing Transaction		0
(481,033)	**(Surplus) / Deficit for the year on HRA services**		**(15,017)**

Movement on the Housing Revenue Account Statement

2011/12 £000		Note	2012/13 £000
(16,729)	**Balance on the Housing Revenue Account as at 1 April**		**(14,409)**
(481,033)	(Surplus) / Deficit on the HRA Income and Expenditure Statement		(15,017)
472,245	Adjustments between accounting basis and funding basis under regulation	1	6,898
(8,788)	**Net (increase) / decrease before transfers to reserves**		**(8,119)**
11,108	Transfer to reserves	2	0
2,320	**(Increase) / decrease in year on the HRA**		**(8,119)**
(14,409)	**Balance on the Housing Revenue Account as at 31 March**		**(22,528)**

Notes to the Housing Revenue Account

01. Adjustments Between Accounting Basis and Funding Basis Under Regulation

2011/12 £000		2012/13 £000
(50,572)	Impairment / revaluation losses on HRA non-current assets	(8,971)
0	Capital Grants and Contributions credited to the HRA	849
1,100	Net gain / (loss) on sale of HRA non-current assets	(6,824)
1,238	Difference between interest payable and similar charges (including amortisation of premiums and discounts determined in accordance with Statute)	1,110
0	Revenue Contribution to Major Repairs Reserve	20,734
(46)	Transfer of Capital Receipts (<£10k) to the HRA	0
518,353	HRA Self Financing Transaction	0
2,173	Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statutory HRA requirements	0
472,245	**Total**	**6,898**

02. 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 2012/13.

2011/12 £000		2012/13 £000
11,108	Transfer to / (from) the Major Repairs Reserve*	0
11,108	**Total**	**0**

*For 2012/13 this transfer has been shown as an “adjustment between the accounting basis and funding basis under regulation” instead of as a “transfer between reserves”.

03. Housing Stock

The Council was responsible for managing, on average 41,210 dwellings during 2012/13 (41,494 for 2011/12). The movement in stock can be summarised as follows:

2011/12		2012/13
41,626	Housing Stock as at 1 April	41,363
(151)	Less: Sales	(149)
(120)	Less: Demolitions and other deductions	(162)
8	Add: New build and acquisitions	4
41,363	**Housing Stock as at 31 March**	**41,056**

The housing stock can be analysed by type as follows:

2012/13	**Flats and Maisonettes**	**Houses and Bungalows**	**Total**
1 Bedroom	12,051	1,689	13,740
2 Bedrooms	5,732	9,058	14,790
3 Bedrooms	942	10,836	11,778
4 Bedrooms	14	341	355
5 Bedrooms	3	13	16
6 Bedrooms or more	0	4	4
Bedsits	370	2	372
Multi Occupied	1	0	1
Total	**19,113**	**21,943**	**41,056**

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

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

2011/12			**2012/13**	
Value at 1 April £000	**Value at 31 March £000**		**Value at 1 April £000**	**Value at 31 March £000**
864,123	835,821	Council Dwellings	835,821	849,262
17,402	20,045	Other Land and Buildings	20,045	19,718
72,578	41,314	Surplus Assets	41,314	26,491
722	1,911	Assets Held for Sale	1,911	1,535
954,825	**899,091**	**Total**	**899,091**	**897,006**

04. Vacant Possession

The vacant possession value of Council dwellings as at 1 April 2012 was £2.70bn (£2.78bn at 1 April 2011).

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.

05. Major Repairs Reserve

The Major Repairs Reserve was created on 1 April 2002 in accordance with the statutory provision (Section 3 Local Authorities Capital Finance and Accounts England Regulations 2000).

The table below shows the movement on the reserve:

2011/12 £000		2012/13 £000
(9,460)	Balance at 1 April	(10,106)
(16,395)	Transfers from the Capital Adjustment Account (re. Depreciation)	(15,838)
(11,108)	Transfers from the HRA	(20,734)
26,857	Expenditure on capital assets	37,299
(10,106)	**Balance at 31 March**	**(9,379)**

06. Capital Expenditure

During the financial year total capital expenditure was £40.9m, (£31.6m 2011/12) split between houses £40.4m (£30m in 2011/12) and other property within the Housing Revenue Account £0.5m (£1.4m in 2011/12) and land nil (£0.2m in 2011/12).

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

2011/12 £000		2012/13 £000
26,857	Major Repairs Reserve	37,299
4,647	Capital Receipts Reserve	994
80	Borrowing	0
0	Government Grants and Other Contributions	2,614
31,584	**Total**	**40,907**

Capital receipts amounting to £8.9m (£8.5m 2011/12) were generated in the financial year from the disposal of land, houses and other property within the Authority's HRA.

07. Depreciation

A depreciation charge of £15.8m (£16.4m 2011/12) was made to the HRA during the financial year. The spilt of the depreciation charge is detailed below:

2011/12 £000		2012/13 £000
15,936	Council Dwellings	15,502
309	Other Land and Buildings	330
150	Surplus Assets	6
16,395	**Total**	**15,838**

08. Impairment

In 2012/13 there were no charges for impairments. Reversals of previous impairments and depreciation adjustments, together with revaluation losses on Council Dwellings and other assets, resulted in a net charge of £9m (£51m in 2011/12) to the Housing Revenue Account.

09. HRA Subsidy

The following table analyses the HRA subsidy payable to the Council for the financial year in accordance with the elements set out in the general formula in paragraph 3.1 of the General Determination of HRA subsidy for the year. 2012/13 is the first year the new self- financing arrangements so the subsidy is no longer applicable:

2011/12 £000		2012/13 £000
(49,662)	Charges for Capital	0
(50,293)	Allowance for Maintenance	0
(27,504)	Allowance for Major Repairs	0
(27,247)	Allowance for Management	0
(189)	Housing Subsidy in respect of previous years	(93)
(46)	Other Expenditure	0
126,866	Guideline Rent Income	0
7	Interest on Receipts	0
(28,068)	**TOTAL**	**(93)**

10. Rent Arrears

Rent arrears (excluding amounts collectable on behalf of other agencies) as at 31 March 2013 amounted to £7.9m (£7.7m as at 31 March 2012).

The provision for doubtful debts in respect of these rent arrears is £5.5m (£5.6m as at 31 March 2012).

11. Rent Income

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

2011/12 Dwellings £000	2011/12 Non-Dwellings £000	2011/12 Total £000		2012/13 Dwellings £000	2012/13 Non-Dwellings £000	2012/13 Total £000
(128,840)	(2,190)	(131,030)	Gross rent income before allowances	(138,215)	(2,369)	(140,584)
2,218	713	2,931	Less vacant properties	1,816	815	2,631
(126,622)	**(1,477)**	**(128,099)**	**Gross rent income after allowances**	**(136,399)**	**(1,554)**	**(137,953)**

12. Dwellings Rents

This represents rent income due from tenants. The average rent per week at 31 March 2013 was £67.23 compared with £62.30 per week at 31 March 2012, an increase of £4.93 or 7.91%.

13. Rebates

Rent rebates are available through the Housing Benefits scheme. As at 31 March 2013, 70% (69% as at 31 March 2012) of Council tenants were receiving assistance from the scheme.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Collection Fund Statement

2011/12 £000		**Notes**	**£000**	**2012/13 £000**
	Income			
(184,787)	Council Tax Receivable	1		(186,634)
	Transfers from General Fund:			
(46,425)	- Council Tax Benefits	1		(46,533)
(231,212)				(233,167)
(197,393)	Income collectable from business ratepayers	2		(200,972)
(428,605)	**Total Income**			**(434,139)**
	Expenditure			
	Precepts and Demands:			
197,227	- Sheffield City Council			197,737
	- South Yorkshire Joint Authorities:			
20,298	- SY Police Authority		21,153	
9,230	- SY Fire and Rescue Authority		9,618	30,771
226,755				228,508
	Business Rate:			
194,565	- Payment to National Pool		198,298	
765	- Costs of Collection		774	199,072
422,085				427,580
	Impairment of debts:			
2,674	- Write Offs - Council Tax	1	1,493	
2,063	- Write Offs - NNDR		1,900	
460	- Provision for Non-Payment of Council Tax		1,410	4,803
427,282				432,383
(192)	Contributions towards previous years estimated Surplus / Deficit			597
427,090	**Total Expenditure**			**432,980**
(1,515)	**(Surplus) / Deficit for the Year**			**(1,159)**
305	**Balance Brought Forward**			**(1,210)**
(1,210)	**Balance Carried Forward**			**(2,369)**

Notes to the Collection Fund

01. Council Tax

There are an estimated 238,843 (237,900 for 2011/12) residential properties in Sheffield and each is placed into one of eight valuation bands (A to H), by the Inland Revenue Valuation Office Agency, based on its assessed capital value at 1 April 1991. The totals for each band are converted and expressed in terms of a number of band D dwellings to give the tax base for the City of 153,785.26 for 2012/13 (153,391.37 for 2011/12). 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 £1,482.84 for 2012/13 (£1,476.63 for 2011/12). 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:

2012/13						
Band	**Number of Properties in Band**	**Exemptions and Reliefs**	**Chargeable Dwellings**	**Adjust Chargeak Dwellin**	**Proportion of Band D Tax**	**Band D Equivalent Dwellings**
Disabled Band A		452	452	408.25	5:9	226.81
A	140,273	(8,588)	131,685	115,511.15	6:9	77,007.44
B	37,725	(3,230)	34,495	31,733.45	7:9	24,681.57
C	30,154	(2,604)	27,550	25,698.40	8:9	22,843.02
D	15,151	(833)	14,318	13,491.20	9:9	13,491.20
E	8,740	(353)	8,387	7,976.00	11:9	9,748.44
F	4,021	(56)	3,965	3,790.45	13:9	5,475.09
G	2,614	(79)	2,535	2,423.50	15:9	4,039.17
H	165	(54)	111	103.15	18:9	206.30
	238,843	(15,345)	223,498	201,135.55		157,719.04
Less: Allowance for non-collection						(3,942.98)
Add: Defence-exempt properties						9.20
Tax Base for the calculation of 2012/13 Council Tax						**153,785.26**

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

The income of £231.7m for 2012/13 (£228.5m 2011/12), which is net of write offs, is receivable from the following sources:

2011/12 £000		**2012/13 £000**
(184,787)	Billed to Council Tax Payers	(186,634)
2,674	Write Offs	1,493
(182,113)		(185,141)
(46,425)	Council Tax Benefits	(46,533)
(228,538)	**Total**	**(231,674)**

02. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specify an amount of 45.8p in 2012/13 (43.3p 2011/12) and, subject to the effects of transitionary arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Fund on the basis of a fixed amount per head of population.

The NNDR income of £201.0m for 2012/13 (£197.4m 2011/12) was based on a total rateable value for the Council's area of £531.1m for the year (£530.1m for 2011/12).

Glossary

Term	Definition
Abbreviations	The symbol ‘k’ following a figure represents £thousand. The symbol ‘m’ following a figure represents £million. The symbol ‘bn’ following a figure represents £billion.
Accounting Period	The period of time covered by the Council’s accounts. Normally 12 months, beginning on 1 April. Also known as the Financial Year.
Accounting Policies	These are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
Accruals Concept	Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.
Added Years	A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers must exercise this discretion in accordance with the national regulations and the City Council’s own policies.
Amortisation	An accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement over a period of years rather than when the initial payment is made. Its purpose is to charge / credit the cost / income over the accounting periods that gain benefit for the respective item.
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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
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 poundage, Local Authorities collect

	the sums due, but the proceeds are pooled to Central Government, who redistribute the sums back to Authorities on a pro-rata basis to the Council's population.
Operating Lease	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 dependent upon the situation, though key indicators of related parties are if: • One party has direct or indirect control of the other party • One party has influence over the financial and operating policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.
Remuneration	All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.
Reserves	Result from events that have allowed monies to be set aside, surpluses, decisions causing anticipated expenditure to have

	been postponed or cancelled, or by capital accounting arrangements.
Revenue Expenditure	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.

Independent Auditor's Report

Independent auditor's report to the members of Sheffield City Council

We have audited the financial statements of Sheffield City Council for the year ended 31 March 2013 on pages 29 to 142. 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 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director of Resources and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 17 to 27 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of the Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

Conclusion on Sheffield City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

We are required under Section 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for 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 2013.

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, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, 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 ending 31 March 2013.

Delay in certification of completion of the audit

Due to consideration of matters brought to our attention by local authority electors not being completed by 30 September 2013

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

John Graham Prentice

For, and on behalf of, KPMG LLP Appointed Auditor

Chartered Accountants - 1 The Embankment, Neville St, Leeds, LS1 4DW

27 September 2013