

SHEFFIELD CITY COUNCIL
STATEMENT OF ACCOUNTS
2009/10

Contents

	<u>Page</u>
Introduction by the Leader of the City Council	2
Foreword by the Strategic Director of Resources	3
Statement of Responsibilities for the Statement of Accounts	10
Annual Governance Statement	11
Statement of Accounting Policies	24
Income and Expenditure Account	35
Statement of Movement on General Fund Balance	36
Statement of Total Recognised Gains and Losses	36
Balance Sheet	37
Cash Flow Statement	39
Notes to the Main Financial Statements	40
Housing Revenue Account (HRA) Income and Expenditure Account	91
Statement of Movement on Housing Revenue Account Balance	92
Notes to the Housing Revenue Account	93
Collection Fund	97
Notes to the Collection Fund	98
Glossary	100
Auditor's Report	105

Introduction by the Leader of the City Council

I am pleased to be able to introduce the accounts for the financial year 2009/10 for Sheffield City Council. The Council is focused on providing good, sound financial management and improved financial stability for the people of Sheffield.

Despite a tight financial settlement from Government, over the last year we have been able to demonstrate good value investments of local taxpayers' money to provide services meeting the priorities for the City.

Our new City of Opportunity, the Corporate Plan has been revised for 2010-2013, it has been updated to take into account changing circumstances and developing issues. The plan sets out a clear vision for the City and what will be done to meet the vision. We have set out an ambitious future for Sheffield to be:

1. A modern, vibrant, green City where people chose to live, invest and work.
2. To be a council that gets things right first time for our customers.
3. To be a City where everyone can achieve their potential.

We will ensure, as we have done this financial year, that we make targeted, focused and effective use of Council taxpayers' money to meet these ambitions.

We have had some extremely important investments in 2009/10 despite the tight financial settlement, such as £2.4m invested in Children's Services to meet the costs in Children's Social Care and for the Council's priority of Raising Attainment and Aspiration, £1.3m to ensure that Community Care demand pressures can be managed, £250,000 to provide an enhanced Noise Patrol Service for the City and to continue the Kelham Island area Ambassador service and £150,000 to retain a 101 Service.

This is clearly only the start of an ambition for Sheffield and all this has been delivered with the lowest Council Tax rise ever for the financial year 2010/11, which was just 1.39% and lower than that of 1.95% in 2009/10.

It is our aim to continue to deliver good value services which are more customer focused for local people. We are also committed to ensure that everybody in the City gets a fair deal and Sheffield is a City where everyone matters.

We will continue to work with local people to ensure that Sheffield meets its full potential. As a Council we will do everything we can to ensure that local people meet their full potential and the Council continues to deliver on their priorities and show it as a Council that is on your side.

Councillor Paul Scriven
Leader of the Council

INTRODUCTION

The purpose of this foreword is to provide a guide to the main contents of these Accounts and to comment on and summarise the Council's financial performance for 2009/10. The publication includes all the financial statements and disclosure notes required by statute and a brief financial review of 2009/10. A glossary is provided at the end of the Statement of Accounts to assist the reader. This foreword provides a summary of the overall position and at the end of the section gives a general guide to the main statements that make up the Accounts.

CHANGES IN ACCOUNTING POLICY

The accounting requirements for Public Finance Initiatives (PFI) and similar contracts are no longer based on the UK accounting standard FRS 5 but on International Financial Reporting Standards (IFRS). The new requirement applies to both contracts entered into from 1 April 2009 and existing PFI and similar contracts at 31 March 2009.

Prior period adjustments have been required to recognise qualifying assets used to deliver the PFI / Public Private Partnerships (PPP) services on the Council's balance sheet along with the liability to the PFI contractor.

The 2009 SORP has amended the accounting requirements for Council Tax and NNDR. The Council, as billing authority, has only included its appropriate share of Council Tax debtors in the balance sheet, excluding those relating to the Fire and Police Authorities. In addition the Council, as billing authority acting as the agent of the Government, has only recognised the appropriate creditor or debtor for cash collected from NNDR debtors as agent of the Government but not paid to the Government, or overpaid to the Government at the balance sheet date. A prior period adjustment has been required to recognise this change in accounting policy in the 2008/09 Balance Sheet position.

FINANCIAL REVIEW 2009/10

The last financial year saw a continuation and development of the Council's Medium Term Financial Strategy with the overall aim of:

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

Going Concern

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

Revenue Expenditure and Services Provided

Revenue spending concerns the day-to-day running costs of the Council's services, including areas like schools, social services and leisure facilities. This spending is financed primarily from government grants, Council Tax and other income. On 6 March 2009 the Council approved a revenue budget for 2009/10 at a net expenditure level of £465.659m. This was based on an approved Council Tax increase of 1.95%.

The following table shows the final out-turn position for 2009/10. The analysis of the outturn reflects the way the Council's finances are managed. This does not match exactly with the breakdown required in the Income and Expenditure Account, as the figures in the Income and Expenditure Account have been subject to accounting adjustments including FRS17 'Accounting for Retirement Benefits' and other accounting adjustments required by the Statement of Recommended Practice (SORP).

The final out-turn position for 2009/10 shows a underspend of £10.6m and the budget report to Council in March 2010 agreed to transfer this sum to reserves as part of the 2010/11 budget strategy.

<u>2009/10 Outturn</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	£000	£000	£000
Children and Young People's Services	147,195	146,541	(654)
Communities	176,243	174,325	(1,918)
Place	172,342	171,416	(926)
Deputy Chief Executive's	14,166	13,771	(395)
Resources	47,520	45,368	(2,152)
Corporate	(557,466)	(562,060)	(4,594)
Total underspend for the year	0	(10,639)	(10,639)

The budgeted gross revenue expenditure and how the expenditure was funded are shown in the tables below.

GROSS REVENUE EXPENDITURE 2009/10		
	£m	%
Education	517	36
Social Services	243	17
Highways, transport and planning	87	6
Leisure and Culture	46	3
Environmental Health	14	1
Housing	211	14
Refuse collection and disposal	33	2
Other Services	297	21
Total	1,448	100

FINANCING OF THE GROSS REVENUE EXPENDITURE 2009/10		
	£m	%
Specific Government Grants	672	46
Council House rents	125	9
Fees, charges and other income	185	13
Central Government Grants	273	19
Council Tax	193	13
Total	1,448	100

Fixed Assets

The Council operates a rolling revaluation programme, in accordance with CIPFA's recommended best practice, to ensure that fixed assets are revalued at least once every five years.

The Councils approach to this year's valuation process has been adapted to take in to account the affect that the current economic climate has had on its overall asset values. As part of this year's process, a review of the actual asset valuations, for each asset category, has been carried out.

The valuation process has identified a number of assets, where the asset values have reduced below their current carrying amounts, thus creating an impairment charge within the accounts of £180m. Of this charge £89m falls within council dwellings and is a reflection of in year expenditure, which has not enhanced asset values on a pound for pound basis.

Capital Expenditure

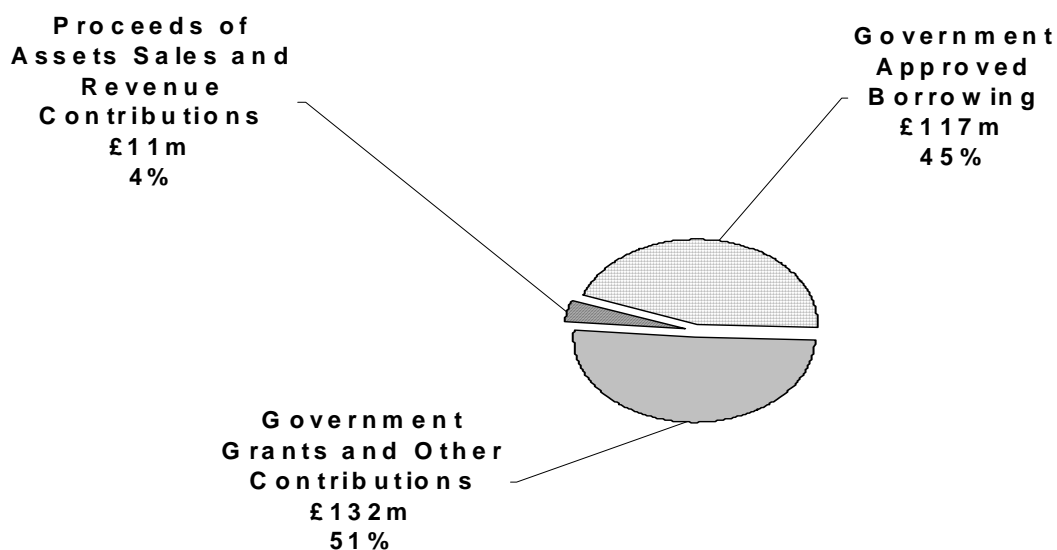
Capital spending can generally be defined as that spending which generates assets that have a life of more than one year. In 2009/10 the Council spent, on an accruals basis, £223m on capital projects. In addition to this amount the council spent a further £37m on assets not owned by the council, bringing the total in year expenditure to £260m.

The areas of capital expenditure were:

- Enhancements and improvements to Council and other dwellings £107m;
- Other land and buildings £49m;
- Works on roads, bridges and footpaths £30m;
- Community assets £7m;
- Investment Properties £14m; and
- Other £16m.

The chart below shows how the capital programme was funded. The major sources of funding were Government grants, other grants and contributions of £132m (including Major Repairs Allowance of £31m) and loans of £117m, through government supported and prudential borrowing.

FINANCING OF TOTAL IN YEAR CAPITAL EXPENDITURE



The total accumulated long-term loans outstanding with external lenders amounted to £1,023m, though this sum should be viewed in relation to the Council's assets, which have a net book value of £3,238m as at 31 March 2010.

Pension Scheme

Sheffield City Council is a member of the South Yorkshire Pension Fund. Following the triennial valuation of the Fund as at 31 March 2007, the pension fund's actuary has assessed the actual total past service deficit for the Fund as £624m of which Sheffield's share is £253m. This means that the pension fund has around 81% of the assets needed to meet all future liabilities

A strategy to achieve a 100% funding level has now been agreed, with a target of achieving this level over the next 21 years. The revised rates for Sheffield for the next 2 years from 1st April 2009 have been assessed at 12.2% of pensionable pay for current service, plus £17.66m per year to fund the deficit mentioned above over time, which is subject to inflation increase for 2010/11.

The Accounts are required to disclose the assets and liabilities for the Council's share of the pension fund. The pension fund's actuaries have estimated for accounting purposes that the pension fund is currently in a deficit position and the Council's share of this deficit is £715m as at 31 March 2010. This is a significant increase on 2009 and results from tightening of actuarial assumptions.

MAIN STATEMENTS INCLUDED IN THE ACCOUNTS

STATEMENT OF RESPONSIBILITIES

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

ANNUAL GOVERNANCE STATEMENT

This sets out the position regarding the framework of governance.

STATEMENT OF ACCOUNTING POLICIES

This explains the policies adopted in preparing the Accounts.

INCOME AND EXPENDITURE ACCOUNT

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

BALANCE SHEET

The Balance Sheet includes information on the Council's fixed and current assets. It also shows the Council's long-term liabilities and the balances at its disposal at 31 March 2010.

MOVEMENT ON GENERAL FUND BALANCE

Reconciles the balance on the Income and Expenditure Account to the General Fund.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement shows all gains and losses for the period. The statement is required because not all gains and losses are included in the other primary statements.

CASH FLOW STATEMENT

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

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT

This account reflects the statutory obligation to show separately the financial transactions relating to the provision of local authority housing.

COLLECTION FUND

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

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic 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 STRATEGIC DIRECTOR OF RESOURCES

The Strategic Director of Resources is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASSAC *Code of Practice on Local Authority Accounting in the United Kingdom (the SORP)*.

In preparing this Statement of Accounts, the Strategic 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 Statement of Recommended Practice (SORP).

The Strategic 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 11-104 give a true and fair view of the financial position of the Authority at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Laraine Manley
Strategic Director of Resources

I can confirm that the Authority approved the Statement of Accounts on 28 June 2010.

Cllr Michael Davis
Chair of Audit Committee
28/06/2010

ANNUAL GOVERNANCE STATEMENT

THE POSITION FOR THE FINANCIAL YEAR 2009/10 INCLUDING PLANS FOR THE FINANCIAL YEAR 2010/11

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. This statement explains how Sheffield City Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2009 in relation to the publication of the Annual Governance Statement.

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 its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Sheffield City Council's 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 2010 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 etc.

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 2010 and up to the date of approval of the annual report and accounts.

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

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

Establishing and monitoring the achievement of the Council's business

The Council has set out its vision and corporate priorities in its Corporate Plan (City of Opportunity). 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 service planning process that is designed to align service activity and objectives to the corporate priorities. A new quarterly performance monitoring process has been designed to track the progress against the Council's key priorities and 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 direction in order to ensure that adequate resources are available to meet the Council's objectives.

The Council's new financial regulations state that the Cabinet will not normally receive regular budget monitoring reporting; that function is performed by the Strategic Resources and Performance Scrutiny Board. However, all portfolio holding Cabinet members will receive quarterly budget monitoring reports for their areas of responsibility. The Council's systems for producing this information have been developed to provide a timely and accurate position for the services and Council as a whole on a consistent basis. There is also a much more corporate and consistent approach to the production of such reports and presentation of information. Performance management information in relation to the key corporate objectives is also considered on a quarterly basis by Members.

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 the Council meetings are available to any interested parties through the Council's Internet site.

The facilitation of policy and decision-making

Policy and decision making is undertaken by the Cabinet – including key decisions on the policy and the budget framework.

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

There is a scheme of delegation in place that should allow the decisions of the Council to be undertaken at an appropriate level, so that the functions of the Council are undertaken efficiently and effectively.

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 directorates, including a requirement to review and log all band A delegations.

The Council has set out policies and procedures for people management in the manager's section of the Council's intranet. These set down the procedures to be used in relation to management of employees. There is a formal induction process in place that is designed to ensure that employees are made aware of their responsibilities. The Director of Corporate 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 in place a Risk Management Strategy that has been agreed by Cabinet. There is also a Corporate Risk Management Group in place that includes senior officers from across the Council. The group's prime functions are to review the processes in place and to examine mitigation strategies for the key risks identified. It should be noted that these processes are currently being revised and updated to ensure that they meet the current requirements of the Council. All Council reports include a section dealing with risk management. The risk management framework has been significantly updated during the year and is closely aligned to the performance management processes in particular to ensure that the processes used are simple and effective and meet the requirements of the Council. Training has been commissioned to roll this out across the Council.

The Council has a Standards Committee which oversees the Council's Code of Conduct for Members. This Committee operates outside the main Council structures and the Chair and

Deputy Chair are independent of the Council. There are agreed terms of reference and the Committee meets at least annually.

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 contained in the Human Rights Act.

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

Ensuring the economical, effective and efficient use of resources

The Council has instigated the Modern Efficient Council (MEC) Programme. The programme has developed quickly, 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 vision has been agreed, and several key projects have been given approval to move forward this new vision. These include;

- Organisational Development
- Legal and Governance
- Workstyle
- Customer focus
- Communications
- Reviewing the Council's transport requirements

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.

The financial management of the Council

The Council has been assessed by its external auditors under the new Comprehensive Area Assessment (CAA), Organisational Assessment and retained a score of '3' for use of resources.

Development of financial management systems is undertaken by managers within the Council and includes;

- The Council has delivered considerable savings and efficiencies whilst improving the effectiveness of its financial procedures as part of the World Class Financial Management (WCFM) programme. The aim of this was to review and redesign the Financial Services to better meet the future requirements of the Council. The Council's integrated Financial Information System (OEO) has been in operation for a period and provides accurate and timely financial information that is readily available to managers at all levels. The procedures and process surrounding the system have also been revised and updated. The WCFM process will continue to bed in over the next few months.
- A comprehensive budgeting system. (The budget setting process is now integrated with the service planning process).

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

- The work of Internal Audit.
- The external auditors, Audit and Inspection letter and other reports.
- The role carried out by Directorate Heads of Resources in relation to 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).

Performance management and its reporting

The Council has a range of performance indicators and targets which it uses to measure progress against its key priorities.

Sheffield City Council was rated as "performing well" overall in the audit commission's first Comprehensive Area Assessment (CAA), Organisational Assessment published in December 2009. This included scoring 3 out of 4 for managing performance, and 3 out of 4 in the Use of Resources assessment.

The Council also has a service planning process in place, which requires objectives to be set and processes to be followed to monitor the progress made. These are all linked to the Council's corporate and directorate objectives. The new corporate plan "A City of Opportunity" has 39 Corporate Priorities which underpin the Council's Corporate ambitions. The Council has a programme led delivery process in place to underpin the delivery of these objectives. A process is in place to monitor the progress against these 39 priorities on a quarterly basis, this is undertaken by the Council's Executive Management Team and is also scrutinised by Members.

The Council has in place an appraisal process based around core competencies for individual grades that are designed to evaluate the individual performance of its workforce and highlight any training requirements.

The Council continues to retain its status under the “Investors in People” scheme.

The Council also has a training programme in place, which is specifically tailored to the needs of Members in fulfilling their roles and responsibilities.

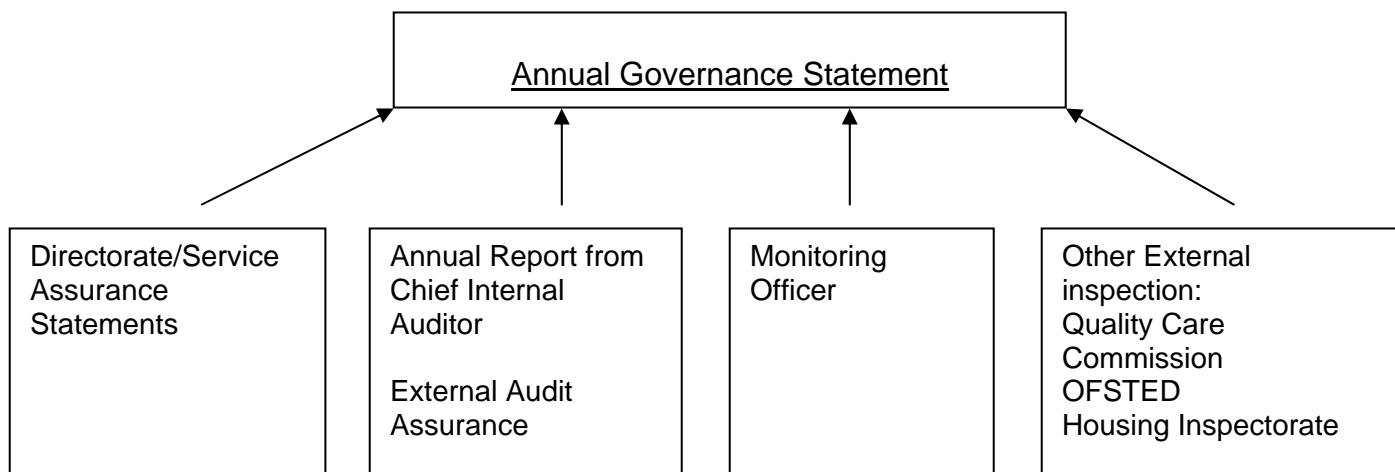
All of Sheffield City Council’s services have achieved and retained “Customer Service Excellence” recognition.

Review of Effectiveness

Sheffield City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

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 have responsibility 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 Directors of service 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 years process have been followed up and confirmation has been received that action has been taken to progress the issues raised.

The role of the Council’s internal auditors is to provide an independent appraisal function for the review of internal control systems. Internal Audit undertakes reviews of the main financial and operational systems of the Council, based on a risk analysis of the functions undertaken

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

There are some areas of control weakness that have been included under the section relating to weaknesses. The Chief Internal Auditor is unaware of any other significant control weaknesses that it is felt should be included within the Statement. The Audit Committee has the responsibility for scrutinising the work undertaken by Internal Audit.

The Monitoring Officer has responsibility to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are working in practice. Such a review has taken place during the year. The Deputy Chief Executive, as the Council's Monitoring Officer, has not raised any issues of significance that are contrary to the findings within the statement.

The Council is responsible for setting the overall objectives of the Authority and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the year 2009/10 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 inspection regimes which monitor the various aspects of performance. The Portfolio has provided assurance that overall they are satisfied that 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.

The Portfolio has implemented a review process to draw together indicators from a number of sources to better evaluate the whole performance of the schools.

During the financial year 2009/10 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. A summary of their findings have been highlighted over the page.

- 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 2008/09. A small number of issues were raised in the report that required attention by the Council and action has been agreed on these points.
- There was an unqualified opinion on the Value for Money Audit. The Audit Commission were able to place reliance upon the work of the Council's Internal Audit section for final accounting purposes.

- The Council was the subject of a new Comprehensive Area Assessment (CAA), Organisational Assessment by the Audit Commission, and was rated as “performing well” overall. This included scoring 3 out of 4 for managing performance, and 3 out of 4 in the Use of Resources assessment. The report noted some areas where improvements could be made. The Council is taking action on these issues.
- The whole of the Council has now been examined and all services have been awarded the “Customer Service Excellence” status.

Individual Council services are the subject of external inspections. In the current year in addition to the Organisational Assessment, the following significant inspection reports were also received:

- The Council’s Internal Audit Service has been inspected and retains its current ISO registration.
- The Council’s Insurers undertook a review of the insurance service which identified some areas for improvement, but found that overall, there was a high level of technical service proficiency.
- The Council’s Arms Length Management Organisation (ALMO) Sheffield Homes has been inspected and currently has a 3 star rating. All recommendations made in their report have been implemented.
- The Council’s Building Standards Service has been inspected and retains its current ISO registration.
- The Council’s management of assets was evaluated as part of the 2008-09 Use of Resources assessment. Suggestions for improvement were made regarding the corporate asset management plan and register, and good progress is being made to implement these.
- The Health and Safety Executive (HSE) carried out an inspection in 2009. This resulted in an improvement notice being issued relating to a selection of inspections of ladders in the Place portfolio but with implications for other areas of the Council. Corrective action has been taken to remedy this.
- A number of inspections have taken place in the Director of Children’s Specialist Services; there were no specific internal control weaknesses identified for which action is not being taken.

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, Advice and Inspection Service follow up on these reviews and give support to the schools.

The Commission for Social Care Inspection has carried out a number of individual inspections of residential care services. All registered care services were rated as adequate, good or excellent. Issues raised as a result of the inspection have been agreed and implemented.

For all of the above inspections, recommendations were made for which assurance has been sought that management action is being taken.

The Council has an Audit Committee made up of Councillors. The 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. They also consider the Council's compliance with its own and other published standards and controls. The Audit Committee has been set up to meet the best practice guidelines.

The Audit Committee has a programme of work throughout the year and the Committee meets approximately six times per year. The papers and minutes for these meetings are available on the intranet.

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 Council has recently completed a major transformation of its finance function. To ensure that the service is better able to meet the requirements of the Council and its services for clear, timely and accurate financial information on which to base decisions. At the same time as improving the service this has led to cost savings that have been made available to the Council. This process is ongoing.
- The Council has in place a Modern Efficient Organisational Programme that is looking in detail at the way that our services are organised and delivered to make sure that these are done in the most efficient and effective ways possible, for the benefit of our customers. This will undoubtedly have a significant impact on the operations of the Council and will impact upon the control environment.
- The Council is continuing to develop its governance arrangements to cover all of its partnerships and external relationships. This will help to develop consistency in the approach to partnership working.

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 2009/10, 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 weakness identified in the 2008/09 statement have now been resolved, or the risks have been reduced to a level where they no longer constitute an issue in relation to this statement.

As part of the Annual Governance Statement process, a number of significant control weaknesses have been identified, details of which are recorded below. These issues are significant in that they cover large parts of the Council and its activities and require a Corporate solution.

Description of the Control Weaknesses	Officer Action
<p>Museum Sheffield (Sheffield Galleries and Museums Trust)</p> <p>Issues relating to Weston Park were raised in last year's Annual Governance Statement and although action was taken by the Council in line with the Officer Action stated in last year's AGS, further financial and performance management issues have been identified within Museum Sheffield (Sheffield Galleries and Museums Trust). Requests for accelerated payments totalling £400k were made in quarter 4 and financial forecasts produced were found to be inaccurate. Underlying issues relating to financial and performance management within the Trust and within the Council's own arrangements for managing Trusts have been recognised by the Council and interim action has been taken until a full assessment of the Trust and its financial position can be made.</p>	<p>The Council has instigated two separate independent reviews of the financial systems and processes and the operational capability respectively. Following the conclusion of these reviews along with the results of an internal service review consideration is to be given to the potential recapitalisation (or future) of the Trust.</p>
<p>Asset Data Records Management.</p> <p>The Council has acknowledged that its assets data records management systems are not fit for purpose in the long term in allowing the Council to manage its assets in an efficient and effective manner. There are a number of systems in use across the Council to manage various asset types, there are inconsistencies in the data that they record and these cannot be readily merged to provide corporate information. This issue has been raised previously in the Annual Governance Statement and although progress has been made the final solution has not yet been implemented (Asset Data Records Management System (ADRMS)). In view of the number of assets held and the purpose for which the information on the data records management system will be required significant input will be necessary for the resolution. Recent amendments to accounting requirements will also impinge on this work.</p>	<p>Considerable work has already been undertaken in this area. Work is in progress to ensure that Audit requirements are met. A review has been undertaken to identify the asset data requirements not only for the present but also for the future. A business solution has been agreed to develop a long term resolution of this issue. The project will be undertaken by Kier in conjunction with the Council's Business Information Solutions (BIS) service and will be monitored by the Modern Efficient Council programme Board (MECP) to ensure that the solution is delivered on time and to the required standard.</p>

<p>Pay and Grading</p> <p>The Council has recently completed a review of its pay and grading and terms and conditions this is an outcome of the national agreement with the unions. The aim is to ensure that there is equity in pay across all groups of employees, in the Council. This was a large and complex issue involving all 13,500 Local Government Services (LGS) employees, it excluded craft, teaching, Soulbury and Joint Negotiating Committee (JNC) grades.</p> <p>The Council had an agreed methodology to undertake this review which it considered to be fair, equitable and robust. During extensive consultation with the trade unions and employees, there were amendments to the scheme which were subsequently agreed through proper governance at the Executive Management Team (EMT). The trade unions did not feel able to come to a collective agreement on the package of terms and conditions, the Council, therefore, undertook a process of individual termination and reengagement on the new terms and conditions.</p> <p>There is a robust appeals process which has three stages and through this process the Council will hear both group and individual appeals against the outcome of the review. Trade unions are fully involved in this process. Some cases where issues cannot be resolved may be challenged by legal processes.</p>	<p>The Council has fully reviewed the processes and approach that it has used and is satisfied with the scheme that it undertook. An Equality Impact Assessment has been carried out which reviewed the outcomes and put in place an action plan for a future pay strategy. The project has been reviewed and learning points noted. The Council is satisfied that it can vigorously defend its position from any legal challenge that may arise.</p>
<p>Emergency Planning and Business Continuity</p> <p>Following staffing changes and reviews of recent incidents, the opportunity has been taken to undertake a review of the Emergency Planning Team to ensure that the service going forward is best able to meet the Council's requirements. A key area identified is that of resilience. In case of a major incident with only a limited permanent team, much dependency is placed on a few officers. This could leave the Council vulnerable particularly if the events become protracted.</p>	<p>A full review of the Emergency Planning service is currently taking place with a view to identifying the various options available to make Emergency Planning a robust, resilient, cost efficient and effective service. An options paper has been taken to EMT to identify how this can be progressed going forward.</p> <p>Currently the team is being temporarily managed by the Emergency and Safety Manager of Rotherham MBC; a council</p>

<p>Weaknesses have also been identified to the existing corporate business continuity arrangements whereby further work needs to be undertaken to ensure that all services within the council have appropriate, up to date Business Continuity Plans that are effective, reviewed and tested to meet the needs of the service.</p>	<p>which was awarded Beacon Status for Emergency Planning in 2007/2008.</p>
<p>Building Schools for the Future (BSF)</p> <p>BSF is a large programme of works to modernise all of the Council's secondary schools. The programme is backed by government funding, with considerable input from the Council. The Council's contribution to the programme is set at £23.7m which will be met through a combination of additional funding and/or savings. This was agreed by full Council.</p> <p>In the original programme the estimate for Birley school was based on refurbishment and was costed accordingly. As with the other sites, the original cost estimates were based on high level assessments. In preparation for moving to the build phase, a more detailed condition survey of the existing structures and assessment works was undertaken on completion of the School Brief. This has identified that it is not possible to alter the existing structures in a manner that addresses the major suitability deficiencies of current buildings. It has also been identified that the original structures have limited life expectancy and require significant upgrade works.</p> <p>Several options were examined and subsequently it was decided that a full rebuild was required at an additional cost of £3m. The additional funding was identified from contingency reserves within the project that the programme management decided were no longer required for the original risks identified. A number of governance issues were raised as a result of this in relation to the programme as a whole.</p>	<p>The Council has recently introduced a financial information system OEO which has increased capabilities to allow the Council to manage a project's financial information in more detail. Compliance with this process by project managers and a review of the role of the BSF programme Board should ensure that the governance issues are resolved</p>

We have been advised on the implications of the result of 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 and will monitor their implementation and operation as part of our next annual review.

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

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

Signed:
Paul Scriven - Council Leader on behalf of Sheffield City Council

Statement of Accounting Policies

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (the SORP)' as published by CIPFA. It is designed to give a "true and fair" view of the financial performance and position of the Council. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis, provided that the fixed asset yields benefits to the Council, and the services it provides, for a period of more than one year. Expenditure on routine repairs and maintenance is charged directly to revenue.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Dwellings, other land and buildings, vehicles, plant & equipment – lower of net current replacement cost or net realisable value in existing use
- Infrastructure assets and community assets – depreciated historical cost

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value

Revaluation

The Council operates a rolling revaluation programme, in accordance with CIPFA's recommended best practice, to ensure that fixed assets are revalued at least once every five years.

The increases or decreases arising on revaluation are either credited or debited to the Revaluation Reserve to recognise unrealised gains or losses. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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 have been reviewed for any impairment loss in respect of consumption of economic benefit. Where an impairment loss has occurred, it is charged to the service revenue account. Other impairments reflecting a general fall in prices are written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

The Council carries out an annual impairment review of all assets where the asset has a life of 50 years or more.

Depreciation charge

Depreciation is charged on assets to reflect the use/consumption of the asset. Depreciation is calculated by writing off the cost or revalued amount, less any estimated residual value, over the useful life of the asset. All assets (other than those that are considered to be non-depreciating) are depreciated on a straight-line basis with no residual value. The useful lives of assets have been determined as follows:

- Other buildings are based upon individual asset lives assessed as part of the rolling programme of revaluations. Buildings with a useful life of 50 years or more that are indeterminate have not been depreciated.
- 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 21 years.
- No depreciation is charged on land included in the valuation of operational assets.
- Non-operational assets between 5 and 50 years (except for investment properties held on a lease which are depreciated over the period when the unexpired term is 20 years or less).
- No depreciation is charged on assets under construction until they are brought into operation.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

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 costs being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

The depreciation charge within the Housing Revenue Account (HRA) is based on the useful life of the asset (dwellings between 2 and 50 years, other operational assets between 2 and 40 years).

Depreciation is subsequently reversed out and replaced by statutory amounts in the calculation of the HRA balance, in accordance with the HRA subsidy determinations.

Government Grants and Contributions

Where the acquisition of fixed assets is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. The balance is then written off to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Effectively, this ensures that the grant is written off at the same rate as the asset is depreciated.

Disposal

When an asset is disposed of, or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from the disposal are credited to the Income and Expenditure Account as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10k received from disposals are credited to the Usable Capital Receipts Reserve, via the Income and Expenditure Account, and are then used for new capital investment or to repay debt.

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

3. CHARGES TO REVENUE FOR FIXED ASSETS

Service revenue accounts, including trading accounts, are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off

- Amortisation of intangible fixed assets attributable to the service

The above charges are then replaced by an annual provision from revenue to contribute towards the reduction of the Council's overall borrowing requirement. This is accounted for in the Statement of Movement on the General Fund Balance, via the Capital Adjustment Account, to ensure there is a neutral impact on the amounts required to be raised from local taxation.

4. INTANGIBLE FIXED ASSETS

Intangible fixed assets comprise expenditure on assets which may properly be capitalised but which does not possess physical substance e.g. software licences.

Expenditure on intangible assets is amortised to revenue over the estimated life of the asset on a straight-line basis. The useful lives of intangible fixed assets has been determined as up to 20 years.

5. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

6. CAPITAL RECEIPTS

Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government Act 2003. Capital receipts must be used to fund capital expenditure or to repay debt, subject to the de-minimis level set by the relevant regulations.

Under current legislation 25% of capital receipts from the sale of Housing dwellings and 50% of capital receipts from the sale of Housing land are usable. The remaining 75% and 50% are paid to the national pool. However, the Council can reduce the pooled element by costs relating to the disposal, costs in improving housing land and the Council's available capital allowance.

7. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

Government grants and other contributions are accounted for on an accruals basis and included in the accounting statements when the conditions for their receipt have been complied with and there is a reasonable expectation that the grant or contribution will be received. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

8. LEASES

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Council. Rental Payments under finance leases and hire purchase are apportioned between the finance charge (interest element) and the principal element. The interest is charged to the Income and Expenditure Account and the outstanding payments are shown as Deferred Liabilities in the Balance Sheet matched by a fixed asset.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable under operating leases are charged to the Income and Expenditure Account on a straight line basis over the term of the lease.

9. 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) and represents 4% of outstanding loans on General Fund assets. 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 Income and Expenditure Account.

10. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplying by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, plus accrued interest and a calculation to equally charge interest over multiple periods where interest rates are subject to stepped increases. Interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase / settlement. However, where repurchase 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 Income and Expenditure Account 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 Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/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 Income and Expenditure Account to the net charge required against the General Fund Balance, is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

11. FINANCIAL ASSETS

The Council holds financial assets classified as loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, plus accrued interest and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

If the Council was to make any loans to voluntary organisations at less than market value (soft loans) then the loss would be recorded in the Income and Expenditure Account 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 would be credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account 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 Statement of Movement on the General Fund balance.

If any of the Council's assets were identified as impaired because of a likelihood arising from a past event that payments due under the contract would not be made, the asset would be written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited / debited to the Income and Expenditure Account.

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 policy 14.

12. STOCKS AND WORK IN PROGRESS

Both stocks and work in progress are valued at the lower of cost or net realisable value.

13. ACCRUALS

Expenditure and income are generally accrued in the year to which they relate by the creation of debtors and creditors in accordance with the Code of Accounting Practice and FRS 18. The main exceptions to this treatment are:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services;

- 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 stocks on the Balance Sheet;
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet;
- Interest payable on borrowings and receivable on investments is accounted for 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 income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will 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;
- 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;
- car parking penalty charges notices – a prudent approach is taken and the income is recognised at the point of actual receipt rather than when the invoice is raised.

14. PROVISIONS

Provisions are made where an event has taken place that gives the Council an obligation that will probably require settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefit will not now be required, the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party, this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

15. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure. Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and they do not represent usable resources for the Council – these reserves are explained below.

Capital reserves are not available for revenue purposes and certain ones can only be used for specific statutory purposes such as the Revaluation Account and the Capital Adjustment Account.

The Pension Reserve is a specific accounting mechanism used to reconcile the payments made to the pension scheme outlined in note 17 below and the net change in the authority's recognised liability under FRS 17. An appropriation is made to or from the pensions reserve to ensure that the bottom line in the Income and Expenditure Account reflects the amount required to be raised in taxation.

16. COST OF SUPPORT SERVICES (OVERHEADS)

Support Services provide the essential backup and support to the Council's front-line Services. The costs of these support services and overheads are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA 'Best Value Accounting Code of Practice' (BVACOP). 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 – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income & Expenditure Account, as part of the Net Cost of Services.

17. RETIREMENT BENEFITS

The Council participates in two pension schemes, one for teachers and one for all other employees. Both schemes are defined benefits schemes, but under FRS 17 the two schemes are accounted for differently.

Teachers:

The Teachers' Pension Scheme is administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF). The arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions

scheme – no liability for future payments of benefits is recognised in the balance sheet and the education service revenue account is charged with the employer’s contributions payable to teachers’ pensions in the year.

Other employees:

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Superannuation Scheme and the pension costs arising from this, as well as all unfunded discretionary benefits, are accounted for as a defined benefit scheme.

Pension liabilities attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for employees. Details of the assumptions are included in note 21 to the main financial statements.

Pension assets attributable to the Council are included in the Balance Sheet at their fair value.

Within the Income and Expenditure Account, service revenue accounts and trading services have been charged with their current service cost, which represents the extent to which pension liabilities have increased as a result of employee service during the year. Past service costs, settlements and curtailments have been charged to non-distributable costs. The interest cost and expected return on assets have been included in Net Operating Expenditure. The actuarial gains and losses are charged to the Statement of Total Recognised Gains and Losses.

The Council makes payments for this group of employees to the South Yorkshire Pensions Authority, which administers pension arrangements on behalf of Sheffield City Council and the other local authorities in South Yorkshire. Superannuation Fund Accounts are available from the South Yorkshire Pensions Authority, PO Box 18, Regent Street, Barnsley, S70 2HG.

No adjustments have been made within the HRA for FRS 17. This is because it is not possible to identify the HRA’s share of assets and liabilities on a consistent and reliable basis and also because it would be incompatible with legislative requirements to show items within the HRA not specified as statutory debits and credits.

18. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS
--

Private Finance Initiative (PFI) and Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI / PPP contractor. As the Council is deemed to control the services that are provided under its PFI / PPP schemes and as ownership of the fixed assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the fixed assets used under the contracts on the balance sheet, and a liability to reflect the obligation to make payments for the fixed assets. Fixed assets recognised on the balance sheet are revalued and depreciated in the same way as tangible fixed assets owned by the Council.

The amounts payable to the PFI / PPP operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to interest payable and similar charges in the Income and Expenditure Account;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to interest payable and similar charges in the Income and Expenditure Account;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI / PPP operator;
- lifecycle replacement costs – recognised as fixed assets on the Balance Sheet, where the asset is enhanced, otherwise written off as a revenue cost.

PFI and similarly constituted public/private partnership arrangements are accounted for on the bases of International Financial Reporting Standards (IFRS) in accordance with the provisions of IFRIC 12 *Service Concession Arrangements*, and also by reference to guidance published by CIPFA.

Payments made by the Council under such a contract are apportioned between revenue charges to the Income and Expenditure Account to reflect the value of services received in the financial year, and repayment of the liability and interest payable on the outstanding liability in the balance sheet for the fixed assets that will revert to the Council at the end of the contract.

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 Income and Expenditure Account.

19. 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 Income and Expenditure Account.

20. VALUE ADDED TAX (VAT)

VAT is included in the accounts to the extent that it is irrecoverable.

21. GROUP ACCOUNTS

The 2009 SORP 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 SORP and identified our group, which comprises of the City Council, its arm's length management organisation for housing, Sheffield Homes Limited, Creative Sheffield Limited, a company established for the purpose of city-wide regeneration 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.

22. PRIOR YEAR ADJUSTMENTS

Private Finance Initiative and Similar Contracts

The accounting requirements for PFI and similar contracts are no longer based on the UK accounting standard FRS 5 but on International Financial Reporting Standards (IFRS). The new requirement applies to both contracts entered into from 1 April 2009 and existing PFI and similar contracts at 31 March 2009. Prior period adjustments have been required to recognise qualifying service concessions assets used to deliver the PFI / PPP services on the Council's balance sheet along with the liability provided by the PFI / PPP contractor.

Council Tax / National Non-Domestic Rates (NNDR)

The 2009 SORP has amended the accounting requirements for Council Tax and NNDR. The Council, as billing authority acting as the major preceptor's agent, has only included its appropriate share of Council Tax debtors in the balance sheet. In addition the Council, as billing authority acting as the agent of the Government, has only recognised the appropriate creditor or debtor for cash collected from NNDR debtors as agent of the Government but not paid to the Government, or overpaid to the Government at the balance sheet date.

See Note to the Accounts number 37 for further details.

Income and Expenditure Account					
2008/09		2009/10			
Restated					
Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	Notes	£000	£000	£000	
142,002	Children's & Education Services	611,524	(454,126)	157,398	
139,937	Adult Social Care	175,279	(37,521)	137,758	
68,705	Highways & Transport Services	81,526	(11,620)	69,906	
114,298	Cultural, Environmental, Regulatory & Planning Services	165,997	(28,388)	137,609	
182,467	Local Authority Housing (HRA)	190,264	(161,316)	28,948	
24,224	Other Housing Services	224,776	(194,633)	30,143	
23,197	Central Services	60,572	(31,933)	28,639	
13,682	Corporate & Democratic Core	10,708	(2,320)	8,388	
1,386	Non-Distributed Costs	2,363	0	2,363	
507	Court Services	873	(444)	429	
710,405	Net Cost of Services	1,523,882	(922,301)	601,581	
			Notes		
43,932	Loss on disposal of fixed assets			19,140	
3,594	Amounts payable into the Housing Capital Receipts Pool			2,522	
445	Precepts paid to Parish Councils			454	
10,197	(Surplus) or deficit of trading undertakings or other operations		23	(2,458)	
89,202	Interest payable and similar charges			108,804	
(8,008)	Interest and investment income			(953)	
29,100	Pensions interest cost and expected return in pension assets			42,893	
878,867	Net Operating Expenditure			771,983	
(187,778)	Income from Council Tax and Residual Community Charge			(191,979)	
(102,316)	General Government Grants		24	(127,335)	
(235,094)	Non-domestic rates redistribution			(221,993)	
353,679	Deficit for the Year			230,676	

Statement of Movement on the General Fund Balance		
2008/09		2009/10
Restated		
£000		£000
	Increase or decrease in the General Fund Balance for the year analysed between:	
353,679	Deficit for year on the Income and Expenditure Account	230,676
(347,617)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (Note 22)	(228,981)
6,062		1,695
(31,928)	General Fund Balance brought forward	(25,866)
(25,866)	General Fund Balance carried forward	(24,171)

Statement of Total Recognised Gains and Losses (STRGL)		
2008/09		2009/10
Restated		
£000		£000
353,679	Deficit on the Income and Expenditure Account for the year	230,676
(282,444)	Surplus arising on revaluation of fixed assets	(123,387)
(84,181)	Actuarial (gains) and losses on pension fund assets and liabilities Note 21	202,830
589	Adjustment for Financial Instruments	0
(6,742)	Any other (gains) and losses required to be included in the STRGL	(5,445)
(19,099)	Total recognised (gains) and losses for the year	304,674
0	Cumulative effect on reserves for prior period adjustments	(18,993)
(19,099)	Total recognised (gains) and losses	285,681

Balance Sheet				
As at 31 March 2009 Restated £000			As at 31 March 2010 £000	
	Fixed Assets	Notes		
	Intangible Fixed Assets	2d	0	
	Tangible Fixed Assets			
1,348,831	Council Dwellings		1,343,887	
1,128,004	Other Land and Buildings		1,186,534	
376,284	Infrastructure		392,818	
56,912	Vehicles, Plant, Furniture and Equipment		72,685	
27,000	Community Assets		34,063	
2,937,031	Operational Fixed Assets	2a		3,029,987
47	Fixed assets under construction		14,714	
149,779	Surplus assets held for disposal		133,400	
50,804	Investment properties		59,905	
200,630	Non-Operational Assets	2b		208,019
3,137,661	Total Fixed Assets			3,238,006
15	Long-term investments			15
14,377	Long-term Debtors	6		12,658
3,152,053	Total Long-term Assets			3,250,679
	Current Assets			
681	Stock and Work in Progress		857	
180,322	Debtors	7	164,875	
(38,304)	Less: Bad Debt Provision		(37,415)	
92,711	Investments	9	1,800	
7,741	Cash at Bank		0	
243,151			130,117	
3,395,204	Total Assets			3,380,796
	Current Liabilities			
(22,278)	Borrowing repayable within 1 year	9	(39,409)	
(163,406)	Creditors	8	(139,403)	
(53,900)	Grants & Contributions Unapplied	14	(66,338)	
0	Bank overdraft		(3,218)	
(3,862)	PFI / PPP Finance Lease Liability	10	(3,967)	
(243,446)				(252,335)
3,151,758	Total Assets Less Current Liabilities			3,128,461
(1,023,455)	Long-term Borrowing	9		(1,023,455)
(236,346)	PFI / PPP Finance Lease Liability	10		(232,379)
(32,038)	Deferred Liabilities	11		(30,317)
(18,457)	Provisions and deferred credits	12		(25,965)
(304,890)	Government Grants Deferred	13		(366,865)
(5,384)	Goodwill deferred Account	15		(4,055)
(495,929)	Liability related to defined pension scheme	21		(714,840)
1,035,259	Total Assets Less Liabilities			730,585

Financed By				
<i>Capital Accounting Balances</i>				
500,153	Revaluation Reserve	19	610,231	
928,436	Capital Adjustment Account	19	756,522	
108	Deferred Capital Receipts	16	73	
18,544	Usable Capital Receipts Reserve	19	16,242	
8,951	HRA Major Repairs Reserve		6,012	
1,456,192				1,389,080
<i>Notional Reserves</i>				
(29,977)	Financial Instruments Adjustment Account	19	(41,610)	
(495,929)	Pensions Reserve	21	(714,840)	
818	Council Tax Adjustment Account		(628)	
(525,088)				(757,078)
<i>Reserves</i>				
66,890	Specific Reserves & Other Balances	17	60,836	
25,866	Balance - General Fund	18	24,171	
11,399	Balance - Housing Revenue Account		13,576	
104,155				98,583
1,035,259	Total Net Worth			730,585

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on 28th June 2010.

Laraine Manley
 Director of Resources
 September 2010

These financial statements were re-adopted by the Authority on 27 September 2010.

Cllr Michael Davis
 Chair of Audit Committee

Cash Flow Statement				
Restated 2008/09 £000		Notes	2009/10 £000	£000
178,769	Net cash inflow from operating activities	36		119,083
	<u>Returns from joint ventures & associates</u>			
0	Dividends received			0
	<u>Returns on Investment and Servicing of Finance</u>			
(87,597)	Interest paid		(110,079)	
8,161	Interest received		894	
(79,436)	Net cash outflow from returns on investments and servicing of finance			(109,185)
	<u>Capital Activities</u>			
(278,879)	Purchase of fixed assets		(222,985)	
12,352	Sale of fixed assets		10,432	
(3,885)	Other capital cash receipts		14,840	
74,058	Capital grants received		87,422	
(196,354)				(110,291)
(275,790)	Net cash outflow from capital activities			(219,476)
0	<u>Acquisitions & disposals</u>			0
(97,021)	Net cash outflow before financing			(100,393)
	<u>Management of liquid resources</u>			
(7,850)	Net (increase) / decrease in short-term deposits		90,911	
(19,880)	Net (increase) / decrease in other liquid resources		(14,451)	
(27,730)				76,460
	<u>Financing</u>			
(36,208)	Repayment of amounts borrowed		(27,534)	
(286)	Capital element of finance lease rental payments & PFI payments		(3,861)	
104,500	New loans raised		44,369	
64,299	New PFI Liability		0	
132,305	Net cash inflow from financing			12,974
7,554	Increase / (Decrease) in cash	36		(10,959)

Notes to the Main Financial Statements

1. VALUATION POLICIES

Assets are carried on the Council's Balance Sheet based upon the CIPFA Code of Practice on 'Accounting for Fixed Assets', and any other relevant and prevailing accounting regulations. Fixed Assets are included on the Balance Sheet as follows:

Intangible Assets - The value of intangible assets, such as software licences, trademarks and patents is recorded at historical cost net of amortisation.

Operational Land and Buildings - Properties regarded by the Council as operational are valued on the basis of existing use value. Where this could not be assessed on a market value basis, because there was no market for the asset in question, the depreciated replacement cost method has been used. In the case of Council Dwellings, they have been valued on the basis of their existing use as social housing. This value is calculated by adjusting the existing use value with vacant possession by a regional factor provided by the Department for Communities & Local Government (DCLG) to reflect their status as social housing.

Infrastructure - Infrastructure assets that were in existence as at 1 April 1994 are included at the equivalent of any net loan outstanding and those acquired/constructed since that date are included at historical cost, all net of depreciation.

Vehicles, Plant, Furniture and Equipment – Specialist assets operated as part of the Veolia PPP contract, such as the waste incinerator has been valued on the depreciated replacement cost basis.

Non-property assets (furniture and equipment) are included at historical cost net of depreciation. Plant and machinery is included in the valuation of the buildings where it is considered to form part of the building service installation.

Community Assets - The value of community assets, such as parkland, woodland and monuments is recorded at historical cost or at a nominal value where historical cost is not known, net of depreciation where appropriate.

Surplus assets held for disposal and Investment Properties - Properties regarded by the Council as non-operational have been valued on the basis of market value.

Valuations of fixed assets carried at current value

Assets have been valued in accordance with the principles of the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards (5th Edition). Mr N. Seneviratne FRICS, Director of Property & Facilities Management Services supervised the property valuations. The valuation for the incinerator site acquired under the Veolia PPP contract was valued by Charterfields International Asset Consultants due to the specialist nature of the assets.

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.

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. The valuations have been carried out by Kier Asset Partnership Services and overseen by Mr N. Seneviratne FRICS, Director of Property & Facilities Management Services, and the specialist valuation carried out by Charterfields. The basis for valuation is set out in the statement of accounting policies.

	Council Dwellings £000	Other Land & Buildings £000	Surplus Assets Held for Disposal £000	Investment Properties £000	Vehicles, Plant, Furniture & Equipment	Total £000
Value at current value in:						
2005/06	0	48,938	14,376	417	0	63,731
2006/07	0	30,863	15	388	0	31,266
2007/08	0	123,958	497	5,531	0	129,986
2008/09	0	796,779	94,986	29,102	0	920,867
2009/10	1,364,177	213,653	23,546	24,467	52,860	1,679,864
TOTAL	1,364,177	1,214,191	133,420	59,905	52,860	2,825,714

Note

Each year Council Dwellings are reviewed to establish those properties that have achieved decent homes status. A valuation is then carried out on these assets. This information is then used to apply a percentage increase or decrease to the remaining asset base. Therefore each year all Council Dwellings have been revalued. The valuation note for Council Dwellings shows only the current year valuation as this represents all assets valued in year.

2a. OPERATIONAL FIXED ASSETS

The movements in operational fixed assets during the year were as follows:

	Council Dwellings £000	Other Land & Buildings £000	Infrastruct- -ure £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Total £000
Cost or Valuation						
At 1 st April 2009 Restated	1,381,208	1,141,079	457,121	80,464	27,000	3,086,872
Additions	106,867	49,189	29,697	4,794	7,434	197,981
Disposals	(4,031)	(11,548)	0	0	(60)	(15,639)
Reclassifications	0	8,348	0	0	(304)	8,044
Revaluations	4,439	100,343	0	13,194	0	117,976
Impairments	(124,306)	(73,220)	0	0	(7)	(197,533)
At 31 st March 2010	1,364,177	1,214,191	486,818	98,452	34,063	3,197,701
Depreciation and Impairments						
At 1 st April 2009 Restated	(32,377)	(13,075)	(80,837)	(23,552)	0	(149,841)
Charge for year	(23,790)	(24,207)	(13,163)	(6,503)	0	(67,663)
Disposals	77	101	0	0	0	178
Reclassifications	0	(89)	0	0	0	(89)
Revaluations	160	5,136	0	4,288	0	9,584
Impairments	35,640	4,477	0	0	0	40,117
At 31 st March 2010	(20,290)	(27,657)	(94,000)	(25,767)	0	(167,714)
Balance Sheet amount as at 31 st March 2010	1,343,887	1,186,534	392,818	72,685	34,063	3,029,987
Balance Sheet amount as at 1 st April 2009	1,348,831	1,128,004	376,284	56,912	27,000	2,937,031
Nature of asset holding:						
Owned	1,343,887	905,934	392,818	19,825	34,063	2,696,527
PFI / PPP	0	280,600	0	52,860	0	333,460
	1,343,887	1,186,534	392,818	72,685	34,063	3,029,987

2b. NON - OPERATIONAL FIXED ASSETS

The movements in non-operational fixed assets during the year were as follows:

	Assets Under Construction £000	Surplus Assets Held For Disposal £000	Investment Properties £000	Total £000
Cost or Valuation				
At 1 st April 2009	47	149,784	50,832	200,663
Additions	10,496	420	14,272	25,188
Disposals	0	(11,840)	(2,271)	(14,111)
Reclassifications	4,239	(11,845)	(438)	(8,044)
Revaluations	0	13,436	13,107	26,543
Impairments	0	(6,535)	(15,597)	(22,132)
At 31 st March 2010	14,782	133,420	59,905	208,107
Depreciation and Impairments				
At 1 st April 2009	0	(5)	(28)	(33)
Charge for year	0	(180)	0	(180)
Disposals	0	0	0	0
Reclassifications	(68)	162	(5)	89
Revaluations	0	0	33	33
Impairments	0	3	0	3
At 31 st March 2010	(68)	(20)	0	(88)
Balance Sheet amount as at 31 st March 2010	14,714	133,400	59,905	208,019
Balance Sheet amount as at 1 st April 2009	47	149,779	50,804	200,630
Nature of asset holding:				
Owned	14,714	133,400	59,905	208,019
PFI	0	0	0	0
	14,714	133,400	59,905	208,019

2c. ASSETS HELD UNDER PFI AND SIMILAR CONTRACTS
--

	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total £000
Balance Sheet amount at 1 April 2009	253,663	36,450	290,113
Additions	2,482	0	2,482
Revaluations	80,279	17,482	97,761
Impairments	(49,314)	0	(49,314)
Depreciation charge for year	(6,510)	(1,072)	(7,582)
Balance Sheet amount as at 31 st March 2010	280,600	52,860	333,460

The above figures form part of note 2a. but have been provided as further analysis.

2d. INTANGIBLE FIXED ASSETS

Additions to intangible fixed assets were NIL in 2009/10.

3. ANALYSIS OF FIXED ASSETS

The Council owns a substantial number of fixed assets. The following list is a summary of the Council's main assets used in the provision of services as at 31 March 2010:

	2008/09 Restated	2009/10	
Education	3	3	Outdoor Education Centres
	2	2	Training Centres
	153	153	Schools
	19	19	Youth and Community Centres
	29	29	Children's Centres
	10	10	Children's Homes
Environment & Regulatory Services	3	3	Offices/Laboratories/Advice Centres
	2	2	Crematoria
	16	16	Cemeteries
	3	3	Travellers' Sites
	1	1	Incinerator Plant
Adult Social Care	5	2	Homes for the Elderly
	6	4	Other Residential Establishments
	18	15	Day Centres
	4	3	Training Centre
	10	11	Office Buildings
	4	9	Resource Centres
Housing Services	42,129	41,799	Dwellings
	6,252	6,252	Garages/Garage Plots
	81	80	Community Centres and Halls
	37	33	Youth and Community Centres
	21	18	Office Buildings
Leisure Services	2	3	Swimming Pools
	3	3	Sports Centres
	1	1	Outdoor Sports Stadium
	3	3	Golf Courses
	1	1	City Hall
	2	2	Art Galleries
	1	1	Museum/Art Gallery
	3	3	Museum Sites
	1	1	Central Library
	27	27	Community Library Buildings
	4	2	Other Leisure Buildings
Parks, Woodlands & Countryside	45	45	Public and community facilities
	8	8	Depots, Stores and machine stores
	3,280	3,305	Allotments
	3,240	3,456	Acres of Land
Planning, Transport & Highway Services	3	3	Industrial Properties
	12	12	Off-Street Car Parks
Resources	1	1	Town Hall and Area Offices
	0	1	Electric Works
	0	1	Attercliffe (Stadia) Technology Park
Streetforce	28	28	Public Toilets
	6	6	Depots & Workshops
Markets	7	7	Markets

4. CAPITAL EXPENDITURE AND FINANCE

The following provides an analysis of the capital expenditure and financing on an accruals basis:

2008/09 £000		2009/10 £000
	Capital Investment	
209,931	Operational Assets	197,981
222	Intangible Assets	0
1,721	Non-operational Assets	25,188
42,397	Revenue Expenditure Funded From Capital Under Statute *	37,315
254,271		260,484
	Sources of Finance	
120,178	Borrowings (Prudential Borrowings)	117,446
95,168	Government grants and other contributions	102,119
20,063	Major Repairs Allowance	30,526
17,566	Capital receipts	9,739
1,296	Revenue contributions	654
254,271		260,484

£000	Capital Financing Requirement	£000
1,282,785	Opening balance 1 April	1,386,516
120,178	Plus unfinanced capital expenditure (borrowing)	117,446
(16,447)	Less MRP/VRP/Other adjustments * ₁	(5,394)
1,386,516	Closing balance 31 March	1,498,568

Local authorities have available to them a number of ways of financing traditionally procured capital investment. In all cases cash will be paid over. The term 'financing' does not refer to the payment of cash but the resources that are applied to ensure that any underlying amount arising from capital payments is dealt with at the point of spend or over the longer term.

Accordingly, the capital financing requirement reflects the Council's underlying need to borrow for capital expenditure. In turn, the difference between the Council's external debt and capital financing requirement consists of expenditure that has been resourced through the Council's existing internal balances, but which will, in the future, be required to be financed through borrowing.

* Note that "revenue expenditure funded from capital under statute" relates to expenditure on assets not owned by the Council. This expenditure has been written off direct to the Income and Expenditure account and therefore forms part of the overall surplus/deficit for the year.

*₁ Includes deferred purchase and finance lease repayments.

5. CAPITAL COMMITMENTS

Planned expenditure over the life of the current Capital Programme (2010-2014) is in the region of £671m. As at 31 March 2010, a number of commitments had been made under which payments will become due in future years as the work is carried out. Significant commitments (£1m or over) under capital contracts as at the balance sheet date are listed below:

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Communities:				
Decent Homes/ALMO Investment	6.0	0	0	0
Housing Market Renewal	4.1	0	0	0
SWAN	2.8	0	0	0
Children & Young People's:				
School Refurbishment	42	0	0	0

6. LONG-TERM DEBTORS

The following is an analysis of Long-term Debtors:

2008/09 Restated £000		2009/10 £000
3,984	Goodwill	2,655
10,393	Other Long-term Debtors	10,003
14,377		12,658

Included in long-term debtors is an amount of £2.66m (£3.98m in 2008/09) representing the proportion of the consideration for goodwill on the 2003/04 disposal of the Council's building services and maintenance activities that is receivable more than one year after the date of the balance sheet.

Included in other long term debtors is £8.8m (2008/09: £9.3m) for up-front contributions for PFI schemes.

7. DEBTORS

The following is an analysis of Debtors:

2008/09 Restated £000		2009/10 £000
21,601	Local Taxpayers & NNDR	32,188
8,624	Housing Tenants	8,303
20,082	Government Departments	23,974
93,969	Sundry debtors	80,568
36,046	Capital project related debtors	19,842
180,322	Total	164,875

The total amount owed to the Council at 31 March 2010 was £164.9m (£180.3m 2008/09) of this amount £24.0m (£20.1m 2008/09) was owed from various government departments. The remaining amount owed is £140.9m (£160.2m at 2008/09), this is partly covered by the bad debt provision, shown on the face of the Balance Sheet, of £37.4m (£38.3m 2008/09), leaving a balance of £103.5m (£121.9m 2008/09).

Included in the 2009/10 Local Taxpayers and NNDR balance is £9.4m for NNDR, this was a creditor balance of £4.8m in 2008/09. This fluctuation is in line with expectations.

Included within sundry debtors are amounts owed to the Council from external debtors, such as members of the public and some other public body debt. Sundry debtors also include prepayments and some other technical debt, which are required by accounting standards to be shown as debtors.

8. CREDITORS

The following is an analysis of Creditors:

2008/09 Restated £000		2009/10 £000
(39,242)	Government Departments	(42,453)
(36)	Interest and Loan Repayments	(4)
(6,567)	Local Taxpayers & NNDR	(1,200)
(2,065)	Housing Tenants	(2,101)
(115,496)	Sundry Creditors	(93,645)
(163,406)	Total	(139,403)

Included in the 2008/09 Local Taxpayers and NNDR balance is £4.8m for NNDR, this is a debtor balance of £9.4m in 2009/10. As explained above this fluctuation is in line with expectations.

Included within sundry creditors are amounts owed by the Council to suppliers. This also includes creditors relating to capital projects of £9.5m (2008/09: £14.8m).

9. FINANCIAL INSTRUMENT BALANCES

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

	Long term		Current	
	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000
Financial liabilities at amortised cost	1,023,455	1,023,455	22,278	39,409
	1,023,455	1,023,455	22,278	39,409
Loans and receivables	0	0	92,711	1,800
Total investment	0	0	92,711	1,800

* Following clarification in the 2009 SORP, accrued interest on financial liabilities for both the current year and the 2008/09 comparator year has been classified as current liabilities.

Financial Instrument Gain/losses

2009/10 Financial Instrument Gain/losses

	Financial Liabilities	Financial Assets	Total £000
	Liabilities measures at amortised cost £000	Loans and receivables £000	
Interest expense	(63,934)	0	(63,934)
Interest on PFI scheme liabilities	(28,800)	0	(28,800)
Interest payable & similar charges	(92,734)	0	(92,734)
Interest income	0	157	157
Interest & investment income	0	157	157
Net gain / (loss) for the year	(92,734)	157	

	Financial Liabilities	Financial Assets	
	Liabilities measures at amortised cost £000	Loans and receivables £000	Total £000
Interest expense	(61,663)	0	(61,663)
Interest on PFI scheme liabilities	(24,079)	0	(24,079)
Interest payable & similar charges	(85,742)	0	(85,742)
Interest income	0	7,622	7,622
Interest & investment income	0	7,622	7,622
Net gain / (loss) for the year	(85,742)	7,622	

Fair Value of Assets and Liabilities Carried at Amortised Cost

The borrowings and investments disclosed in the balance sheet are shown at amortised cost. Their fair value can be assessed by calculating the net present value (NPV) of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- The discount rate used were the market rates as at 31 March (using bid prices where applicable) for instruments with the same duration (i.e. equal to the outstanding period from valuation date to maturity), loan structure and terms as that of the comparable instrument.
- As the purpose of the fair value disclosure is to provide a comparison with the carrying value in the Balance Sheet, accrued interest has been included in the fair valuation calculation as this is also reflected in the carrying amount. The accrued interest figure is calculated up to and including the valuation date.
- To calculate the PWLB fair value the new borrowing rate has been used, as opposed to the premature repayment rate, as the discount factor for all PWLB borrowing. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.
- Interest is calculated using the most common market convention ACT/365.
- Where interest is paid/received every 6 months on a day basis, the value of interest is rounded to 2 equal instalments.
- For fixed term deposits it is assumed that interest is received on maturity, or annually if duration is > 1 year.

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

The fair values calculated are:

	31 March 2009		31 March 2010	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB debt	746,318	903,698	745,981	845,953
Non-PWLB debt	299,415	302,400	316,883	338,082
Total Financial Liabilities	1,045,733	1,206,098	1,062,864	1,184,035

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 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. The fall in value of PWLB loans in terms of both carrying amount and fair value is as a result of the restructuring of 6 PWLB loans during 2009/10 which reduced the overall average interest rate and also the amount of any premiums that would be charged under the fair value valuation.

	31 March 2009		31 March 2010	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Total Loans and receivables	92,711	92,695	1,800	1,800

The fair value is equal to the carrying amount because the Council's portfolio of investments only included a single short term (overnight) fixed rate investment as at 31 March 2010. This investment balance is significantly lower than as at 31 March 2009 due to the Council's decision to use accumulated investment balances instead of additional external borrowing, which reduced the outstanding investment balances.

Disclosure of the Nature and Extent of Risk 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 Treasury Management in the Public Services Code of Practice" 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 Code of Practice.
- By approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing.
 - Its maximum and minimum exposures to fixed and variable rates.
 - Its maximum and minimum exposure in regard to the maturity structure of debt.
 - Its maximum annual exposures to investments maturing beyond a year.
 - By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These 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 2009/10 were lower than the cost of borrowing the Council used accumulated investment balances where possible to fund capital expenditure rather than incurring any new external borrowing. This reduced the Council's exposure to higher debt charges during the year and also reduced the Council's risk exposure to banks and other financial institutions during a time of economic uncertainty.

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

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

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 investment criteria outlined above.

As a result of the continuing economic uncertainty facing the banking sector, the Council further tightened its lending lists during 2009/10 by adopting 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 which 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 and the Council currently only invests for up to a maximum of 3 months so this further mitigates any risk of loss.

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 Swap (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, 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 2010	Historical Experience of Default	Adjustment for conditions at 31 March 2010	Estimated Maximum Exposure to Default
	£000	£000	£000	£000
Deposits with A rated counterparties	1,800	0.00%*	0.00%*	0
	1,800			0
Customers	36,705	0.35%**	0.35%**	128
	38,505			128

* As per the SORP guidance the percentage for financial instruments in terms of both historical default and adjustment for conditions were calculated by looking Sheffield City Council's actual experience of default rather than the general position in the market. In the case of Sheffield there has been no past experience of default and the Council has no any exposure to Iceland so the percentage used is 0%.

** The figure used for customers in terms of both historical default and adjustment for conditions were calculated by using the 2009/10 write-offs as a % of the total amount of invoices raised in 2009/10.

The table below shows a breakdown of the Council's outstanding investment balance as at 31 March 2010 and which country the funds were deposited with.

Financial Institution	Rating of Counterparty	Country	Amount £000
Co-op	A	UK	1,800

No breaches of the Council's counterparty criteria occurred during 2009/10 and the Council does not expect any losses from non-performance by any counterparties in relation to deposits.

The use of accumulated investment balances instead of additional external borrowing also reduced the Council's risk exposure by significantly reducing the level of investment balances (only £1.8m as at 31 March 2010 compared to £92.7m as at 31 March 2009).

During the reporting period the Council held no collateral as security.

The Council does not allow credit for customers therefore the value of £36.7m 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 2010 £000
Less than three months	8,817
Three to six months	2,467
Six months to one year	1,574
More than one year	23,847
	36,705

The Council's bad debt provision at 31 March 2010 is £37.4m of this £12.8m 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 need and whilst the PWLB provides access to longer term funds, it also

acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

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

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:

2008/09		Principal	2009/10 Accrued Interest	Principal plus Interest
£000		£000	£000	£000
0	Less than one year	18,400	4	18,404
0	Between one and two years	35,092	750	35,842
143,776	Between two and five years	140,479	3,142	143,621
75,718	Between five and ten years	36,697	704	37,401
826,239	More than ten years	811,187	16,409	827,596
1,045,733	Total	1,041,855	21,009	1,062,864

The maturity analysis of financial assets is:

2008/09		Principal	2009/10 Accrued Interest	Principal plus Interest
£000		£000	£000	£000
92,711	Less than one year	1,800	0	1,800

The table above highlights that in both 2008/09 and 2009/10 the Council met its policy of not investing for greater than one year.

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 Income and Expenditure Account will rise.
- Borrowing at fixed rates - The fair value of the borrowing liability will fall.
- Investments at variable rates - The interest income credited to the Income and Expenditure Account will rise.
- Investments at fixed rates - The fair value of the assets will fall.

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 Income and Expenditure Account (I&E) or the Statement of Total Recognised Gains and Losses (STRGL). Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the I&E and affect the General Fund Balance, subject to influences from Government grants (mainly HRA subsidy). Movements in the fair value of fixed rate investments will be reflected in the STRGL unless the investments have been designated as Fair Value through the I&E Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum 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.

In order to minimise the Council's exposure to loan interest functions the Council will only have a maximum of 35% market debt as a percentage of total debt. At the 31st March 2010, market debt as a proportion of total debt was 28%.

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

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

	£000
Increase in interest payable on variable rate borrowings *	900
Increase in interest receivable on variable rate investments **	(836)
Increase in government grant receivable for financing costs *	0
Impact on Income and Expenditure Account	64
Share of overall impact debited to the HRA ***	40
Decrease in fair value of fixed rate investment assets	0
Impact on STRGL ****	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the I&E account or STRGL)	145,400

*Note: The majority of borrowing from PWLB and Market were at fixed rates in 2009/10 and as a result a change in interest rate on these loans would have no actual effect on the interest actually payable, the amount of government grant received and on the I&E a/c or HRA. There were a number of LOBO loans (£90M) which 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 would only be 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). For the purposes of this note the average rate of these loans (4.89%) 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 2009/10.
 *** HRA share is 62.6%
 **** All Sheffield City Council assets are classed as loans and receivables and therefore this figure is zero as there is no impact on the STRGL.

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.

10. PFI FINANCE LEASE LIABILITY

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

2008/09 Restated £000		2009/10 £000
(176,194)	Value of Liability as at 1 April	(240,208)
(64,299)	Recognition of fixed assets	0
285	Finance Lease Rental	3,862
0	Lifecycle replacement	0
(240,208)	Value of liability as at 31 March	(236,346)

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

2008/09 Restated Total £000		2009/10 Repayment of Liability £000	2009/10 Interest Charge £000	2009/10 Service Charge £000	2009/10 Contingent Rents £000	2009/10 Total £000
57,405	Within one year	3,967	25,626	26,547	3,502	59,642
251,679	Between two and five years	21,862	98,221	119,131	19,593	258,807
348,700	Between six and ten years	39,043	110,053	169,866	37,367	356,329
389,030	Between eleven and fifteen years	54,154	88,757	202,409	52,462	397,782
404,318	Between sixteen and twenty years	60,226	61,239	216,757	63,848	402,070
358,429	Between twenty-one and twenty-five years	47,429	29,331	192,989	67,551	337,300
140,717	Between twenty-six and thirty years	9,665	2,609	48,269	20,399	80,942
1,950,278		236,346	415,836	975,968	264,722	1,892,872

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.

For further details of the PFI contracts, see note 30.

11. DEFERRED LIABILITIES

The Authority has a proportionate share in the interests of the former South Yorkshire Council Debt. As at 31 March 2010 the deferred liabilities of Sheffield City Council amounted to £32.04m, comprising £1.72m maturing within one year, which has been disclosed in sundry creditors (Note 8) and £30.32m after that date.

12. PROVISIONS & DEFERRED CREDITS

The Council maintains the following provisions:

	Balance At 1 April 2009 Restated £000	Increases In year £000	Decreases in year £000	Balance at 31 March 2010 £000
HRA – week 53 provision	(2,024)	0	368	(1,656)
Other	(4,293)	(7,197)	292	(11,198)
Insurance	(12,140)	(971)	0	(13,111)
	(18,457)	(8,168)	660	(25,965)

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.

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 and for Art and Museum exhibits on loan to the Council.

During the financial year 1992/93 Municipal Mutual Insurance Limited (MMI) ceased accepting new business. As part of the orderly wind-down of its affairs, MMI is settling claims with its policyholders under the terms of a Scheme of Arrangement. Under these terms, Sheffield City Council, along with other policyholders, is liable to a clawback of settlement payments in the event that MMI proves to be insolvent at the end of its run-off period. The Council has a potential clawback of £3.8m with MMI. The Authority 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.

Other

This balance represents the Council's other provisions, excluding bad debt provision. The balance at 2008/09 was £4.3m, with a net increase in 2009/10 of £6.9m.

The increase in other provisions for 2009/10 is due in part to the Council providing for the estimated cost of compensation payments which are currently under negotiation in relation to a specific group of outstanding equal pay claims

13. GOVERNMENT GRANTS DEFERRED

This account represents grants and contributions received to finance (wholly or partly) the acquisition of fixed assets. These amounts are released to the respective Service Revenue Account over the useful life of the asset to match depreciation charged to the asset to which it relates.

2008/09 £000s		2009/10	
		£000s	£000s
(254,086)	Balance at 1 April		(304,890)
(55,528)	Financing of capital expenditure:		
(9,970)	- Grants	(67,118)	
	- Other contributions	(6,927)	
(65,498)		(74,045)	
	Amortised during the year to		
	Income & Expenditure Account		
14,694	- Tangible fixed assets	12,070	
14,694			12,070
(304,890)	Balance at 31 March		(366,865)

14. GRANTS & CONTRIBUTIONS UNAPPLIED

The Grants and Contributions unapplied balance of £66.3m (£53.9m in 2008/09), represents capital grants and contributions received in advance of the completion of the relevant fixed asset. Upon completion of the asset and it coming into use the grant or contribution will be transferred to the Government Grant Deferred Account.

15. GOODWILL DEFERRED ACCOUNT

An amount of £4.1m (£5.4m in 2008/09) is included in the Goodwill Deferred Account representing the amount of goodwill consideration on the disposal of the Council's building services and maintenance activities that is payable after the Balance Sheet date. The proportion of the consideration that is receivable more than one year after the balance sheet date has been discounted at the PWLB borrowing rate appropriate to the period between the balance sheet date and the date that the goodwill consideration is receivable.

16. DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are amounts due to the Council over agreed periods of time. Most have arisen from the sale of council houses and represent repayments due from mortgagors.

17. SPECIFIC RESERVES & OTHER BALANCES

The table below provides a breakdown of the specific reserve balance:

	Balance Brought forward £000s	Movement £000s	Balance Carried Forward £000s
Local Authority Business Growth Initiative (LABGI)	(7,520)	1,560	(5,960)
Schools Reserves	(24,276)	4	(24,272)
Service area reserves	(14,977)	4,989	(9,988)
Other earmarked reserves	(20,117)	(499)	(20,616)
	(66,890)	6,054	(60,836)

Within this figure is £24.2m (£24.2m 2008/09), which is the Schools' Earmarked Reserve. This consists of money, that has been allocated under Local Management of Schools legislation, and which remains unspent at the year-end.

Specific reserves are available to fund capital or revenue expenditure following approval by cabinet. Expenditure is charged to the revenue or capital account when it is incurred and is financed by an appropriation from the reserve through the Statement of Movement on General Fund Balances. The service area reserve includes amounts, which are earmarked for particular services.

18. GENERAL FUND BALANCE

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

	2009/10 £000	2008/09 Restated £000
General Balances Available	(20,418)	(23,152)
Major Sporting Facilities	(23,881)	(17,778)
Invest to Save	29,511	22,716
PFI future expenditure	(9,383)	(7,652)
Total GF Balances:	(24,171)	(25,866)

19. MOVEMENTS ON RESERVES

This statement shows movements on the Council's reserves; it distinguishes between movements resulting from the gains and losses for the year and movements resulting from transfers between reserves, most of which the Council is required to make in accordance with statute or non-statutory proper practice.

		Balance Brought Forward Restated £000	(Gains)/ Losses For The Year £000	Transfers Between Reserves £000	Balance Carried Forward £000
Revaluation Reserve	(1)	(500,153)	(123,387)	13,309	(610,231)
Capital Adjustment Account	(2)	(928,436)	(3,294)	175,208	(756,522)
Financial Instrument Adjustment Account	(3)	29,977	(1,275)	12,908	41,610
Usable Capital Receipts Reserve	(4)	(18,544)	98	2,204	(16,242)
Specific Reserves & Other Balances		(66,890)	(1,009)	7,063	(60,836)
Pensions Reserve		495,929	202,830	16,081	714,840
Deferred Capital Receipts		(108)	35	0	(73)
HRA Major Repairs Reserve		(8,951)	0	2,939	(6,012)
Balance - General Fund		(25,866)	159,673	(157,978)	(24,171)
Balance - Housing Revenue Account		(11,399)	71,003	(73,180)	(13,576)
Collection Fund Adjustment Account		(818)	0	1,446	628
Total Reserves		(1,035,259)	304,674	0	(730,585)

(1) Revaluation Reserve

The Revaluation Reserve represents those gains on the revaluation of fixed assets that have not yet been realised through the sale of those assets. It includes 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.

(2) Capital Adjustment Account

The Capital Adjustment Account contains the amounts of capital expenditure to be financed from revenue resources or capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of loans.

(3) Financial Instrument Adjustment Account

The Financial Instrument Adjustment Account holds the accumulated difference between the financing costs of financial instruments included in the Income and

Expenditure Account and those required in accordance with Regulations to be charged to the General Fund Balance.

(4) Useable Capital Receipts

Useable Capital Receipts are generally available to finance capital investment or to repay borrowing in future years.

20. LEASING AND HIRE PURCHASE

Leasing and Hire Purchase rentals paid during 2009/10 were as follows:-

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total £000
Operating Leases	3,241	919	4,160
Finance Leases	0	43	43
	3,241	962	4,203

For comparison purposes the figures for 2008/09 were as follows:-

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total £000
Operating Leases	3,323	1,105	4,428
Finance Leases	0	43	43
	3,323	1,148	4,471

The payments that the authority is committed to during 2010/11 are £3.68m. These are broken down in the following table:

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total £000
Leases expiring in 2010/11	249	159	408
Leases expiring between 2011/12 and 2014/15	1,441	159	1,600
Leases expiring after 2014/15	1,668	0	1,668
Total	3,358	318	3,676

21. RETIREMENT BENEFITS

As part of the terms and conditions of employment of its employees, the authority offers retirement 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 authority 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 17), the City Council makes contributions to two pension schemes in respect of its employees.

Teachers

In 2009/10 the City Council paid £19.1m (£18.6m 2008/09) to Department for Children, Schools and Families (DCSF) in respect of Teachers' pension costs, which represented 14.1% (14.1% 2008/09) 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 2009/10 these amounted to £4.5m (£4.7m 2008/09), representing 3.34% (3.58% 2008/09) 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 DCSF, 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 Retirement Benefits

The Council recognises the cost of retirement benefits in the Net 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 retirement benefits is reflected within the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year:

	Local Government Pension Scheme	
	2009/10	2008/09
	£000	
Income and Expenditure Account		
Net Cost of Services:		
• Current Service Cost	(24,313)	(37,571)
• Past service costs	(220)	(62)
• Gains and Losses on Curtailments	(2,143)	(1,324)
Charge to Net Cost of Services	(26,676)	(38,957)

Net operating expenditure:		
• Interest cost	(97,272)	(99,223)
• Expected return on assets in the scheme	54,379	70,123
Charge to Net Operating Expenditure	(42,893)	(29,100)
Total Net charge to the Income and Expenditure Account	(69,569)	(68,057)

Statement of Movement on the General Fund Balance:		
• Reversal of net charges made for retirement benefits in accordance with FRS 17	69,569	68,057
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employer's contribution payable to scheme	46,922	45,149
• Pension payments for Added Years benefits	6,566	6,365

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £202.8m (£84.2m 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £251.4m.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2009/10 £000	2008/09 £000
1 April	(1,383,452)	(1,631,055)
Current service cost	(24,313)	(37,571)
Interest cost	(97,272)	(99,223)
Contributions by scheme participants	(14,228)	(13,934)
Actuarial gains and losses	(430,165)	339,308
Benefits paid	65,386	60,409
Curtailments	(2,143)	(1,324)
Past Service costs	(220)	(62)
31 March	(1,886,407)	(1,383,452)

Reconciliation of fair value of the scheme assets:

	2009/10 £000	2008/09 £000
1 April	887,523	1,067,488
Expected rate of return	54,379	70,123
Actuarial gains and losses	227,335	(255,127)
Employer contributions	53,488	51,514
Contributions by scheme participants	14,228	13,934
Benefits paid	(65,386)	(60,409)
31 March	1,171,567	887,523

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 annual return on scheme assets in the year was a gain of £282m (2008/09: £185m loss).

Scheme History

	2005/06 * £000	2006/07 As restated £000	2007/08 As restated £000	2008/09 £000	2009/10 £000
Present value of liabilities:	(1,336,951)	(1,516,948)	(1,631,055)	(1,383,452)	(1,886,407)
Fair value of assets in the Local Government Pension Scheme	809,748	1,080,509	1,067,488	887,523	1,171,567
Surplus / (deficit) in the scheme	(527,203)	(436,439)	(563,567)	(495,929)	(714,840)

* The Council elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the authority has, in the long run, to pay for retirement benefits. The net liability of £715m (£496m 2008/09) has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, reducing the balance from £1.4bn to £718m (£1.5bn to £1.0bn 2008/09). 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 2011 is £51.5m.

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:

	2009/10	2008/09
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.5%
Government bonds	4.5%	4.0%
Other bonds	5.2%	6.0%
Property	6.5%	6.5%
Other assets	0.5%	8.0%
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	20.4	20.3
Women	23.2	23.2
Longevity at 65 for future pensioners		
Men	21.3	21.3
Women	24.1	24.1
Rate of inflation	3.3%	3.3%
Rate of increase in salaries	4.8%	4.8%
Rate of increase in pensions	3.3%	3.3%
Rate for discounting scheme liabilities	5.6%	7.1%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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:

	2009/10 %	2008/09 %
Equities	64.6	59.8
Government Bonds	15.4	17.1
Other Bonds	7.9	7.5
Property	9.1	10.7
Other Assets	3.0	4.9
Total	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserves in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005/06 %	2006/07 As restated %	2007/08 As restated %	2008/09 %	2009/10 %
Differences between the expected and actual return on assets	17.4	0.8	(8.4)	(28.7)	19.4
Experience gains and losses on liabilities	1.0	0.0	1.8	(24.5)	22.8

22. NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure account on page 35 shows the Council's actual performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being due to the way we treat items such as capital investment, retirement benefits and housing pooled capital receipts. The General Fund Balance therefore compares the Council's spending against council tax that it raised for the year taking into account the use of, and contributions to and from reserves.

Included in the primary statements on page 36 is a Statement of Movement on the General Fund Balance, which summarises the differences between the outturn on the Income and Expenditure Account, and the General Fund Balance. The net additional amount required by statute and non-statutory proper practices to be debited or credited to the general fund balance of £229m in 2009/10 is set out in more detail in the table below.

Analysis of additional items required by statute and non-statutory proper practice to be taken into account in determining the General Fund (surplus)/deficit for the year		
2008/09		2009/10
£000		£000 £000
Restated		
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the General Fund (surplus)/deficit for the year	
(322,727)	Depreciation and impairment of fixed assets	(192,787)
14,332	Government Grants Deferred amortisation matching depreciation and impairments	12,070
(16,392)	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital by Statute	(13,661)
(43,932)	Net loss on sale of fixed assets	(19,140)
3,138	Differences between amounts debited/credited to the Income & Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt.	(12,908)
(68,057)	Net charge made for FRS17 costs	(69,569)
630	Amount by which Council Tax income and Residual Community Charge adjustment included in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation.	(1,446)
(433,008)		(297,441)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining Movement on the General Fund Balance for the year	
17,168	Statutory provision for repayment of debt	16,642
1,296	Capital Expenditure charged in year to revenue	1,940
(3,594)	Transfer from Usable Capital Receipts equal to the amount payable in to the Housing Capital Receipts Pool	(2,522)
51,514	Employer's contribution payable to the South Yorkshire Pension Fund and retirement benefits payable direct to pensioners	53,488
66,384		69,548
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
1,563	Statutorily required transfer of the surplus/(deficit) for the year on the Housing Revenue Account calculated in accordance with statute to the HRA Balance	1,969
17,444	Net transfer to or (from) earmarked reserves	(3,057)
19,007		(1,088)
(347,617)	Net additional amount required to be debited/(credited) to the General Fund balance for the year	(228,981)

23. 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 BVACOP. The performance of the main trading organisations is outlined below:

	2009/10 Expenditure	2009/10 Income	2009/10 operating (Surplus)/ Deficit	2009/10 Accounting Adjust- ments	2009/10 Accounting (Surplus)/ Deficit	2008/09 Accounting (Surplus)/ Deficit
	£000	£000	£000	£000s	£000	£000
Street Force	1,469	(3,341)	(1,872)	(1,321)	(3,193)	(457)
Sheffield Design & Project Mgt.	270	(455)	(185)	(314)	(499)	(448)
Cleaning, Catering & Transport	2,754	(1,727)	1,027	(430)	597	9,819
Markets	4,321	(3,183)	1,138	(97)	1,041	3,676
	8,814	(8,706)	108	(2,162)	(2,054)	12,590

The surpluses and deficits were transferred to the General Fund as at 31 March 2010.

In 2008/09 technical accounting adjustments (FRS 17 and impairment amendments) were made that resulted in a year end deficit, these adjustments totalled £11.7m. Had it not have been for the year end accounting adjustments the year end position would have been in line with that of the current financial year.

The Income and Expenditure Account shows a total surplus of £2.5m for trading operations, which includes payments received from Kier LLP of £406k, which reflect contractual obligations outside the scope of normal day to day trading. These payments have not been reflected in the note above, but have been included in the Income & Expenditure figure.

24. GENERAL GOVERNMENT GRANTS

General Government Grants in the Income and Expenditure Account is made up of the following grants:

2008/09 Restated £000		2009/10 £000
32,654	Revenue Support Grant (RSG)	51,136
16,704	PFI Grant	25,742
2,643	Local Authority Business Growth Incentive (LABGI)	376
4,302	Local Public Service Award (LPSA)	1,234
46,013	Area Based Grant (ABG)	48,847
102,316	Total	127,335

25. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

The major transactions included are grants and payments to third parties amounting to £11m (£12.5m 2008/09).

26. CITY COUNCIL MANAGEMENT STRUCTURE

The CIPFA Code of Practice for the preparation of the Statement of Accounts requires that expenditure on Council Services should be presented in the Income and Expenditure Account in line with that recommended in the BVACOP. The table below provides an analysis of service expenditure in accordance with the City Council's management structure, this will not agree to the outturn figures shown in the Foreword to the accounts because of accounting adjustments required by the SORP.

2008/09		2009/10		
Net Expenditure £000 Restated	Service	Expenditure £000	(Income) £000	Net Expenditure £000
139,795	Children and Young People	606,366	(452,374)	153,992
168,797	Place	226,170	(34,283)	191,887
357,575	Communities	454,237	(253,861)	200,376
44,238	Deputy Chief Executive's and Resources	237,109	(181,783)	55,326
710,405	Net Cost of Services	1,523,882	(922,301)	601,581

27. RELATED PARTY TRANSACTIONS

The Statement of Recommended Practice requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware that these transactions have taken place and the amount and implications of such transactions.

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 £224m, with £11m accrued. All such material related party transactions are disclosed either individually or in aggregate below.

Authority members:

In respect of financial year 2009/10 a large number of authority 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 net transactions include:

Related Party	£000	£000
	Net Payments	Accrued at 31 st March
Sheffield Homes	40,125	4,490
Sheffield Futures	10,510	0
South Yorkshire Housing Association	6,881	0
Sheffield Theatre Trust	5,455	185
Sheffield Galleries & Museum Trust	2,508	120
Lyceum Theatres Trust	1,524	0
Burngreave New Deal	1,463	6
Voluntary Action Sheffield	909	2
Sheffield Industrial Museums Trust	768	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 Strategic Director of Resources, 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.

Transactions with other public bodies:

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 net transactions with public bodies in the area:

Related Party	£000	£000
	Net payments	Accrued at 31 st March
South Yorkshire Pensions Authority	66,127	1,473
South Yorkshire Integrated Transport Authority*	37,561	1,073
South Yorkshire Police Authority*	21,975	317
NHS bodies within Sheffield and regional health organisations	14,921	2,742
South Yorkshire Fire & Rescue Authority*	9,322	8

*Figures inclusive of precepts and levies

Other material transactions:

During 2009/10 the Council made net payments of £100m to Kier Sheffield LLP. This includes £1m accrued at 31st March. The Council made net payments to Sheffield City Trust and its subsidiaries totalling £33.4m during the year. The Council also made net payments to Paradigm (Sheffield Bsf) Limited of £10.5m during the year.

28. OFFICERS' REMUNERATION AND MEMBERS' ALLOWANCES

Members' Allowances

The allowances paid to Members of the Council in 2009/10 totalled £1.3m (£1.3m 2008/09). Details of this, including the amount paid to each Member, will be published separately as required by Government Regulations.

Officers' Remuneration

Under the Accounts and Audit Regulations 2003 (as amended 2009), 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 & allowances etc.) is above £50,000. In addition, those senior officers whose salary is above £150,000 are required to be named.

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

Remuneration Band	2009/10 Teachers	2009/10 Other	2009/10 Total	Restated 2008/09 Teachers	Restated 2008/09 Other	Restated 2008/09 Total
£50,000 - £54,999	94	41*	135	80	37	117
£55,000 - £59,999	57	48*	105	56	60	116
£60,000 - £64,999	49	17*	66	33	8	41
£65,000 - £69,999	14	18*	32	3	15	18
£70,000 - £74,999	3	11*	14	5	4	9
£75,000 - £79,999	7	16*	23	3	10*	13
£80,000 - £84,999	4	9*	13	5	9	14
£85,000 - £89,999	4	2	6	7	3	10
£90,000 - £94,999	6*	4*	10	1	4	5
£95,000 - £99,999	2	5	7	2	4	6
£100,000 - £104,999	1	3*	4	0	2	2
£105,000 - £109,999	0	2	2	0	2	2
£110,000 - £114,999	0	0	0	0	1	1
£115,000 - £119,999	0	0	0	1*	0	1
£120,000 - £124,999	0	2	2	0	2	2
£125,000 - £129,999	0	1	1	0	0	0
£130,000 - £134,999	0	2*	2	0	0	0
£140,000 - £144,999	0	1	1	0	0	0
£160,000 - £164,999	0	0	0	0	1	1
£185,000 - £189,999	0	1	1	0	1	1
Total	241	183	424	196	163	359

The asterisks in the above table indicate where a number of officers and a teacher have received severance pay that serves to inflate the numbers in that pay band. The total figure for 'other' officers would reduce to 168 individuals if salary was to be shown net of severance pay. There would be no change in the total number of teachers.

The number of officers within this band will increase yearly due to national pay awards and nationally driven changes e.g. to Teachers' and Head Teachers' salaries.

Disclosure of Remuneration for Senior Employees

Included in the above table is the remuneration for the Council's senior officers. The following table sets out further disclosure of the remuneration of these officers. No bonuses were payable to any of the senior officers in the table below for 2008/09 and 2009/10. No additional benefits, either cash or otherwise, were paid during 2008/09 and 2009/10.

2009/10

Post Holder Information	Note	Salary - including fees & Allowances £	Expenses Allowances £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive – John Mothersole		184,588	0	0	184,588	33,226	217,814
Deputy Chief Executive	1	130,669	0	0	130,669	23,259	153,928
Strategic Director of Resources	2	127,740	0	0	127,740	22,993	150,733
Executive Director – Place	3	75,106	0	0	75,106	13,519	88,625
Executive Director – Communities	4	79,067	0	0	79,067	14,232	93,299
Executive Director – Children & Young People		141,516	183	0	141,699	25,473	167,172
Acting Executive Director – Neighbourhoods & Community Care	5	107,703	0	0	107,703	11,467	119,170
Assistant Chief Executive – Legal & Governance	6	34,648	0	331,867	366,515	6,237	372,752
Assistant Chief Executive Policy & Performance	7	36,452	0	118,582	155,034	6,561	161,595
Assistant Chief Executive – Organisational Development & Communications	8	49,577	0	198,848	248,425	8,924	257,349
Total		967,066	183	649,297	1,616,546	165,891	1,782,437

Notes:

- The Deputy Chief Executive joined Sheffield City Council on 1 April 2009. They received additional pay of £1,452 during the year. Their full time equivalent salary was £129,217
- The Strategic Director of Resources received an honorarium during the year of £11,613, their full time equivalent salary was £116,127.
- The Executive Director of Place joined Sheffield City Council on 10 August 2009. Their full time equivalent salary was £116,902.
- The Executive Director for Communities joined Sheffield City Council on 10 August 2009. Their full time equivalent salary was £123,066.
- The Acting Executive Director of Neighbourhoods and Community Care left this post on 9 August 2009. Their full time equivalent salary for this senior post was £116,902. The salary disclosed in the above table is their full year earnings including salary for their substantive post.
- The Assistant Chief Executive for Legal & Governance left Sheffield City Council on 30 June 2009. Their full time equivalent salary was £89,831.
- The Assistant Chief Executive for Policy and Performance left Sheffield City Council on 2 August 2009. Their full time equivalent salary was £76,922.
- The Assistant Chief Executive for Organisational Development & Communications left Sheffield City Council on 30 September 2009. Their full time equivalent salary was £99,154.

2008/09

Post Holder Information	Note	Salary - including fees & Allowances £	Expenses Allowances £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive – John Mothersole		185,492	0	0	185,492	33,389	218,881
Strategic Director of Resources	1	120,288	0	0	120,288	21,652	141,940
Executive Director – DEL	2	78,022	0	0	78,022	14,044	92,066
Executive Director – Neighbourhoods & Community Care	3	41,959	0	0	41,959	7,553	49,512
Executive Director – Children & Young People	4	106,137	0	0	106,137	19,105	125,242
Acting Executive Director – Neighbourhoods & Community Care	5	110,775	0	0	110,775	19,940	130,715
Acting Executive Director – Children & Young People	6	32,358	0	0	32,358	5,824	38,182
Assistant Chief Executive – Legal & Governance	7	102,854	0	0	102,854	21,355	124,209
Assistant Chief Executive Policy & Performance		76,922	0	0	76,922	13,846	90,768
Assistant Chief Executive – Organisational Development & Communications		99,154	0	0	99,154	17,848	117,002
Total		953,961	0	0	953,961	174,556	1,128,517

Notes:

- 1 The Strategic Director of Resources received an honorarium of £4,161 during the year, their full time equivalent salary was £116,127.
- 2 The Executive Director of DEL left Sheffield City Council on 30 November 2008. Their full time equivalent salary was £141,516.
- 3 The Executive Director of Neighbourhoods and Community Care left Sheffield City Council on 20 July 2008. Their full time equivalent salary was £141,516.
- 4 The Executive Director of Children's & Young People joined Sheffield City Council on 1 July 2008. Their full time equivalent salary was £141,516.
- 5 The Acting Executive Director of Neighbourhoods & Community Care started in-post on 21 July 2008. Their full time equivalent salary was £116,902.
- 6 The Acting Executive Director of Children's & Young left this post on 14 July 2008. Their full time equivalent salary was £116,902.
- 7 During the year the Assistant Chief Executive of Legal & Governance received an honorarium of £13,023. Their full time equivalent salary was £89,831.

29. INTERESTS IN COMPANIES

Sheffield Homes Ltd is a company limited by guarantee with the City Council as sole Member, guaranteed to £1. Its principal activity is to act as the managing agent of the City Council's housing stock as well as managing the repairs and improvements to tenants' homes. The company's net assets were £3.5m at 31 March 2010 (£3.5m at 31 March 2009). The result for the year excluding FRS 17 adjustments was a surplus of £45k before taxation (£0.2m deficit in 2008/09) and £14k after taxation (£0.3m in 2008/09). Copies of the accounts can be obtained from: Sheffield Homes Ltd, PO Box 1918, Sheffield, S1 2XX.

Creative Sheffield Ltd is a company limited by guarantee whose objectives are to secure, co-ordinate and oversee the economic regeneration of the City. The company is operated in partnership with English Partnerships and Yorkshire Forward. At 31 March 2010 the company's net assets were nil (nil at 31 March 2009) and it made neither profit nor loss (in 2008/09 it made neither profit nor loss). The Council has no obligation to meet any accumulated deficits or losses of the company. No dividends were received during the year. Copies of the company's accounts can be obtained from Companies House, or from the Company Secretary, Town Hall, Pinstone Street, Sheffield S1 2HH.

Digital Region Ltd is a private limited company. The company is a joint venture with Yorkshire Forward, Barnsley MBC, Rotherham MDC and Doncaster MBC whose objective is to procure a next generation broadband network infrastructure for the South Yorkshire region from a service provider. The company's net assets were £272k as at 31 March 2010 (£1k at 31 March 2009). The result for the year was a loss before tax of £583k and a profit after tax of £270k (in 2008/09 it made neither profit nor loss). Copies of the company's accounts can be obtained from Companies House, or from the Company Secretary, Electric Works, Sheffield Digital Campus, Sheffield, S1 2BJ.

30. LONG-TERM CONTRACTS

PFI Contracts and Similar Contracts

At 31 March 2010 the Council had five long-term contracts under Private Finance Initiative (PFI) arrangements.

The first PFI contract is for the provision of office accommodation at Howden House for a period of 30 years from February 2001. Payments to the contractor during the year amounted to £4.2m (£4.4m in 2008/09) and payments will continue for the duration of the contract, subject to availability and performance-related deductions and to contractually agreed inflation adjustments.

The other PFI contracts are for the provision of schools. Schools Phase One PFI contract is for the provision of two primary schools and four secondary schools that opened during the financial year 2001/02. The contract is for 25 years and total payments to the contractor during the year were £7.8m (£7.7m in 2008/09). The Schools Phase Two PFI contract, which is for the provision of two secondary schools, became fully operational during the financial year 2005/06 with total payments to the contractor during the year amounting to £3.7m (£3.6m in 2008/09). The Schools Phase Three PFI contract became operational during the financial year 2006/07 and total payments during the year were £6.3m (£6.3m in 2008/09). The Building Schools for the Future (BSF) Wave One contract became operational in January 2009 and total payments during the year were £9.1m (£2m in 2008/09).

The Council has another long-term arrangement that is not PFI-funded for the collection and disposal of municipal waste which 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 £25.8m (£21m in 2008/09). 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 result in peaks in the payments between 2005 and 2010 which will then flatten out until the expiry of the contract. The payments may be reduced by any shares in growth in the contractor's third party income and are subject always to any deductions for poor performance.

In accordance with Accounting Policy 18 – Private Finance Initiatives and Similar Contracts, the five PFI contracts and the integrated waste management contract have been reviewed and accounted for in accordance with the provisions of IFRIC 12 – Service Concession Arrangements and other relevant CIPFA guidance. The fixed assets relating to these contracts and the liability for these fixed assets have been recognised on the Council's Balance Sheet.

Other Long Term Contracts

The Council has also 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 £22m (£22m in 2008/09). 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 £200m 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 2009/10 totalled £40.4m (2008/09 £22.9m). These amounts include transitional payments as part of the transfer to the new contract.

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 2009/10 totalled £6.3m.

31. POOLED BUDGETS

Section 31 of the NHS 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 shows the Partner bodies disclosed, along with the contributions to and from the pool and details of 2008/09 comparatives:

Service Area	Contribution to the Pool		Contribution from the Pool	
	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000
Intermediate Care	108	106	807	846
Learning Disabilities Accommodation	2,555	2,005	2,368	2,201
Equipment and adaptations	1,206	967	1,206	945

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	
	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000
Sheffield PCT	1,584	1,550	644	574
Sheffield City Council	108	106	807	846
Sheffield Teaching Hospitals	0	0	219	214
Sheffield Care Trust	0	0	22	22
Total	1,692	1,656	1,692	1,656

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.

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000
Sheffield PCT	12,685	12,071	12,692	12,152
Sheffield City Council	2,555	2,005	2,368	2,201
Carried Forward	0	0	1,261	1,082
Total	15,240	14,076	16,321	15,435

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	
	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000
Sheffield PCT	1,229	1,471	1,170	1,153
Sheffield City Council	1,206	967	1,206	945
Other Local Authorities	6	5	6	7
Carried Forward	0	0	59	306
Total	2,441	2,443	2,441	2,411

32. AUDIT COSTS

In 2009/10, Sheffield City Council incurred the following fees relating to external audit and inspection:

	2009/10 £000	2008/09 £000
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor.	433	422
Fees payable to the External Auditors in respect of statutory inspection.	63	22
Fees payable to the External Auditors for the certification of grant claims and returns.	185	204
Total	681	648

33. DEDICATED SCHOOLS GRANTS (DSG)

The Council's expenditure on schools is funded by the DSG provided by the Department for Children, Schools and Families. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the individual Schools Budget, which is divided into a budget share for each school. Overspends and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2009/10 are as follows:

Schools Budget Funded by Dedicated Schools Grant			
	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2009/10	39,464	241,930	281,394
Brought forward from 2008/09	7,362	0	7,362
Carry forward to 2010/11 agreed in advance	0	0	0
Agreed budget distribution in 2009/10	46,826	241,930	288,756
Actual central expenditure	(39,236)	0	(39,236)
Actual ISB deployed to schools	0	(241,930)	(241,930)
Local authority contribution for 2009/10	0	0	0
Carry forward to 2010/11	7,590	0	7,590

34. CONTINGENT LIABILITIES

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

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

	Exposure 2009/10 £000	Exposure 2008/09 £000
Sheffield City Trust City Hall	3,096	3,414
Sheffield Lyceum Theatre Trust Ltd	10,048	11,502
Sheffield City Trust Ice Centre	1,287	1,578
Clearfuture Ltd	1,963	1,963
Sheffield Science Park Co Ltd	194	217
	16,588	18,674

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

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

There are a number of organisations, such as Kier Sheffield LLP and Veolia, that have admitted body status with South Yorkshire Pension Authority (SYPA) for which the Authority 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 Authority 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.

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 FRS 17 this deficit is £24.0m for 2009/10 (£8.3m 2008/09), this sum is included within Sheffield Homes' accounts. However as the Council considers it unlikely that this guarantee will be exercised, the £24.0m is disclosed as a contingent liability in the Council's accounts.

As part of the set-up of Sheffield Homes, the Council specifically agreed that the pensions' deficit for staff transferring on 1 April 2004 remained with the Council. This deficit was £8.3m at 1 April 2004 and should form part of the Council's FRS17 liability.

However, as this deficit reduced over time (as staff leave Sheffield Homes or retire) the remaining deficit as at 31 March 2010 cannot be easily estimated, and so has not been included within the Council's FRS17 figure. It is however disclosed as part of the £24.0m contingent liability above.

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

Equal pay claims

Arising from the 1997 Single Status Agreement, the authority has included in its accounts a provision for the estimated cost of compensation payments which are currently under negotiation in relation to a specific group of outstanding equal pay claims (see note 12 for further details). However, the authority 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.

Digital Region

As mentioned in Note 29 to the accounts, the Council has an interest in Digital Region Limited. There is a financial risk contingent on the future financial performance of the company. It is not possible to estimate with any certainty the likely financial impact of this risk at present.

South Yorkshire e-Learning Partnership (SYeLP)

SYeLP was set up to realise the benefits of information and Communication Technology (ICT) in education and training across South Yorkshire. The programme was delivered through a partnership across South Yorkshire that included Sheffield, Barnsley, Doncaster and Rotherham Councils with Sheffield as the Commissioning Authority under an Agency Agreement. The programme delivered a number of projects that received funding including ESF and ERDF grant. One of these projects has an outstanding audit issue, which may result in a potential liability of £1.3m, Sheffield's share of this potential liability would be approximately £520k (40%). Work is ongoing to prevent the clawback and there is uncertainty as to any ultimate financial impact, therefore, a provision has not been made in the Council's accounts.

35. TRUST FUNDS

The Council administers trust funds which principally relate to legacies left by various individuals, groups etc. There are 27 such accounts, where the Council is sole trustee, with a total value of £1.68m being:

Trust	2009/10 Income	2009/10 Expenditure	Trust Value as at 31st March 2010	Trust Value as at 31st March 2009
	£000	£000	£000	£000
Beet Street Nursery Charitable Account	0	0	295	295
Norfolk Park Trust	1	(9)	251	259
Chelsea Park	1	0	229	228
Earl Marshal Street Recreation Ground Trust	0	(7)	167	174
Wincobank Wood Recreation Ground Trust	1	0	179	178
Sutherland Road Recreation Trust	1	0	125	124
Comfort Funds	4	(1)	57	54
William Scholarship Fund	0	0	107	107
Hillsborough Park Trust Fund	0	(1)	28	29
Land at Fulwood/Whirlow	31	(44)	51	64
Sir George Franklin Trust Fund (Scholarships)	1	(1)	63	63
Other	1	(0)	129	128
	41	(63)	1,681	1,703

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.

36. NOTES TO CASH FLOW STATEMENT

RECONCILIATION OF SURPLUS / (DEFICIT) TO NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES

Restated 2008/09 £000 (353,679)		2009/10 £000	2009/10 £000 (230,676)
	Surplus / (deficit) for the year		
	<u>Non cash transactions</u>		
348,842	Depreciation and impairment	216,640	
(8,882)	Deferred grants amortised in year	(11,184)	
(5,513)	Deferred capital grants written off in year	(886)	
16,543	Pension fund adjustments	16,081	
9,238	Other non-cash financial instrument adjustments	301	
3,061	Contributions to provisions	7,727	
363,289		<hr/>	228,679
	<u>Adjustment for items reported separately on Cashflow</u>		
(8,008)	Interest and investment income	(953)	
89,202	Interest payable and similar charges	108,804	
43,932	Gain or loss on the disposal of Fixed Assets	19,140	
125,126		<hr/>	126,991
	<u>Items on an accrual basis</u>		
142	(Increase) / decrease in stock	(176)	
43,370	(Increase) / decrease in debtors	13,784	
521	Increase / (decrease) in creditors	(19,519)	
44,033		<hr/>	(5,911)
178,769	Net cash inflow / (outflow) from operating activities		<hr/> 119,083

ANALYSIS OF NET DEBT

	Restated Balance at 1 April 2009 £000	Balance at 31 March 2010 £000	Movement In year £000
Cash at Bank/(Overdrawn)	7,741	(3,218)	(10,959)
Short Term Investments	92,711	1,800	(90,911)
Movement in cash and cash Equivalents	100,452	(1,418)	(101,870)
Amounts relating to major preceptors & NNDR	4,393	(10,058)	(14,451)
Debt due within one year	(22,278)	(39,409)	(17,131)
Debt due after one year	(1,023,455)	(1,023,455)	0
PFI Finance Lease Liability	(240,208)	(236,346)	3,862
Deferred liabilities	(33,609)	(32,038)	1,571
Increase/(Decrease) in debt	(1,319,550)	(1,331,248)	(11,698)
Total Movement	(1,214,705)	(1,342,724)	(128,019)

RECONCILIATION OF CHANGES IN CASH TO MOVEMENT IN NET DEBT:

Restated 2008/09 £		2009/10 £
7,554	Increase / (Decrease) in cash	(10,959)
27,516	Cash Inflow / (outflow) from management of liquid resources	(105,362)
	Cash inflow from:	
(104,500)	New loans raised	(44,369)
(64,299)	New PFI Schemes	0
(168,799)		(44,369)
	Cash outflow from:	
34,772	Loans repaid	25,963
13,513	Payment of interest accrued at last balance sheet date	13,784
285	PFI Liability repaid	3,862
1,436	Deferred liabilities repaid	1,571
50,006		45,180
(83,723)	Change in net debt resulting from cash flows	(115,510)
(1,334)	Effective interest rates and actual interest payable	974
61	Interest accrued at year end on Short Term Investments	0
(13,784)	Interest accrued at year-end for loans carried forward at nominal value	(13,483)
(15,057)		(12,509)
(1,115,925)	Net debt brought forward	(1,214,705)
(1,214,705)	Net debt carried forward	(1,342,724)

ANALYSIS OF CHANGES IN CASH AND LIQUID RESOURCES DURING THE YEAR

	Balance at 1 April 2009 £000	Balance at 31 March 2010 £000	Movement In year £000
Temporary investments	92,711	1,800	(90,911)
Cash	7,741	(3,218)	(10,959)
Amounts relating to major preceptors & NNDR	4,393	(10,058)	(14,451)
Increase / (decrease) in year	104,845	(11,476)	(116,321)

Liquid resources are defined as those current assets that can be converted into cash in a comparatively short space of time. Temporary investments include fixed-term market deposits with a redemption date under one year.

OTHER GOVERNMENT GRANTS

		2009/10 £000	2008/09 £000
Children and Young People	Standards Funds	99,794	68,334
	School Standards grant	14,793	14,887
	European grants	4,906	7,566
	Learning and Skills Council	19,486	15,306
	Dedicated Schools Grant	281,394	274,119
	Surestart	547	7,082
	Teaching Development Agency	844	1,010
	Other Grants	31,926	24,410
Housing	Asylum Seekers	2,306	2,521
	HRA Subsidy	34,452	35,983
	Rent Rebates	77,575	73,024
	Supporting People	25,227	25,227
	Housing Market Renewal	15,361	25,161
	Other Grants	12,357	20,972
Resources & Deputy Chief Executive's	Magistrate's Court Revenue	95	108
	Other Grants	6,632	4,034
Place	Sheaf Square/Station Gateway	1,809	19
	SRB	17	31
	Other	23,362	28,366
Communities	Other Social Services Grants	2,682	1,200
		655,565	629,360

37. PRIOR YEAR ADJUSTMENT

Private Finance Initiative and Similar Contracts

Prior period adjustments have been required to recognise qualifying service concessions assets used to deliver the PFI / PPP services on the Council's balance sheet along with the liability provided to the PFI / PPP contractor.

See Accounting Policy note 18 for further information.

Council Tax / National Non-Domestic Rates (NNDR)

As a result of the amendment to the 2009 SORP for the accounting requirements for Council Tax and NNDR, prior period adjustments have been required to recognise the change to agency accounting for Council Tax and NNDR.

See Accounting Policy Note 22 for further information.

The following information shows the impact of these adjustments and a reclassification adjustment of the I&E figures on the 2008/09 published figures:

Extract from Income & Expenditure Account

	2008/09 Net Expenditure Before Adjustment £000	Adjust for Council Tax and NNDR £000	Adjust for Reclass- ification	Adjust for PFI/PPP £000	2008/09 Net Expenditure Restated Figures £000
Children's & Education Services	136,240	0	2,606	3,156	142,002
Highways & Transport Services	31,738	0	37,046	(79)	68,705
Cultural, Environment & Regulatory Services	122,355	0	841	(8,898)	114,298
Central Services	56,127	0	(34,481)	1,551	23,197
Net Cost of Services	714,675	0	0	(4,270)	710,405
Interest Payable & Similar Charges	65,123	0	0	24,079	89,202
Interest & Investment Income	(7,435)	0	0	(573)	(8,008)
Net Operating Expenditure	859,631	0	0	23,506	878,867
Income from Council Tax & Residual Community Charge	(186,635)	(1,143)	0	0	(187,778)
Demand on the Collection Fund	(513)	513	0	0	0
General Government Grants	(85,612)	0	0	(16,704)	(102,316)
Deficit for the Year	351,777	(630)	0	2,532	353,679

Prior Period Adjustment – cont.

Extract from Statement of Movement on the General Fund Balance

	2008/09 Before Adjustment	Adjust for Council Tax and NDR	Adjust for PFI/PPP	2008/09 Restated Figures
	£000	£000	£000	£000
Deficit for the year on the Income & Expenditure Account	351,777	(630)	2,532	353,679
Depreciation & Impairment of Fixed Assets	(319,910)	0	(2,817)	(322,727)
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital by Statute	(13,614)	0	(2,778)	(16,392)
Amounts by which Council Tax income & Residual Community Charge adjustment included in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	0	630	0	630
Statutory provision for repayment of debt	14,105	0	3,063	17,168
Net additional amount required to be debited / (credited) to the General Fund balance for the year	(345,715)	630	(2,532)	(347,617)
Total Movement in the year	6,062	0	0	6,062
General fund balance brought forward	(36,473)	0	4,545	(31,928)
General Fund Balance Carried Forward	(30,411)	0	4,545	(25,866)

Prior Period Adjustment cont.

Statement of Total Recognised Gains & Losses

	2008/09 Before Adjustment	Adjust for Council Tax and NDR	Adjust for PFI/PPP	2008/09 Restated Figures
	£000	£000	£000	£000
Deficit for the year on the Income & Expenditure Account	351,777	(630)	2,532	353,679
Surplus arising on revaluation of fixed assets	(282,444)	0	0	(282,444)
Actuarial (gain) and losses on pension fund assets and liabilities	(84,181)	0	0	(84,181)
Adjustment for Financial Instruments	589	0	0	589
Any other (gains) / losses to be included in the STRGL	(7,346)	604	0	(6,742)
Total recognised (gains) and losses for the year	(373,382)	604	0	(372,778)
Total recognised (gains) and losses	(21,605)	(26)	2,532	(19,099)

Prior Period Adjust Cont.

Extract from the Balance Sheet

	2008/09 Before Adjustment £000	Adjust for Council Tax and NNDR £000	Adjust for PFI/PPP £000	2008/09 Restated Figures £000
Fixed Assets				
Tangible Fixed Assets				
Other Land & Buildings	899,553	0	228,451	1,128,004
Vehicles, Plant Furniture & Equip	20,462	0	36,450	56,912
Operational Fixed Assets	2,672,130	0	264,901	2,937,031
Total Fixed Assets	2,872,760	0	264,901	3,137,661
Long Term Debtors	28,658	0	(14,281)	14,377
Total Long Term Debtors	2,901,433	0	250,620	3,152,053
Current Assets				
Debtors	188,974	(8,652)	0	180,322
Bad debt provision	(43,687)	5,383	0	(38,304)
Total Current Assets	246,420	(3,269)	0	243,151
Total Assets	3,147,853	(3,269)	250,620	3,395,204
Current Liabilities				
Creditors	(166,701)	3,295	0	(163,406)
PFI Finance Lease Liability	0	0	(3,862)	(3,862)
Total Current Liabilities	(242,879)	3,295	(3,862)	(243,446)
Total Assets less Current Liabilities	2,904,974	26	246,758	3,151,758
PFI Finance Lease Liability	0	0	(236,346)	(236,346)
Provisions & deferred Creditors	(27,013)	0	8,556	(18,457)
Total Assets less Liabilities	1,016,265	26	18,968	1,035,259
Financed by:				
Capital Adjustment Account	(904,923)	0	(23,513)	(928,436)
General Fund Balance	(30,411)	0	4,545	(25,866)
Collection Fund	(792)	792	0	0
Council Tax Adjustment Account	0	(818)	0	(818)
Total Net Worth	(1,016,265)	(26)	(18,968)	(1,035,259)

38. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts were authorised for issued on September 2010 by Laraine Manley, Director of Resources. Events after the Balance Sheet date have been considered up to the date of issue.

Non adjusting disclosure – Pensions and Inflation change

In the budget on 22nd June 2010, the Chancellor announced that from April 2011 the Government would start to increase public service pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), which has been the practice in the past. As a result, future pension increases are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS 17 liabilities by between 5% and 8% for most employers. A more precise financial effect will be given in the figures published in the Statement of Accounts for the financial year ending 31 March 2011.

Housing Revenue Account Income and Expenditure Account

2008/09 £000	Income	2009/10 £000
(114,024)	Dwelling rents (gross)	(116,787)
(1,393)	Non-dwelling rents (gross) – garages, garage sites and shops	(1,473)
(6,516)	Charges for services and facilities	(7,210)
(1,446)	Contributions towards expenditure	(1,516)
(34,589)	Housing Revenue Account subsidy receivable	(33,502)
(828)	Contributions from General Fund: Shared Amenities	(828)
0	Sums directed by the Secretary of State that are income in accordance with UK GAAP	0
(158,796)	Total Income	(161,316)
	Expenditure	
29,355	Repairs & maintenance	31,629
30,606	Supervision and management	31,226
1,355	Rents, rates, taxes & other charges	1,004
19,798	Special services – including management	19,889
927	Increase in provision for doubtful debts	1,124
258,858	Depreciation and impairment of fixed assets	105,097
364	Debt management costs	295
0	Sums directed by the Secretary of State that are expenditure in accordance with UK GAAP	0
341,263	Total Expenditure	190,264
182,467	Net Cost of HRA Services as included in the whole authority Income and Expenditure Account	28,948
579	HRA service share of Corporate and Democratic Core	645
183,046	Net Cost of HRA Services	29,593
	HRA share of operating income and expenditure included in the whole authority Income and Expenditure Account	
834	(Gain) or loss on sale of HRA fixed assets	(1,058)
42,103	Interest payable and similar charges	42,554
(530)	Interest and investment income	(86)
0	Pensions interest cost and expected return on pensions assets	0
225,453	Deficit for the year on HRA services	71,003

Statement of Movement on the Housing Revenue Account Balance			
2008/09		2009/10	
£000		£000	£000
225,453	Deficit for the year on the HRA Income and Expenditure Account	71,003	
(227,017)	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(73,180)	
(1,564)	Increase in the Housing Revenue Account		(2,177)
(9,835)	Housing Revenue Account Balance brought forward		(11,399)
(11,399)	Housing Revenue Account Balance carried forward		(13,576)

Note to Statement of Movement on the Housing Revenue Account Balance			
2008/09		2009/10	
£000		£000	£000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year.		
(232,744)	Impairments	(81,293)	
3,361	Amortisation of premiums and discounts	3,466	
(834)	Gain or (Loss) on sale of fixed assets	1,058	
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA balance for the year		
300	Capital Expenditure financed from HRA	0	
2,900	Transfers (from)/to the Major Repairs reserve	3,797	
0	Transfers from Specific Reserves	(208)	
(227,017)		(73,180)	

HOUSING REVENUE ACCOUNT NOTES

1. HOUSING STOCK

The Council was responsible for managing, on average, 41,964 dwellings during 2009/10. The movement in stock can be summarised as follows:

	2009/10	2008/09
Housing Stock as at 1 April	42,129	42,447
Less: Sales	(77)	(107)
Less: Demolitions & other deductions	(253)	(235)
Add: New build & acquisitions	0	24
Housing stock as at 31 March	41,799	42,129

The housing stock can be analysed by type as follows:

	Flats & Maisonettes	Houses & Bungalows	Total
1 Bedroom	12,058	1,710	13,768
2 Bedrooms	5,804	9,197	15,001
3 Bedrooms	979	11,150	12,129
4 Bedrooms	16	346	362
5 Bedrooms	3	13	16
6 Bedrooms or more	0	3	3
Bedsits	519	0	519
Multi Occupied	0	1	1
Total	19,379	22,420	41,799

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

	Value at 31 March 2010 £000	Value at 1 April 2009 £000
Operational Assets:		
Council Dwellings	1,343,887	1,348,831
Other Land & Buildings	15,932	16,301
Non Operational Assets	76,462	76,270
Total	1,436,281	1,441,402

2. VACANT POSSESSION

The vacant possession value of Council dwellings as at 1 April 2009 was £2.86bn.

The difference between the vacant possession value of dwellings and the Balance Sheet value as at 1 April 2009 and 31 March 2010 represents the economic cost of providing Council housing at less than open market rents.

3. 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 & Accounts England Regulations 2000).

The table below shows the movement on the reserve:

2008/09		2009/10
£000		£000
0	Balance at 1 April	8,951
	Transfers from the Capital Adjustment Account	
26,114	(re. Depreciation)	23,804
	Transfers from HRA (re. Excess of MRA over	
2,900	depreciation)	3,797
(20,063)	Expenditure on capital assets	(30,540)
8,951	Balance at 31 March	6,012

4. CAPITAL EXPENDITURE

During the financial year total capital expenditure was £137m, (£124m 2008/09) split between houses £106.8m (£123m in 2008/09), other property within the Housing Revenue Account including deferred charges of £30.2m (£1m 2008/09),

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

2008/09		2009/10
£000		£000
20,063	Major Repairs Reserve	30,540
102,993	Borrowing	76,053
134	Grants & other grants	27,592
117	Usable Capital Receipts	2,334
429	Capital Contributions	5
300	Revenue Contributions	0
124,036	Total	136,524

Capital receipts amounting to £5.8m (£9.1 m 2008/09) were generated in the financial year from the disposal of land, houses and other property.

5. DEPRECIATION

A depreciation charge of £23.8m (£26.1m 2008/09) was made to the HRA during the financial year. The split of the depreciation charge is detailed below.

The depreciation charge is made up as follows:

	Depreciation 31 March 2010 £000	Depreciation 1 April 2009 £000
Operational Assets:		
Council Dwellings	23,790	25,628
Other Land & Buildings	14	486
Non-Operational Assets		
	0	0
Total	23,804	26,114

6. HRA SUBSIDY

The following table analyses the HRA subsidy for the financial year in accordance with elements set out in the general formula in paragraph 3.1 of the general determination of HRA subsidy for the year:

2008/09 £000	Analysis of HRA Subsidy	2009/10 £000
50,156	Charges for Capital	48,841
50,579	Allowance for Maintenance	48,737
29,014	Allowance for Major Repairs	27,601
25,206	Allowance for Management	25,410
0	Rent Constraints Allowance	1,434
185	Housing Subsidy in respect of previous years	(75)
46	Other Expenditure	46
(120,592)	Guideline Rent Income	(118,485)
(5)	Interest on Receipts	(7)
34,589	TOTAL	33,502

7. RENT ARREARS

Rent arrears as at 31 March 2010 amounted to £8.3m (£8.6m as at 31 March 2009). The provision for doubtful debts in respect of these rent arrears is £6.4m (£7.0m as at 31 March 2009).

8. DWELLING RENTS

This represents rent income due from tenants. The average rent per week at 31 March 2010 was £56.27 compared with £55.24 per week at 31 March 2009, an increase of £1.03 or 1.87%.

9. REBATES

Rent rebates are available through the Housing Benefits scheme. As at 31 March 2010, 67% (65% as at 31 March 2009) of Council tenants were receiving assistance from the scheme.

10. RENT INCOME

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

	Dwellings	Non-Dwellings	Total	2008/09
	£000	£000	£000	£000
Gross rent income before allowances	119,158	2,034	121,192	118,220
Less vacant properties	(2,371)	(561)	(2,932)	(2,803)
Gross rent income after allowances	116,787	1,473	118,260	115,417

11. IMPAIRMENT

During the year an impairment charge of £81.3m was made (£232.7m in 2008/09), relating to dwellings that were demolished and a downward revaluation of a number of existing dwellings.

Collection Fund				
2008/09 Restated £000		Notes	2009/10	
			£000	£000
	Income			
(178,654)	Income from Council Tax	1		(180,898)
	Transfer from General Fund:			
(40,693)	Council Tax Benefits		(44,074)	
511	Transitional Relief		992	
(40,182)				(43,082)
(183,647)	Income collectable from business ratepayers	2		(185,720)
(402,483)	Total Income			(409,700)
	Expenditure			
	Precepts and Demands:			
186,635	Sheffield City Council			192,872
	South Yorkshire Joint Authorities:			
18,689	SY Police Authority		19,559	
8,456	SY Fire & Rescue Authority		8,893	
				28,452
213,780				221,324
	Business Rate:			
180,807	Payment to National Pool	2	181,938	
763	Costs of Collection		769	
181,570				182,707
1,258	Write-Offs – Council Tax			3,175
1,565	Write-Offs - NNDR			2,021
3,000	Provision for Non-Payment of Council Tax			1,500
	Contributions			
583	Estimated 2008/09 Collection Fund Surplus			634
3	Adjustment of previous years' Community Charge			0
401,759	Total Expenditure			411,361
(724)	(Surplus)/Deficit for the Year			1,661
(214)	Balance Brought Forward			(938)
(938)	Balance Carried Forward	4		723

COLLECTION FUND NOTES

The Collection Fund reflects the statutory requirement contained in section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for Councils that are Billing Authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR).

1. COUNCIL TAX

There are an estimated 235,279 (232,520 2008/09) 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 152,090.44 for 2009/10 (150,037.53 2008/09). 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 of £1,452.22 for 2009/10 (£1,421.88 2008/09) excluding parishes but including Police & Fire 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:-

Band	Number of Properties in Band	Less Reductions	Chargeable Dwellings	Adjusted Chargeable Dwellings	Proportion of Band D Tax	Band D Equivalent Dwellings
Disabled Band A		456	456	418	5:9	232.22
A	139,919	(8,185)	131,734	115,745.80	6:9	77,163.87
B	36,240	(2,323)	33,917	31,313.45	7:9	24,354.91
C	29,078	(2,180)	26,898	25,090.65	8:9	22,302.80
D	14,847	(1,257)	13,590	12,793.45	9:9	12,793.45
E	8,493	(306)	8,187	7,804.75	11:9	9,539.14
F	3,966	(23)	3,943	3,757.00	13:9	5,426.78
G	2,578	(89)	2,489	2,385.45	15:9	3,975.75
H	158	(53)	105	96.90	18:9	193.80
	235,279	(13,960)	221,319	199,405.45		155,982.72
Less: Allowance for non-collection						(3,899.57)
Add: Defence-exempt properties						7.29
Tax Base for the calculation of 2009/10 Council Tax						152,090.44

The income of £221.8m for 2009/10 (£218.1m 2008/09), which is net of write-offs is receivable from the following sources:-

Billed to Council Tax Payers (net of write-offs)	177.723m
Council Tax Benefits	44.074m
	221.797m

2. NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Government specified an amount of 48.5p in 2009/10 (46.2p 2008/09) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Fund on the basis of a fixed amount per head of population.

The NNDR income of £184.7m for 2009/10 (£183.1m 2008/09) (after allowing for reliefs and provisions) was based on a total rateable value for the Council's area of £462,872,271 for the year (£466,951,865 2008/09).

3. ADJUSTMENTS FOR PREVIOUS YEARS' COMMUNITY CHARGES

Although Council Tax replaced Community Charge from 1 April 1993, the City Council continues to account for residual adjustments in relation to the Community Charges raised in earlier years, in the Collection Fund.

4. BREAKDOWN OF COLLECTION FUND SURPLUS / (DEFICIT)

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

Authority	2008/09 £000	2009/10 £000
Sheffield City Council	819	(629)
SY Police Authority	82	(65)
SY Fire & Rescue Authority	37	(29)
Total	938	(723)

Glossary

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 Policies

These principles, bases, conventions, rules and practices, specify how the effect of transactions and other events are to be reflected in the 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 Income & Expenditure account over a period of years rather than when the initial payment is made. Its purpose is to charge/credit the cost/income over the accounting periods that gain benefit for the respective item.

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure that is incurred to create or add value to a fixed asset.

Capital Receipts

The proceeds from the sale of capital assets which, subject to various limitations (e.g. Pooling Arrangements introduced in the Local Government Act 2003) can be used to finance capital expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing.

Collection Fund

A fund administered by the Council recording receipts mainly from Council Tax, National non-domestic rates and payments to the General Fund.

Community Assets

Assets that the Council intends to hold forever and which may have some restrictions on their disposal, e.g. parks and historic buildings.

Consistency Concept

The consistency concept requires that there should be a consistent method of accounting treatment of like items within each accounting period and from one period to the next.

Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence of one or more uncertain future events not wholly within the Council's control.

Council Tax

A banded property tax that is levied on domestic properties. The banding is based on assessed property values at 1 April 1991.

Credit Risk

The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.

Creditors

An amount owed by the Council for work done, goods received or services rendered, but for which no payment has been made.

Debtors

An amount owed to the Council for work done, goods received or services rendered, but for which no payment has been received.

Defined Benefit Scheme

A pension or other retirement benefit scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of the wearing out, consumption or other reduction in a fixed asset either as a result of its use, ageing or obsolescence.

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.

Exceptional Item

An item that is not expected to occur frequently or regularly but is material in terms of the Council's overall expenditure.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

An agreement that transfers all the risks and rewards of ownership of an asset. The payments usually cover the full cost of the asset together with a return for the cost of finance.

Financial Instrument

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities and includes both the most straightforward financial assets such as trade receivable (debtors) and trade payable (creditors) and the most complex ones such as derivatives.

Financial Reporting Standards (FRS)

Accounting standards developed by the Accounting Standards Board which determine the standards to be adopted in the preparation and presentation of the Council's accounting records.

Fixed Assets

Tangible assets that yield benefits to the local authority and the service it provides for a period of more than one year.

General Fund

The total services of the Council except for the Housing Revenue Account and the Collection Fund, the net cost of which is met by Council Tax, Government grants and National Non-domestic rates.

Goodwill

The difference between the aggregate fair value of the net assets of a business and the value of the business as a whole. Goodwill can be internally developed or purchased.

Hire Purchase

An agreement for the hire of an asset that contains a provision giving the Council the option to acquire the legal title to the asset upon the fulfilment of certain conditions stated in the contract.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Intangible Fixed Assets

Non-financial fixed 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 fixed assets applicable to local authorities are goodwill and other intangible assets. Examples of other intangible assets might be patents or software licences.

Materiality

An item is material if its omission, non-disclosure or misstatement in financial statements could be expected to lead to a distorted view given by the financial statements.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current position of the existing asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses incurred in realising the asset.

National Non-Domestic Rates (NNDR)

These are often referred to as Business Rates, and are a levy on business properties based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines the national rate poundage, Local Authorities collect the sums due, but the proceeds are pooled to Central Government, who redistribute the sums back to Authorities on a pro-rata basis to the Authority's population.

Non-Operational Assets

Fixed assets held by the Council but not used or consumed in the delivery of services. Examples of non-operational assets include investment properties and surplus assets awaiting disposal.

Operational Assets

Fixed assets held and occupied, used or consumed in the direct delivery of services.

Operating Lease

An agreement in which the Council derives the use of an asset in exchange for rental payments, though the risks and rewards of ownership of the asset are not substantially transferred to the Council.

Precepts

The amount levied by another body such as the South Yorkshire Police Authority that is collected by the Council on their behalf.

Private Finance Initiative

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.

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

A government agency, which provides loans to authorities at favourable rates.

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.

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.

Revenue Expenditure

The cost of running local authority services within the financial year, for example, staffing costs, supplies and transport.

Revenue Support Grant (RSG)

This is a Government grant paid to the Council to finance the Council's general expenditure. It is based on the Government's assessment of how much an Authority 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.

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

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Sheffield City Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Sheffield City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Corporate Resources and auditor

The Director of Corporate Resources' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Conclusion on 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Sheffield City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Delay in certification of completion of the audit

The audit cannot be formally concluded and a certificate issued until I have completed my consideration of an objection received from a local authority elector. I am satisfied that the matters raised do not have a material effect on the financial statements.

John Prentice

Officer of the Audit Commission

Audit Commission
Littlemoor House
Littlemoor
Eckington
Sheffield
S21 4EF

30 September 2010