SHEFFIELD CITY COUNCIL

STATEMENT OF ACCOUNTS 2010/11

For the period
1 April 2010 to 31 March 2011

Contents

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Foreword by the Executive Director of Resources

INTRODUCTION

The Statement of Accounts contains all the financial statements and disclosure notes required by statute and a brief financial review of 2010/11.

The purpose of this foreword is to provide a guide to the main statements contained in the accounts and to comment on and summarise the Council's overall financial performance for 2010/11.

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

CHANGES IN ACCOUNTING POLICY

These are the Council's first financial statements prepared in accordance with International Financial Reporting Standards (IFRS) rather than UK GAAP as in previous years.

The Council's IFRS accounting policies presented in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2011, the comparative information and the opening balance sheet at the date of transition.

Significant differences in the presentation of amounts under SORP 2009 and under the IFRS-based CODE appear in the following areas:

- Employee benefits,
- Government grants,
- Non-current assets, and
- Several other areas all of which are described in detail in note 47.

FINANCIAL REVIEW 2010/11

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.

The Council is facing significant funding reductions over the next few years. During 2010/11 £6.5million was reduced from the Council's Area Based Grant (ABG) allocation, the Council's Interim Budget Report published in August 2010 set out recommendations to make these savings.

Going forward, the Local Government Finance Settlement, announced in December 2010, set out significant reductions in the Council's funding for the next two financial years. The Council's 2011/12 Revenue Budget Report set out savings proposals amounting to £77.5million that were required to balance the 2011/12 budget.

The Council has maintained the level of usable reserves in 2010/11 demonstrating that the Council has not had to use reserves to fund ongoing expenditure and considers it is maintaining its stable financial position.

The Council considers its Medium Term Finance Strategy to be robust and sustainable to manage these funding reductions.

Going Concern

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

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

Revenue Expenditure and Services Provided

Revenue spending concerns the day-to-day running costs of the Council's services, including areas like schools, social services and leisure facilities. This spending is financed primarily from government grants and Council Tax. On 5 March 2010 the Council approved a revenue budget for 2010/11 at a net expenditure level of £473.9 million. This was based on an approved Council Tax increase of 1.5% which is the lowest increase ever.

The following table shows the final out-turn position for 2010/11. 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 IAS 19 Accounting for Employee Benefits and other accounting adjustments required by the Code of Practice in Local Authority Accounting in the United Kingdom (The Code).

The final out-turn position for 2010/11 shows an under spend of £2.8 million and the budget report to Council in March 2011 agreed to transfer this sum to reserves as part of the 2011/12 budget strategy.

2010/11 Outturn	**Budget**	**Actual**	**Variance**
	£000	**£000**	**£000**
Children and Young People's Services	149,284	148,826	(458)
Communities	197,408	191,665	(5,743)
Place	182,833	183,455	622
Deputy Chief Executive's	17,172	16,962	(210)
Resources	35,921	34,995	(926)
Corporate	(582,618)	(578,656)	3,962
Total under spend for the year	**0**	**(2,753)**	**(2,753)**

The actual total under spend in 2010/11 was £13.5 million. Contributions to reserves of £3.9 million were approved in Month 11 and a further £6.8 million has been set aside to fund future years.

The budgeted gross revenue expenditure, analysed in the same way as the income and expenditure account, and how the expenditure was funded are shown in the tables below.

GROSS REVENUE EXPENDITURE 2010/11		
	£m	**%**
Education	531	36
Social Services	238	16
Highways, transport and planning	92	6
Leisure and Culture	43	3
Environmental Health	14	1
Housing	225	15
Refuse collection and disposal	36	3
Other Services	301	20
Total	**1,480**	**100**

FINANCING OF THE GROSS REVENUE EXPENDITURE 2010/11		
	£m	**%**
Specific Government Grants	687	47
Council House rents	123	8
Fees, charges and other income	196	13
Central Government Grants	278	19
Council Tax	196	13
Total	**1,480**	**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 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 £583 million. Often this is a reflection of in year expenditure which has not enhanced asset values on a pound-for-pound basis. However the majority of this charge, (£555million) falls within council dwellings and is a result of the 16% change in the Yorkshire and Humber Social Housing adjustment factor for valuations, as set out in the Department for Communities and Local Government's guidance *Stock Valuation for Resource Accounting 2010.*

Capital Expenditure

Capital spending can generally be defined as spending which generates assets that have a life of more than one year. In 2010/11 the Council spent, on an accruals basis, £237 million on capital projects. In addition to this amount the Council spent a further £36 million on assets not owned by the Council, bringing the total in year expenditure to £273 million.

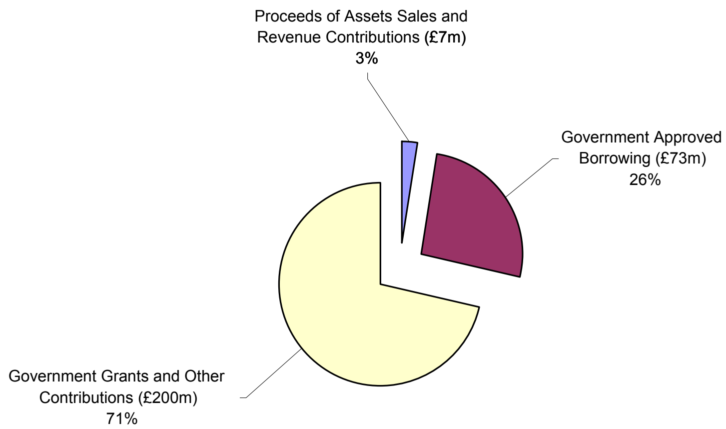
The areas of capital expenditure were:

- Enhancements and improvements to Council and other dwellings - £75million

- Other land and buildings - £121million.
- Works on roads, bridges and footpaths - £21million.
- Community assets - £3million.
- Vehicles, Plant, Furnishings and Equipment - £7million; and
- Other - £10million.

The chart below shows how the capital programme was funded. The major sources of funding were Government grants, other grants and contributions of £200 million (including Major Repairs Allowance of £25 million) and loans of £73 million, 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 £988million. However, this sum should be viewed in relation to the Council's long term assets, which have a net book value of £2,865 million as at 31 March 2011, giving an asset to debt ratio of almost 3 to 1.

Pension Scheme

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

The Accounts are required to disclose the assets and liabilities for the Council's share of the pension fund. The pension fund's actuaries have estimated for accounting purposes that the pension fund is currently in a deficit position. The underlying commitments that the Authority has, in the long run, to pay post employment benefits is £563.3 million as at 31 March 2011.

KEY SECTIONS INCLUDED IN THE ACCOUNTS

ANNUAL GOVERNANCE STATEMENT
This sets out the position regarding the framework of governance.

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

MOVEMENT IN RESERVES STATEMENT
This statement shows the movement in the year on the different reserves held by the Authority.

COMPREHENSIVE 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 2011.

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

NOTES TO THE FINANCIAL STATEMENTS
These notes expand on important points shown in the core statements and provide further explanation of movements and balances.

ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS
This explains the policies adopted in preparing the Accounts.

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT
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.

Annual Governance Statement

THE POSITION FOR THE FINANCIAL YEAR 2010/11 INCLUDING PLANS FOR THE FINANCIAL YEAR 2011/12

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 2011 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 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 2011 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 2011 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 Committees 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.

Cabinet and Scrutiny now both receive regular monthly Budget Monitoring reports in addition to the portfolio members. 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 well developed corporate and consistent approach to the production of such reports and presentation of the 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's overall budget and policy framework are set by Full Council.

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

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

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 formal delegated decisions.

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 Executive Director of 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 for this committee which meets on a quarterly basis.

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

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

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

The financial management of the Council

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

- The work of Internal Audit.
- The external auditors, Audit and Inspection letter and other reports.
- The role carried out by the Executive Director 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

A key component of the performance management regime is covered by the service planning process which is now in place. This 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 corporate plan "A City of Opportunity" has 39 Corporate Priorities which underpin the Council's corporate ambitions, and the Council worked to this plan throughout 2010/11. It remains in place but will be reviewed, though the core structure of planning, performance monitoring and accountability will remain. 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.

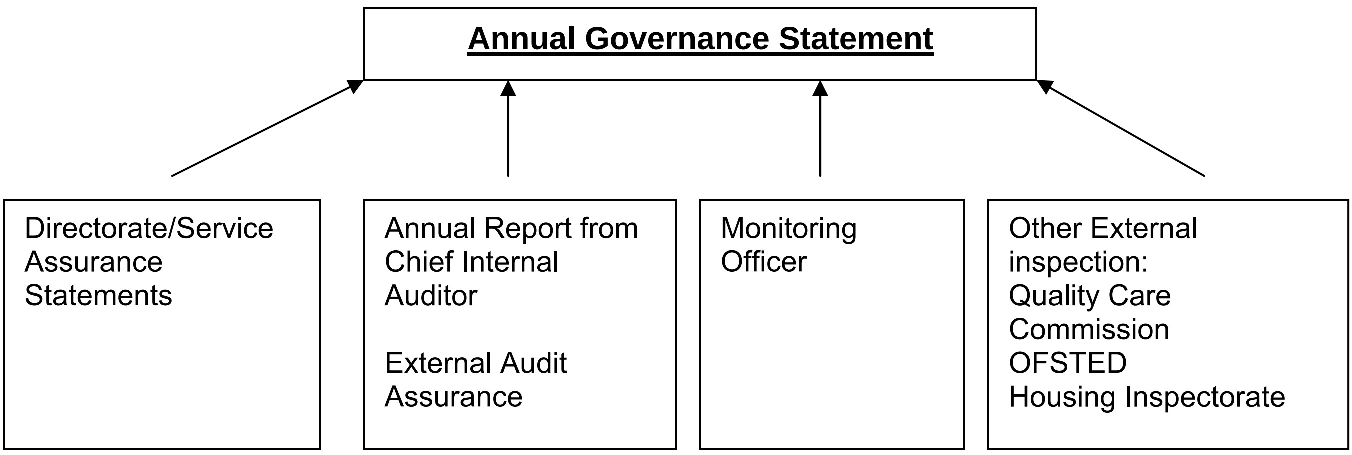
The Council also has a training programme in place, which is specifically tailored to the needs of Members in fulfilling their roles and responsibilities.

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

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

There are some areas of control weakness that have been included under the section relating to weaknesses. The Chief Internal Auditor has confirmed that he is unaware of any other significant control weaknesses that have not been considered when compiling this Statement. The Audit Committee 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 2010/11 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.

During the financial year 2010/11 the Council has been inspected by a number of external agencies and a summary of their findings is noted in the following paragraphs. The reports of external inspection agencies are scrutinised to ensure that for any issues raised, the most appropriate senior officer within the Council has been given the responsibility to implement suitable corrective action.

- The Council's external auditors, the Audit Commission, were able to issue an unqualified opinion on the Council's Accounts in their Annual Governance Report for 2009/10.

Individual Council services are the subject of external inspections. In the current year 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 found that overall; the standard was Excellent which was supported by a 95% technical service proficiency result being achieved.
- The Council's Arms Length Management Organisation (ALMO) Sheffield Homes has been inspected and currently has a 3 star rating.

- Within Modern Governance, the external inspection by Local Government Yorkshire and Humber into Member Development Activity awarded the service Charter Plus Status.
- In the Children and Families Service the inspection of the Safeguarding and Looked After Children Services resulted in a rating of Adequate/Good.
- The Care and Support service within Communities received its CQC Annual Performance Assessment of Adult Social Care and was rated as being Excellent.

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

During the year OFSTED carried out a formal Re-Inspection of Adult & Community Learning, Work-Based Learning and Train to Gain following their inspection the year before. As a result of the re-inspection, Business Administration & Law moved from "Grade 4 – Unsatisfactory" to "Grade 3 – Satisfactory".

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:

- Following a major transformation of its finance function, the service is now positioned to be better able to deliver the timely and accurate financial information on which to base decisions. At the same time this has led to cost savings that have been made available to the Council as part of an ongoing process.

- The Modern Efficient Council Organisational Programme continues to look 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.

- 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 2010/11, 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 2009/10 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
<u>Museum§heffield (Sheffield Galleries and Museums Trust)</u>	
Issues relating to the Sheffield Galleries and Museums Trust were raised in last years Annual Governance Statement and although officer action was taken in line with that stated then concerns remain. These concerns primarily relate to the adequacy of cash flow and the client function management of the trust. 2010/11 was a year where the issues around the funding of Museums Sheffield (SGMT) came to a head and were addressed. The end result is an agreement that Museums Sheffield has to strengthen its financial control and in particular that it has to be more aware of the impact of any grant claims on its cash flow position. To this end the agreement is that they have to obtain the acceptance by the Council of any grant application where there will be an impact on the cash flow i.e. where the grant is released in retrospect after the work is undertaken. No grant such as this can be accepted prior to the Council considering it and underwriting the required cash flow support. Although this is the fundamental change that has flowed from the review of the Museums Sheffield operations, it should	The Board of Museums Sheffield have now recognised the need for more timely financial information. To this end a Head of Finance has been appointed with the assistance of KPMG. One of the specific briefs for this new post holder is to bring the accounts timetable in line with the Board's requirements and the Council's requirements, i.e. regular monthly management accounts available by the end of the third week in the following month at the latest. It is too early to see if this change of personnel will result in the essential information being available on time; However it is important to note that pressure for this change is now coming not only from the Council but also from the Board. In summary therefore: • The financial position of Museums Sheffield has been stabilised through both their internal structural and operational review bringing the service into line with the budget and through the writing off of significant debts to the City Council. • The new Services Agreement will prescribe more closely the form in which the accounts need to be

be noted that Council has agreed to write off a significant debt in order to stabilise the operation. The long debt however, the balance from the original advance to support the Weston Park Museum completion, has not been written off, a holiday on repayments has been granted for this £650k element of the overall debt. In addition a new Services Agreement will now be drawn up based on work undertaken during 2010/11. This work was delayed by the need to resolve the balance between the reduced budget and the operations, an exercise that has seen Museums Sheffield hand back Bishops House to the Council and reduce the opening hours at all other venues.	presented in order to highlight any operational areas where issues are arising. • No grant that requires additional cash flow support from the Council can be accepted until after the Council has had the opportunity to review the bid including the full business case and benefits analysis.
Elections. The May 2010 general and local elections highlighted a number of issues regarding the conduct of elections which were widely reported in the media. These focussed in Sheffield on queues of electors in the evening at a small number of polling stations who were unable to vote before 10.00pm. An internal review of the polling stations issues was carried out at the time and a report published with 11 recommendations. These recommendations were all accepted and are being implemented. Key points were the need to increase the overall number of polling stations to reduce the number of electors per station in areas with high elector numbers, to increase staffing at some polling stations, to improve staff training, and to improve systems to ensure a speedier response to emerging pressures. A wider elections debrief exercise was also carried out, completed in February 2011, looking at all aspects of the elections function. This has strongly informed planning for the local elections and national referendum in May 2011. This included strengthening management arrangements through the creation of a	Internal Audit audited the Electoral Services function between July and September 2010, and their recommendations are being implemented. The audit also provided assurance that recommendations from the polling stations review have been implemented or will be implemented for forthcoming elections. The Strategic Resources and Performance Scrutiny Committee included scrutiny of the Elections function in its work programme in the autumn of 2010, including consideration of the polling stations report. Since May 2010, there have also been one parish council by-election administered by the Council's Electoral Services, and two local by-elections. All have been managed successfully and without significant incidents

single Elections Project Board which meets throughout the year, the creation of additional temporary management arrangements during the elections period, and a substantially expanded programme of staff training for all polling station and counting staff.	
Reviewing Policy and Practice in the Administration of Medication in Adult Social Care In 2010 a planned review began of the medication policy for domiciliary care providers. This has prompted a stock-take and joint work with the NHS and Community Pharmacist Service to ensure common standards, consistent application of practice and clear governance. There are a range of policies in circulation with individual providers. A more consistent approach to policy is required	Joint strategic and pharmacy planning groups established with local NHS organisations and community pharmacists. These include NHS-led Joint Pharmacy Group, Controlled Drug Information Network and Area Prescribing Committee. To use the learning from changes in induction of staff, on-going training, recording and administering procedures in Care4you with other domiciliary care providers. The work will also include the potential benefits from Assistive Technology options that are now available to support people in their own home with medication.
Consistency of Property Policies and Procedures across all Council Premises The recent corporate approach to property management including the roll up of individual property teams from the various portfolios into one team has highlighted issues with the different arrangements being applied to compliance management undertaken by the various teams. This has been evidenced through recent internal and external audits which have highlighted issues regarding evidence of compliance particularly regarding fire risk assessment. Audit reports for insurance purposes for asbestos management and Legionella management highlighted only minor issues that are being managed. Self assessment has highlighted the inability to evidence some compliance	The implementation of new health & safety management system and action plan for current potential non-compliances is being dealt with. A new recording and monitoring system is to be established across the whole property service. Design & Project Management Services have already been commissioned to action the key issues and work on the design for a new safety management system common to the whole Council. It is intended that Immediate actions take place during May and June 2011, with a new system in place by December 2011.

particularly on the Place portfolio and Community Buildings portfolio. This is attributable to the lack of a corporate management system with no improvement programme in place. Failure to ensure compliance could result in a number of issues ranging from fines/closure of services, due to non-compliance, through to injury to staff/users and resulting in subsequent legal action taken against the Council. In light of the legacy issues being managed, there will be a financial impact which will need assessing. To manage this financial impact, subject to the availability of funds, the Council will have to consider the prioritisation of capital and revenue expenditure and in some cases consider disposal options for some assets where investment would exceed financial or social value.	Repairs and Maintenance budgets will be reassessed with the identification of budgets for statutory compliance management.
<u>People Management Procedures – Consistency of Approach, Payroll and HR Connect</u> **Compliance / consistency of application of HR procedures-** During the last year the HR service has consolidated its position as a corporate service and now all HR staff in the Council report into one management structure. It is now important to be able to manage corporate consistency of application of policy and procedure as currently there are areas of non-compliance with HR policy and procedures, for example, appraisals and sickness monitoring. **Payroll-** there is evidence that there have been a number of inaccuracies in processing payroll which have led to employees pay being wrong. This was flagged up by a number of high profile errors and an internal audit of the implementation of the pay review. This has led to concerns about the overall performance of the Payroll service.	It has now been agreed that a suite of regular management information reports on people management issues be presented on a quarterly basis to HR business partners, portfolio joint consultative committees and portfolio leadership teams. The aim of this is to review actions, feedback inconsistencies, challenge and agree actions as needed. This will ensure and improve consistency of approach. As a result of our concerns an external audit of payroll has been commissioned which reported in May. The external audit has reviewed the finding of internal audit, reviewed the implementation of the pay review in relation to payroll and reviewed payroll processing. The draft report proposes a number of actions to strengthen processing; these will be actioned once the final report is presented. In addition to this audit there is a review of HR and payroll systems taking place which will report in July 2011.

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 – Executive Director Resources (Section 151 Officer)

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

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

Statement of Responsibilities

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 Executive Director of Resources.

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

- Approve the Statement of Accounts.

The Responsibilities of the Executive Director of Resources

The Executive Director of Resources is responsible for the preparation of the 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 Code).

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

- selected suitable accounting policies and then applied them consistently;

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

- complied with the Local Authority Code.

The Executive Director of Resources has also:

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

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

I hereby certify that the Statement of Accounts on pages 21-132 give a true and fair view of the financial position of the Authority at 31 March 2011 and of its expenditure and income for the year ended 31 March 2011.

Laraine Manley
Executive Director of Resources
27 June 2011

The Core Financial Statements

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. It includes both revenue and capital usable reserves, most of which are held pending future spending commitments. The ‘Surplus or (Deficit) on the provision of services’ line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes. The ‘Net increase / decrease before transfers to earmarked reserves’ line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
		23	23	23	23	23	23		24	
Balance at 31 March 2010		**(25,017)**	**(66,804)**	**(13,606)**	**(16,242)**	**(6,012)**	**(22,568)**	**(150,249)**	**(951,394)**	**(1,101,643)**
Movement in reserves during 2010/11:										
Surplus / (deficit) on provision of services		(183,535)	0	510,741	0	0	0	327,206	0	327,206
Other Comprehensive Income and Expenditure		0	81	0	0	0	0	81	(87,125)	(87,044)
Total Comprehensive Income and Expenditure		**(183,535)**	**81**	**510,741**	**0**	**0**	**0**	**327,287**	**(87,125)**	**240,162**
Adjustments between accounting basis and funding basis under regulation	7	187,885	0	(513,864)	(8,947)	(3,448)	(4,053)	(342,427)	342,427	0
Net increase / decrease before transfers to earmarked reserves		**4,350**	**81**	**(3,123)**	**(8,947)**	**(3,448)**	**(4,053)**	**(15,140)**	**255,302**	**240,162**
Transfers to / from earmarked reserves	8	(17,836)	17,985	0	0	0	(230)	(81)	81	0
Increase / decrease in year		**(13,486)**	**18,066**	**(3,123)**	**(8,947)**	**(3,448)**	**(4,283)**	**(15,221)**	**255,383**	**240,162**
Balance at 31 March 2011		**(38,503)**	**(48,738)**	**(16,729)**	**(25,189)**	**(9,460)**	**(26,851)**	**(165,470)**	**(696,011)**	**(861,481)**

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
		23	23	23	23	23	23		24	
Balance at 31 March 2009		**(25,866)**	**(73,524)**	**(11,399)**	**(18,544)**	**(8,951)**	**(25,592)**	**(163,876)**	**(1,206,022)**	**(1,369,898)**
Movement in reserves during 2009/10:										
Surplus / (deficit) on provision of services		71,524	0	66,860	0	0	0	138,384	0	138,384
Other Comprehensive Income and Expenditure		0	(1,008)	0	96	0	0	(912)	100,681	99,769
Total Comprehensive Income and Expenditure		**71,524**	**(1,008)**	**66,860**	**96**	**0**	**0**	**137,472**	**100,681**	**238,153**
Adjustments between accounting basis and funding basis under regulation	7	(63,046)	0	(68,859)	2,206	2,939	0	(126,760)	156,862	30,102
Net increase / decrease before transfers to earmarked reserves		**8,478**	**(1,008)**	**(1,999)**	**2,302**	**2,939**	**0**	**10,712**	**257,543**	**268,255**
Transfers to / from earmarked reserves	8	(7,629)	7,728	(208)	0	0	3,024	2,915	(2,915)	0
Increase / decrease in year		**849**	**6,720**	**(2,207)**	**2,302**	**2,939**	**3,024**	**13,627**	**254,628**	**268,255**
Balance at 31 March 2010		**(25,017)**	**(66,804)**	**(13,606)**	**(16,242)**	**(6,012)**	**(22,568)**	**(150,249)**	**(951,394)**	**(1,101,643)**

Comprehensive Income and Expenditure Statement

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

2009/10 Restated					2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			Continuing Operations:				
613,036	(450,282)	162,754	Children's and Education Services		653,140	(494,092)	159,048
176,361	(38,134)	138,227	Adult Social Care		199,099	(41,258)	157,841
83,401	(11,676)	71,725	Highways and Transport Services		86,322	(14,672)	71,650
170,667	(28,824)	141,843	Cultural, Environmental, Regulatory and Planning Services		143,793	(26,103)	117,690
186,150	(161,316)	24,834	Local Authority Housing (HRA) *		630,652	(165,118)	465,534
244,500	(214,368)	30,132	Other Housing Services		217,324	(179,639)	37,685
103,444	(74,503)	28,941	Central Services		90,795	(70,171)	20,624
13,870	(5,481)	8,389	Corporate and Democratic Core		22,524	(12,565)	9,959
2,364	0	2,364	Non-Distributed Costs **	6	(113,546)	(8)	(113,554)
1,593,793	**(984,584)**	**609,209**	**Cost of Services**		**1,930,103**	**(1,003,626)**	**926,477**
		22,116	Other operating expenditure	9			(6,745)
		148,603	Financing and investment income and expenditure	10			124,764
		(641,544)	Taxation and non-specific grant income	11			(717,290)
		138,384	**Deficit on Provision of Services**				**327,206**
		(116,430)	(Surplus) on revaluation of non-current assets				(5,530)
		217,359	Actuarial (gains) / losses on pension assets / liabilities				(81,608)
		(1,160)	Other losses / (gains)				94
		99,769	**Other Comprehensive (Income) and Expenditure**				**(87,044)**
		238,153	**Deficit on Total Comprehensive Income and Expenditure**				**240,162**

* Includes an Exceptional Item of £555m relating to the impairment of Council Dwellings – see note 6.

** Includes an Exceptional Item of £114.5m relating to Retirement Benefits - see note 6.

Balance Sheet

The Balance Sheet shows the value, as at the Balance Sheet date, of the asset and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

As at 1 April 2009 Restated £000	As at 31 March 2010 Restated £000		Notes	As at 31 March 2011 £000
3,142,563	3,236,497	Property, Plant and Equipment	12	2,851,057
3,136	3,136	Investment Property	13	3,136
15	15	Long-term Investments		15
14,377	12,658	Long-term Debtors	16	11,010
3,160,091	**3,252,306**	**Long Term Assets**		**2,865,218**
63,361	0	Short Term Investments	14	10,000
681	857	Inventories		1,148
180,322	164,875	Short Term Debtors	17	177,727
(38,304)	(37,415)	Less: Bad Debt Provision	17	(41,460)
37,091	0	Cash and Cash Equivalents	18	6,921
1,289	719	Assets Held for Sale	19	5,447
244,440	**129,036**	**Current Assets**		**159,783**
0	(1,418)	Cash and Cash Equivalents	18	0
(22,278)	(39,409)	Short Term Borrowing	14	(89,006)
(156,772)	(132,560)	Short Term Creditors	20	(139,260)
(4,492)	(9,755)	Short Term Provisions	21	(16,970)
(3,862)	(3,967)	PFI / PPP Finance Lease Liability	39	(5,567)
(187,404)	**(187,109)**	**Current Liabilities**		**(250,803)**
(1,023,455)	(1,023,455)	Long Term Borrowing	14	(988,364)
(17,396)	(19,749)	Long Term Provisions	21	(21,548)
(236,346)	(232,379)	PFI / PPP Finance Lease Liability	39	(226,811)
(504,302)	(738,865)	Net Pension Liability	43	(563,313)
(37,422)	(34,372)	Other Long Term Liabilities	22	(31,092)
(28,308)	(43,770)	Capital Grants Receipts in Advance	35	(81,589)
(1,847,229)	**(2,092,590)**	**Long Term Liabilities**		**(1,912,717)**
1,369,898	**1,101,643**	**Net Assets**		**861,481**
(163,876)	(150,249)	Useable Reserves	23	(165,470)
(1,206,022)	(951,394)	Unusable Reserves	24	(696,011)
(1,369,898)	**(1,101,643)**	**Total Reserves**		**(861,481)**

Cash Flow Statement

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

2009/10 Restated £000		Notes	2010/11 £000
(138,384)	Net surplus / (deficit) on the provision of services		(327,206)
	Adjustment net surplus / deficit on the provision of services for:		
259,838	Non-cash movements		535,125
(111,556)	Items that are investing or financing activities		(187,759)
9,898	**Net cash flow from operating activities**	**25**	**20,160**
(46,930)	Investing activities	26	(22,720)
(1,477)	Financing activities	27	10,899
(38,509)	**Net increase / (decrease) in cash and cash equivalents**		**8,339**
37,091	Cash and cash equivalents at 1 April	18	(1,418)
(1,418)	**Cash and cash equivalents at 31 March**	18	**6,921**

These financial statements replace the unaudited financial statements authorised by the Executive Director of Resources on 27 June 2011.

Laraine Manley
Executive Director of Resources
23 September 2011

These financial statements were approved by the Audit Committee on 28 September 2011.

Cllr Ray Satur
Chair of the Audit Committee

Notes to the Core Financial Statements

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

1. Accounting Policies

I. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 ('the Local Authority Code') and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 Regulations.

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

II. Accruals of Income and Expenditure

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

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

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

III. Cash and Cash Equivalents

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

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

IV. Material Items of Income or Expense

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

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

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

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

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

VI. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:
- depreciation attributable to the assets used by the relevant service,
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off,
- amortisation of intangible fixed assets attributable to the service.

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

VII. Employee Benefits

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

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

Post Employment Benefits:
Employees of the Authority are members of two separate pension schemes:
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by South Yorkshire Pension Authority on behalf of Sheffield City Council and the other local authorities in South Yorkshire.

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

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

The Local Government Pension Scheme:
The Local Government Scheme is accounted for as a defined benefits scheme:
- The liabilities of the pension fund attributable to the Authority 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 current employees.
- Liabilities are discounted to their value at current prices, using a discount rate. Details of the rates used and assumptions made are included in note 43 to the core financial statements.
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - **expected return on assets** – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return credited to the Financing and Investment Income and

- **gains or losses on settlements and curtailments** – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

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

VIII. Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

IX. Financial Instruments

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of 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 Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

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

Financial Assets:
Financial assets are classified into two types:

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

Loans and Receivables:
Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on

the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority 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 Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument. This results in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

Instruments Entered Into Before 1 April 2006:
The Authority entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

X. Foreign Currency Translation

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

XI. Goodwill

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

XII. Government Grants and Contributions

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

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

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

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

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

Area Based Grant:

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

XIII. Intangible Assets

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

XIV. Interests in Companies and Other Entities

The 2010 Code requires the Council to produce group accounts to reflect significant activities provided to Council taxpayers by other organisations in which the Council has an interest. We have complied with the Code and identified our group, which comprises of the City Council, its arm's length management organisation for housing Sheffield Homes Limited, Creative Sheffield Limited, a company established for the purpose of citywide 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.

XV. Inventories and Long Term Contracts

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

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

XVI. Investment Property

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

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

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

XVII. Jointly Controlled Operations (Pooled Budgets)

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

XVIII. Leases

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

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

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

The Authority as Lessee

Finance Leases:

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

Lease payments are apportioned between:

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

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

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

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

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

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

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

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

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

the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

XIX. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (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 i.e. costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs i.e. the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

XX. Property, Plant and Equipment

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

Recognition:

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

Measurement:

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Where decreases in value are identified, they are accounted for by:

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

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

Impairment:

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

Where impairment losses are identified, they are accounted for by:

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

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

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

- 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, are not 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 20 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

A framework for identifying components has been agreed with the Council's valuers Kier Asset Partnership Services. Components are also recognised where capital investment for replacement or enhancement of the asset establishes a material component.

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

A further policy for Council Dwellings is in development, where it is necessary to recognise lower value and a greater number of components, to more accurately reflect replacement and asset life cycles.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale:
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is

posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

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

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

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

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

XXI. Private Finance Initiative (PFI) and Similar Contracts

PFI and similarly constituted public/private partnership arrangements are accounted for in accordance with the provisions of IFRIC 12 *Service Concession Arrangements*, and also by reference to guidance published by CIPFA.

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

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

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

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

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

XXII. Provisions, Contingent Liabilities and Contingent Assets

Provisions:

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

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

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

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

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

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

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

Contingent Assets:
A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

XXIII. Redemption of Debt

The Council is required to set aside from revenue each year a minimum amount for the redemption of debt. This sum is referred to as the Minimum Revenue Provision (MRP). For all capital expenditure incurred, after adjusting for schemes to be deferred for MRP purposes, which will be funded by Supported Borrowing, the MRP policy will be to make a provision of 4% on the outstanding debt balance.

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

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

XXIV. Reserves

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

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

XXV. Revenue Expenditure Funded from Capital under Statute

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

XXVI. VAT

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

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

FRS 30 – Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (The Code) has introduced a change in accounting policy in relation to the treatment of heritage assets, which will need to be adopted fully in the 2011/12 financial statements.

The new standard requires that a new class of asset, heritage assets, is disclosed separately on the face of the Balance Sheet in our 2011/12 financial statements. Heritage assets are assets held principally for their contribution to knowledge or culture and the Council has a number of these types of assets, such as paintings held at a number of sites which are valued for insurance purposes at £48m and Civic Regalia at £0.78m.

A full review and valuation process will be undertaken in advance of the 2011/12 financial statements to enable the necessary information for all relevant heritage assets be included in the accounts.

3. Critical judgements in applying accounting policies

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

The critical judgements made in the Statement of Accounts are:

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

- As set out in accounting policy XIV, we have complied with the Code and identified our group, which comprises of the City Council, its arm's length management organisation for housing, Sheffield Homes Limited, Creative Sheffield Limited, a company established for the purpose of citywide 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.

- Lease arrangements have been reviewed in line with the Code requirements. The property lease review resulted in 3 leases out of 6,067 that would require reclassification to finance leases, with £1.7m in property assets to be derecognised from the balance sheet. The equivalent review for plant and equipment assets concluded that £1.6m that could be recognised on the balance sheet, however these leases are reducing in number and value each year.

  The £100k net impact of the changes is not deemed to be material and has not been implemented.

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

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

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the

	be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	annual depreciation charge for buildings would increase by £4m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £32m. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had decreased by £49m as a result of estimates being corrected as a result of experience and decreased by £32m attributable to updating of the assumptions.
Arrears	At 31 March 2011, the Authority had a balance of sundry debtors for £36m. An impairment of doubtful debts of £16m (44%) was considered appropriate. However, although this is considered appropriate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an additional impairment of doubtful debts would be required to cover some of the £20m of sundry debts currently not provided for.

5. Prior Period Adjustments

In addition to the prior year adjustments resulting from the implementation of International Financial Reporting Standards (IFRS) detailed in note 47, two other adjustments have been made to the 2009/10 accounts. These are:

HRA Interest

A prior period adjustment has been made to reflect a correction in the Consolidated Rate of Interest (CRI) used to calculate the HRA interest payable. This has reduced interest payable for 2009/10 from £108.8m to £107.9m, increased the General Fund reserve by £846k and increased the HRA reserve by £30k.

Pensions

In previous years, the letter of support the Council issues to Sheffield Homes Limited to guarantee their deficit in the South Yorkshire Pension Fund has been included within the Council's accounts as a contingent liability. However, after reviewing the treatment of this item the Council now deems it more appropriate to include this within the Councils IAS 19 liability. This has resulted in £24m being added to the Councils Pension liability and Pension reserve for 2009/10.

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

	SORP	2009/10 Adjustments		SORP Adjusted
	31 March 2010 £000	HRA Interest £000	Pensions £000	31 March 2010 £000
Movement in Reserves Statement				
Other Comprehensive Income and Expenditure:				
Movement in Pensions Reserve	202,830	0	14,529	217,359
Adjustments between accounting basis and funding basis under regulations (effect on General Fund):				
Amount by which pension costs calculated in accordance with the code are different from the contributions due under the pension scheme regulations	(69,569)	0	(3,707)	(73,276)
Employers contributions payable to scheme	53,488	0	2,584	56,072
Comprehensive Income and Expenditure Statement				
Cost of Services	601,581	0	(69)	601,512
Financing and Investment Income and Expenditure	148,286	(875)	1,192	148,603
Other Comprehensive Income and Expenditure:				
Actuarial gains / losses on pension assets / liabilities	202,830	0	14,529	217,359
Balance Sheet				
Current Liabilities:				
Short Term Creditors	(139,403)	875	0	(138,528)
Long Term Liabilities:				
Net Pension Liability	(714,840)	0	(24,025)	(738,865)
Usable Reserves:				
General Fund	24,171	846	0	25,017
Housing Revenue Account	13,576	30	0	13,606
Unusable Reserves:				
Pensions Reserve	(714,840)	0	(24,025)	(738,865)

	SORP	1 April 2009 Adjustments		SORP Adjusted
	1 April 2009 £000	HRA Interest £000	Pensions £000	1 April 2009 £000
Balance Sheet				
Long Term Liabilities:				
Net Pension Liability	(495,929)	0	(8,373)	(504,302)
Unusable Reserves:				
Pensions Reserve	(495,929)	0	(8,373)	(504,302)

6. Material items of Income and Expense

Retirement Benefits

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

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

See Note 43 for further details.

Impairment of Council Dwellings

The basis of valuation for the housing stock is Existing Use Value for Social Housing [EUV-SH]. To arrive at EUV-SH, the vacant possession value is adjusted by an Adjustment Factor prescribed in the DCLG's Guidance on Stock Valuation for Resource Accounting. The adjustment factor for Yorkshire and Humberside has dropped 16% this year, from 47% in 2009/10 to 31% in 2010/11, resulting in a significant impairment to values of £555m. This has been charged to Cost of Services within the Comprehensive Statement of Income and Expenditure (shown in the Local Authority Housing (HRA) line) and then adjusted in accordance with regulation, so there is no impact upon the General Fund or Housing Revenue Account.

7. Adjustments between accounting basis and funding basis under regulations

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

2010/11		**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Housing Revenue Account Balance £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied £000**	**Total Useable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Reversal of items debited or credited to the CI&E Statement										
- Depreciation of Non-current assets		(52,749)	0	0	0	(24,476)	0	(77,225)	77,225	**0**
- The excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy		0	0	3,488	0	(3,488)	0	0	0	**0**
- Impairment losses charged to the CI&E Statement		(17,303)	0	(520,149)	0	0	0	(537,452)	537,452	**0**
- Amortisation of Intangible Assets		(1,426)	0	0	0	0	0	(1,426)	1,426	**0**
- Capital grants and contributions credited to the CI&E Statement		179,512	0	148	0	0	(4,053)	175,607	(175,607)	**0**
- Revenue expenditure funded from capital under statute		(41,323)	0	0	44	0	0	(41,279)	41,279	**0**
- Net gain / loss on sale of non-current assets.		8,560	0	34	(17,493)	0	0	(8,899)	8,899	**0**
- Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance statutory requirements		(642)	0	2,595	0	0	0	1,953	(1,953)	**0**
- Amount by which pension costs calculated in accordance with the code are different from the contributions due under the pension scheme regulations		37,973	0	0	0	0	0	37,973	(37,973)	**0**
- Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation		363	0	0	0	0	0	363	(363)	**0**

2010/11 (cont)		**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Housing Revenue Account Balance £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied £000**	**Total Useable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Insertion of items not debited or credited to the CI&E Statement										
- Statutory provision for repayment of debt - Minimum Revenue Provision		18,214	0	0	0	0	0	18,214	(18,214)	**0**
- Capital expenditure charged to the General Fund Balance		2,124	0	20	0	0	0	2,144	(2,144)	**0**
- Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(1,389)	0	0	1,389	0	0	0	0	**0**
- Employers contribution to pension scheme		55,971	0	0	0	0	0	55,971	(55,971)	**0**
Other:										
- Use of Capital Receipts Reserve to finance new capital expenditure		0	0	0	7,113	0	0	7,113	(7,113)	**0**
- Use of Major Repairs Reserve to finance new capital expenditure		0	0	0	0	24,516	0	24,516	(24,516)	**0**
Total		**187,885**	**0**	**(513,864)**	**(8,947)**	**(3,448)**	**(4,053)**	**(342,427)**	**342,427**	**0**

2009/10 – Comparative Information		**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Housing Revenue Account Balance £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied £000**	**Total Useable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Reversal of items debited or credited to the CI&E Statement										
- Depreciation of Non-current assets		(40,830)	0	0	0	(23,804)	0	(64,634)	64,634	**0**
- The excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy		0	0	3,797	0	(3,797)	0	0	0	**0**
- Impairment losses charged to the CI&E Statement		(70,565)	0	(77,179)	0	0	0	(147,744)	147,744	**0**
- Amortisation of Intangible Assets		0	0	0	0	0	0	0	0	**0**
- Capital grants and contributions credited to the CI&E Statement		127,449	0	0	0	0	0	127,449	(97,348)	**30,102**
- Revenue expenditure funded from capital under statute		(39,987)	0	0	31	0	0	(39,956)	39,956	**0**
- Net gain / loss on sale of non-current assets		(20,196)	0	1,056	(10,432)	0	0	(29,572)	29,572	**0**
- Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance statutory requirements		(16,374)	0	3,466	0	0	0	(12,908)	12,908	**0**
- Amount by which pension costs calculated in accordance with the code are different from the contributions due under the pension scheme regulations		(73,276)	0	0	0	0	0	(73,276)	73,276	**0**

2009/10 – Comparative Information		**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Housing Revenue Account Balance £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied £000**	**Total Useable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
- Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation		(1,447)	0	0	0	0	0	(1,447)	1,447	**0**
Insertion of items not debited or credited to the CI&E Statement										
- Statutory provision for repayment of debt - Minimum Revenue Provision		16,691	0	0	0	0	0	16,691	(16,691)	**0**
- Capital expenditure charged to the General Fund Balance		1,939	0	0	346	0	0	2,285	(2,285)	**0**
- Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(2,522)	0	0	2,522	0	0	0	0	**0**
- Employers contribution to pension scheme		56,072	0	0	0	0	0	56,072	(56,072)	**0**
Other:										
- Use of Capital Receipts Reserve to finance new capital expenditure		0	0	0	9,739	0	0	9,739	(9,739)	**0**
- Use of Major Repairs Reserve to finance new capital expenditure		0	0	0	0	30,540	0	30,540	(30,540)	**0**
Total		**(63,046)**	**0**	**(68,859)**	**2,206**	**2,939**	**0**	**(126,760)**	**156,862**	**30,102**

8. Transfers (to) / from earmarked reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at	Transfers Out	Transfers In	Balance at	Transfers Out	Transfers In	Balance at
	1 April 2009	2009/10	2009/10	31 March 2010	2010/11	2010/11	31 March 2011
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Balances held by schools	(24,276)	4	0	(24,272)	543	0	(23,729)
Local Authority Business Growth Initiative (LABGI)	(7,520)	1,560	0	(5,960)	2,881	0	(3,079)
Service Area Reserves	(14,977)	4,989	0	(9,988)	3,340	0	(6,648)
Revenue Grants	(6,634)	666	0	(5,968)	1,140	0	(4,828)
Other earmarked reserves	(20,117)	0	(499)	(20,616)	10,162	0	(10,454)
Total	**(73,524)**	**7,219**	**(499)**	**(66,804)**	**18,066**	**0**	**(48,738)**
HRA:							
Major Repairs Reserve	(8,951)	2,939	0	(6,012)	0	(3,448)	(9,460)
Total	**(8,951)**	**2,939**	**0**	**(6,012)**	**0**	**(3,448)**	**(9,460)**

9. Other Operating Expenditure

The following table provides a breakdown of Other Operating Expenditure:

2009/10 £000		2010/11 £000
454	Precepts (paid to non-principal authorities)	**460**
2,522	Payments to the housing capital receipts pool	**1,389**
19,140	(Gain) / loss on the disposal of non-current assets	**(8,594)**
22,116	**Total**	**(6,745)**

10. Financing and Investment Income and Expenditure

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

2009/10 £000		Note	2010/11 £000
109,121	Interest payable and similar charges		**94,797**
42,893	Pensions interest cost and expected return on pensions assets		**31,941**
(953)	Interest receivable and similar income		**(1,487)**
(2,052)	(Surplus) on Trading Undertakings	**29**	**(134)**
(406)	Income from Partnership Organisations		**(353)**
148,603	**Total**		**124,764**

11. Taxation and Non Specific Grant Income

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

2009/10			2010/11	
£000		**Note**	**£000**	**£000**
(191,979)	Council Tax Income			(196,952)
(221,993)	NNDR distribution			(243,428)
	Non-ring fenced government grants:			
(51,136)	- Revenue Support Grant (RSG)		(35,199)	
(25,742)	- PFI Grant		(24,186)	
(376)	- Local Authority Business Growth Incentive (LABGI)		0	
(1,234)	- Local Public Service Award (LPSA)		0	
(48,847)	- Area Based Grant (ABG)		(65,091)	
				(124,476)
(541,307)				(564,856)
(100,237)	Capital grants and Contributions	**35**		(152,434)
(641,544)	**Total**			**(717,290)**

12. Property, Plant and Equipment (PPE)

Movements on Balances:

Movements in 2010/11

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	PFI Assets included in Other Land and Buildings £000	PFI Assets included in VPFE £000	Total PFI Assets included in PPE £000
Cost or Valuation:											
At 1 April 2010	1,364,156	1,212,521	98,452	486,818	34,070	193,357	14,783	**3,404,157**	286,998	52,860	**339,858**
Additions - recognition	0	522	0	0	206	3,910	0	**4,638**	0	0	**0**
Additions - programmed investment	75,202	120,617	7,245	21,124	3,063	568	9,513	**237,332**	225	0	**225**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	17,935	0	0	0	3,948	0	**21,883**	7,630	0	**7,630**
De-recognition - disposals	(4,593)	(124)	0	0	(114)	(5,055)	0	**(9,886)**	0	0	**0**
De-recognition - other	0	6,355	0	0	0	(239)	(6,506)	**(390)**	0	0	**0**
Assets reclassified (to) / from Held for Sale	(238)	(4,508)	0	0	396	(1,097)	0	**(5,447)**	0	0	**0**
At 31 March 2011	**1,434,527**	**1,353,318**	**105,697**	**507,942**	**37,621**	**195,392**	**17,790**	**3,652,287**	**294,853**	**52,860**	**347,713**

Movements in 2010/11 (cont)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	PFI Assets included in Other Land and Buildings £000	PFI Assets included in VPFE £000	Total PFI Assets included in PPE £000
Accumulated Depreciation and Impairment:											
At 1 April 2010	(20,271)	(25,878)	(25,767)	(94,000)	0	(328)	0	**(166,244)**	(6,397)	0	**(6,397)**
Depreciation charge	(24,476)	(29,473)	(8,591)	(14,083)	0	(602)	0	**(77,225)**	(6,751)	(2,647)	**(9,398)**
Depreciation written out to the Revaluation Reserve	49	4,903	0	0	0	0	0	**4,952**	3,303	0	**3,303**
Depreciation written out to the Surplus / Deficit on the Provision of Services	44,589	1,367	0	0	0	0	0	**45,956**	0	0	**0**
Impairment (losses) / reversals recognised in the Revaluation Reserve	(15,657)	(5,287)	0	0	0	(1,744)	0	**(22,688)**	(448)	0	**(448)**
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	(554,739)	(8,701)	0	0	0	(19,966)	0	**(583,406)**	0	0	**0**
De-recognition – disposals	101	0	0	0	0	432	0	**533**	0	0	**0**
De-recognition – other	0	7	0	0	0	0	0	**7**	0	0	**0**
Other movements in depreciation and impairment	0	(2,701)	0	0	(355)	10	(69)	**(3,115)**	0	0	**0**
At 31 March 2011	**(570,404)**	**(65,763)**	**(34,358)**	**(108,083)**	**(355)**	**(22,198)**	**(69)**	**(801,230)**	**(10,293)**	**(2,647)**	**(12,940)**
Net Book Value:											
At 31 March 2011	864,123	1,287,555	71,339	399,859	37,266	173,194	17,721	**2,851,057**	284,560	50,213	**334,773**
At 31 March 2010	1,342,534	1,186,643	72,685	392,818	34,063	193,039	14,714	**3,236,497**	280,601	52,860	**333,461**

Movements in 2009/10 – Comparative Information

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	PFI Assets included in Other Land and Buildings £000	PFI Assets included in VPFE £000	Total PFI Assets included in PPE £000
Cost or Valuation:											
At 1 April 2009	1,381,933	1,141,966	80,464	457,121	27,000	206,822	47	**3,295,353**	261,752	39,666	**301,418**
Additions - recognition	0	21,045	0	0	0	4,214		**25,259**	6,200	0	**6,200**
Additions – programmed investment	106,868	49,190	4,794	29,697	7,434	14,692	10,496	**223,171**	2,482	0	**2,482**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(7,871)	90,444	13,194	0	0	5,460	0	**101,227**	73,489	13,194	**86,683**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	8	0	0	0	155	0	**163**	0	0	**0**
De-recognition – disposals	(4,031)	(10,808)	0	0	(60)	(17,299)	0	**(32,198)**	0	0	**0**
De-recognition – other	0	(44)	0	0	0	0	0	**(44)**	0	0	**0**
Assets reclassified (to) / from Held for Sale	(726)	0	0	0	0	(1)	0	**(727)**	0	0	**0**
Other movements in cost or valuation	11	4,682	0	0	(304)	(10,243)	4,240	**(1,614)**	0	0	**0**
At 31 March 2010	1,476,184	1,296,483	98,452	486,818	34,070	203,800	14,783	3,610,590	343,923	52,860	396,783
Impairments:											
Impairment (losses) / reversals recognised in the Revaluation Reserve	0	(19,036)	0	0	0	(4,431)	0	**(23,467)**	(4,548)	0	**(4,548)**
Impairment (losses) / reversals recognised in the Surplus/Deficit on the Provision of Services	(112,028)	(63,299)	0	0	0	(6,011)	0	**(181,338)**	(52,377)	0	**(52,377)**
At 31 March 2010	(112,028)	(82,335)	0	0	0	(10,442)	0	(204,805)	(56,925)	0	(56,925)
Adjustment		(1,627)						**(1,627)**			
At 31 March 2010	**1,364,156**	**1,212,521**	**98,452**	**486,818**	**34,070**	**193,357**	**14,783**	**3,404,158**	**286,998**	**52,860**	**339,858**

Movements in 2009/10 – Comparative Information (cont)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	PFI Assets included in Other Land and Buildings £000	PFI Assets included in VPFE £000	Total PFI Assets included in PPE £000
Accumulated Depreciation and Impairment:											
At 1 April 2009	(32,377)	(11,463)	(23,552)	(80,837)	0	(33)	0	**(148,262)**	(8,090)	(3,216)	**(11,306)**
Depreciation charge	(23,790)	(24,193)	(6,503)	(13,163)	0	(300)	(69)	**(68,018)**	(6,509)	(1,072)	**(7,581)**
Depreciation written out to the Revaluation Reserve	935	61	4,288	0	0	0	0	**5,284**	54	4,288	**4,342**
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**	0	0	**0**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	34,865	9,552	0	0	0	0	0	**44,417**	8,148	0	**8,148**
De-recognition – disposals	76	101	0	0	0	0	0	**177**	0	0	**0**
Other movements in depreciation and impairment	20	64	0	0	0	5	0	**89**	0	0	**0**
At 31 March 2010	**(20,271)**	**(25,878)**	**(25,767)**	**(94,000)**	**0**	**(328)**	**(69)**	**(166,313)**	**(6,397)**	**0**	**(6,397)**
Adjustments	(1,351)				(7)	10		**(1,348)**			
Net Book Value:											
At 31 March 2010	1,342,534	1,186,643	72,685	392,818	34,063	193,039	14,714	**3,236,497**	280,601	52,860	**333,461**
At 1 April 2009	1,348,257	1,127,265	56,912	376,284	27,000	206,799	47	**3,142,564**	253,663	36,450	**290,113**

Depreciation:
The following useful lives have been used in the calculation of depreciation:

- Council Dwellings - between 2 and 50 years
- Other Land and Buildings - between 2 and 50 years
- Vehicles, Plant, Furniture and Equipment - between 2 and 10 years, with the exception of the Waste Incinerator plant, which has a useful life of 20 years
- Infrastructure - between 2 and 20 to 40 years

Capital Commitments:
At 31 March 2011, the Authority has entered into a number of construction contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £175m. Similar commitments at 31 March 2010 were £54.9m. The major commitments are:

31 March 2010 £000		31 March 2011 £000
42,000	Schools Refurbishment	147,000
6,000	Decent Homes	17,000
6,900	Other	11,000
54,900	**Total**	**175,000**

The large increase in Capital commitments at 31 March 2011 was due to Sheffield's Building Schools for the Future Programme (BSF) being on site.

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

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

Council Dwellings are measured at Existing Use Value - Social Housing based on freehold vacant possession values by beacon and adjusted by a regional adjustment factor, determined by Communities and Local Government (CLG). Since 2005 there has been a programme of modernisation and improvement work to bring the properties up to the Governments Decent Home Standards. 79% of the current stock has had Decent Homes work completed and each of the beacons has been revalued on the basis that the property has been improved. Where the Decent Homes programme has fallen behind there was a potential shortfall in the 5 yearly revaluation programme, to address this KAPS has valued these properties on the assumption they have met decent homes then applied a deflator to reflect that they are still unimproved.

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	**0**	**12,474**	**0**	**5,114**	**17,588**
Valued at Fair Value as at:					
31 March 2011	(41,656)	56,835	7,245	(8,409)	14,015
31 March 2010	94,250	154,517	17,988	(3,022)	263,733
31 March 2009	(378,157)	227,069	9,252	24,978	(116,858)
IFRS Carried Forward at 31 March 2008	1,760,090	902,423	71,212	176,731	2,910,456
Total Cost or Valuation	**1,434,527**	**1,353,318**	**105,697**	**195,392**	**3,088,934**

13. Investment Properties

The following table summarises the fair value of investment properties:

2009/10 £000		2010/11 £000
3,136	Balance at 1 April	3,136
0	No movement in year	0
3,136	**Balance at 31 March**	**3,136**

14. Financial Instruments

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

	Current			Long Term		
	1 April 2009	31 March 2010	31 March 2011	1 April 2009	31 March 2010	31 March 2011
	£000	£000	£000	£000	£000	£000
Financial liabilities at amortised cost	22,278	39,409	89,006	1,023,455	1,023,455	988,364
Total borrowing	**22,278**	**39,409**	**89,006**	**1,023,455**	**1,023,455**	**988,364**
Loans and receivables	63,361	0	10,070	0	0	0
Total investment	**63,361**	**0**	**10,070**	**0**	**0**	**0**
Soft Loans Provided	**0**	**0**	**0**	**0**	**0**	**485**

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest

rate calculation) including accrued interest. Accrued interest is shown separately in current assets / liabilities where the payments / receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 – The Council made a £650k cash flow loan to Sheffield Museums and Galleries Trust (SMGT) in 2010/11 at 0% interest, which was less than market rates of approximately 5.5% and therefore must be accounted for as a soft loan. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from SMGT, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year (the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement).

Financial Instrument Gain / Losses

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

	2009/10			**2010/11**		
	Financial Liabilities measured at amortised cost	**Financial Assets Loans and receivable**	**Total**	**Financial Liabilities measured at amortised cost**	**Financial Assets Loans and receivable**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Interest expense	(63,934)	0	(63,934)	(62,735)	0	(62,735)
Interest on PFI scheme liabilities	(28,800)	0	(28,800)	(29,542)	0	(29,542)
Interest payable and similar charges	**(92,734)**	**0**	**(92,734)**	**(92,277)**	**0**	**(92,277)**
Interest income	0	157	157	0	806	806
Interest and investment income	**0**	**157**	**157**	**0**	**806**	**806**
Net gain / (loss) for the year	**(92,734)**	**157**	**(92,577)**	**(92,277)**	**806**	**(91,471)**

Fair Value of Assets and Liabilities Carried at Amortised Cost

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

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

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

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

- Interest is calculated using the most common market convention ACT/365.

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

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

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

The fair values calculated are:

	31 March 2010		**31 March 2011**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£000	**£000**	**£000**	**£000**
PWLB debt	745,981	845,953	745,981	780,376
Non-PWLB debt	316,883	338,082	331,389	357,010
Total Financial Liabilities	**1,062,864**	**1,184,035**	**1,077,370**	**1,137,386**

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

	31 March 2010		**31 March 2011**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£000	**£000**	**£000**	**£000**
Total Loans and Receivables	**0**	**0**	**10,070**	**10,146**

The difference in the carrying amount and the fair value of loans and receivables is due to the fixed interest deposits in the Council's investment portfolio having a higher interest rate than the prevailing rate estimated to be available at 31 March 2011. This increases the fair value of financial liabilities and raises the value of loans and receivables.

15. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

- By formally adopting the requirements of the CIPFA Code of Practice on Treasury Management.
- By the adoption of a Treasury Policy Statement and treasury management clauses within the financial regulations / standing orders / constitution.
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing.
  - The maximum and minimum exposures to fixed and variable rates.
  - The maximum and minimum exposure in regard to the maturity structure of debt.
  - The maximum annual exposures to investments maturing beyond a year.

- By approving an investment strategy for the forthcoming year setting out the criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

As the investment rates during 2010/11 were lower than the cost of borrowing the Council used accumulated investment balances and short term temporary borrowing (as this is significantly cheaper that long term borrowing) where possible to fund capital expenditure rather than incurring any new long term external borrowing. This reduced the Council's exposure to higher debt charges during the year and also reduced the Council's risk exposure to banks and other financial institutions during a time of economic uncertainty.

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

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

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

- Credit updates and credit outlooks from credit rating agencies.

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

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

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

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

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

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

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

The following analysis summarises the Council's potential maximum exposure to credit risk as at 31 March 2011, 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 2011	Historical Experience of Default	Adjustment for conditions at 31 March 2011	Estimated Maximum Exposure to Default
	£000	£000	£000	£000
Deposits with A rated counterparties	10,000	0.00%*	0.080%*	8
	10,000			8
Customers	35,549	0.7%**	0.7%**	249
	35,549			**249**

* As per the Code guidance the percentage for financial instruments in terms of both historical default and adjustment for conditions were calculated by looking Sheffield City Council's actual experience of default rather than the general position in the market. In the case of Sheffield there has been no past experience of default and the Council has no exposure to Iceland so the percentage used is 0%.
** The figure used for customers in terms of both historical default and adjustment for conditions were calculated by using the 2010/11 write-offs as a % of the total amount of invoices raised in 2010/11.

The table below shows a breakdown of the Council's outstanding investment balance as at 31 March 2011 and the comparable figures as at 31 March 2010 and which country the funds were deposited with.

31 March 2011

Financial Institution	Rating of Counterparty	Country	Amount £000
Co-op	A	UK	10,000

31 March 2010 – Comparative Information

Financial Institution	Rating of Counterparty	Country	Amount £000
None in 2009/10	-	-	0

No breaches of the Council's counterparty criteria occurred during 2010/11 and the Council does not expect any losses from non-performance by any counterparties in relation to deposits.

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

The Council does not allow credit for customers therefore the value of £35.5m for 2010/11 (£36.7m for 2009/10) 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		31 March 2011 £000
8,817	Less than three months	8,490
2,467	Three to six months	1,631
1,574	Six months to one year	1,506
23,847	More than one year	23,922
36,705	**Total**	**35,549**

The Council's bad debt provision at 31 March 2011 is £41.5m (£37.4m for 2009/10) of this £16.4m (£12.8m for 2009/10) relates to the above outstanding debt.

Liquidity Risk

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

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

All sums owing to the Council from investments placed (£10m as at 31 March 2011) are due to be repaid in less than one year.

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:

2009/10 Principal £000	2009/10 Accrued Interest £000	2009/10 Principal plus Interest £000		2010/11 Principal £000	2010/11 Accrued Interest £000	2010/11 Principal plus Interest £000
18,400	21,009	39,409	Less than one year	67,742	21,264	89,006
35,092	0	35,092	Between one and two years	46,647	0	46,647
140,479	0	140,479	Between two and five years	113,220	0	113,220
36,697	0	36,697	Between five and ten years	23,939	0	23,939
811,187	0	811,187	More than ten years	804,558	0	804,558
1,041,855	**21,009**	**1,062,864**	**Total**	**1,056,106**	**21,264**	**1,077,370**

The maturity analysis of financial assets is:

2009/10 Principal £000	2009/10 Accrued Interest £000	2009/10 Principal plus Interest £000		2010/11 Principal £000	2010/11 Accrued Interest £000	2010/11 Principal plus Interest £000
0	0	0	Less than one year	10,000	70	10,070
0	**0**	**0**	**Total**	**10,000**	**70**	**10,070**

The table above highlights that in both 2009/10 and 2010/11 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 Comprehensive Income and Expenditure Statement will rise.
- Borrowing at fixed rates - The fair value of the borrowing liability will fall (no impact on revenue balances).

- Investments at variable rates - The interest income credited to the Comprehensive Income and Expenditure Statement will rise.

- Investments at fixed rates - The fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA).

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

In order to minimise the Council's exposure to loan interest functions the Council will only have a maximum of 35% variable rate debt as a percentage of total debt. At the 31 March 2011, variable rate debt as a proportion of total debt was 15% (also 15% as at March 2010).

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 *	1,580
Increase in interest receivable on variable rate investments **	(948)
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	632
Share of overall impact debited to the HRA ***	412
Increase in fair value of fixed rate investment assets	(6)
Impact on Other Comprehensive Income and Expenditure ****	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	108,284

*Note: The majority of borrowing from PWLB and Market were at fixed rates in 2010/11 and as a result a change in interest rate on these loans would have no actual effect on the interest actually payable, the amount of government grant received and on the Comprehensive Income and Expenditure Statement or HRA. There are a number of LOBO loans (£158M) which have moved out of their "fixed" period and onto calls which are shown in the accounts as variable (although in reality they are fixed at each call period until the next call, so are only affected by a change of interest rates when the loan was "called" at which point the Council would have the option to repay the loan without any premiums being payable. There were no LOBOs called during 2010/11). For the purposes of this note the average rate of these loans (4.81%) 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 2010/11.
*** HRA share is 65.1%
**** All Sheffield City Council assets are classed as loans and receivables and therefore this figure is zero as there is no impact on the Comprehensive Income and Expenditure Statement.

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

Foreign Exchange Risk

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

16. Long Term Debtors

The following is an analysis of Long-term Debtors:

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
3,984	2,655	Goodwill	1,284
10,393	10,003	Other Long-term Debtors	9,726
14,377	**12,658**	**Total**	**11,010**

Included in long-term debtors is an amount of £1.3m (£2.7m in 2009/10) 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 £8.4m (2009/10 £8.8m) for up-front contributions for Private Finance Initiative (PFI) schemes.

17. Short Term Debtors

The following is an analysis of Debtors:

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
22,513	24,767	Central Government Bodies	24,181
10,378	8,964	Other Local Authorities	9,128
807	2,319	NHS Bodies	2,420
1	1	Public Corporations and Trading Funds	19
146,623	128,824	Other Entities and Individuals	141,979
180,322	**164,875**	**Sub-Total**	**177,727**
(38,304)	(37,415)	Provision for Bad Debts	(41,460)
142,018	**127,460**	**Total**	**136,267**

Included within other entities and individuals are amounts owed to the Council from members of the public for Council Tax £24.8m (£22.1m 2009/10) and Housing Rents £7.7m (£8.3m 2009/10). Also included within other entities and individuals are amounts owed to the Council relating to capital projects of £27.2m (£19.8m 2009/10).

18. Cash and Cash Equivalents

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

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
7,741	(3,218)	Cash at Bank	(2,629)
25,000	0	Call Investments	0
4,350	1,800	Short-term deposits in the Councils Business Reserve Account	9,550
37,091	**(1,418)**	**Total**	**6,921**

19. Assets Held for Sale

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

	Current		Non-Current	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at 1 April	**719**	**1,289**	**0**	**0**
Assets newly classified as held for sale:				
- Property, Plant and Equipment	5,447	727	0	0
Impairment losses	0	(59)	0	0
Assets sold	(719)	(1,289)	0	0
Accounting Additions	0	51	0	0
Balance outstanding at 31 March	**5,447**	**719**	**0**	**0**

20. Short Term Creditors

The following is an analysis of Creditors:

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
(34,541)	(37,613)	Central Government Bodies	(34,971)
(1,584)	(665)	Other Local Authorities	(1,493)
(758)	(919)	NHS Bodies	(1,638)
(181)	(217)	Public Corporations and Trading Funds	(210)
(119,708)	(93,146)	Other entities and individuals	(100,948)
(156,772)	**(132,560)**	**Total**	**(139,260)**

Included within other entities and individuals are amounts owed by the Council to suppliers. This includes creditors relating to capital projects of £18.4m (£9.5m 2009/10).

21. Provisions and Deferred Credits

The Council maintains the following provisions:

	HRA – Week 53 Provision £000	Insurance £000	Employee Benefits £000	Other £000	Total £000
Balance at 1 April 2010	**(1,656)**	**(13,111)**	**(3,539)**	**(11,198)**	**(29,504)**
Additional Provisions	0	(1,572)	(81)	(8,178)	**(9,831)**
Amounts Used	367	0	0	450	**817**
Unused Amounts Reversed	0	0	0	0	**0**
Unwinding of Discount	0	0	0	0	**0**
Balance at 31 March 2011	**(1,289)**	**(14,683)**	**(3,620)**	**(18,926)**	**(38,518)**
Comprising of:					
Short Term Provisions	0	0	(3,620)	(13,350)	(16,970)
Long Term Provisions	(1,289)	(14,683)	0	(5,576)	(21,548)
	(1,289)	**(14,683)**	**(3,620)**	**(18,926)**	**(38,518)**

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

During the financial year 1992/93 Municipal Mutual Insurance Limited (MMI) ceased accepting new business. As part of the orderly wind-down of its affairs, MMI is settling claims with its policyholders under the terms of a Scheme of Arrangement. Under these terms, Sheffield City Council, along with other policyholders, is liable to a 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.

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

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

Other
This balance represents the Council's other provisions, excluding bad debt provision. The balance at 1 April 2010 was £11.2m, with a net increase in 2010/11 of £7.7m.

The increase in other provisions for 2010/11 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.

22. Other Long Term Liabilities

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

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
32,038	30,317	Deferred Liabilities	28,408
5,384	4,055	Goodwill Deferred Account	2,684
37,422	**34,372**	**Total**	**31,092**

Deferred Liabilities
The Authority has a proportionate share in the interests of the former South Yorkshire Council Debt. As at 31 March 2011 the deferred liabilities of Sheffield City Council amounted to £30.3m, comprising £1.9m maturing within one year, which has been disclosed in creditors – other entities and individuals (Note 20) and £28.4m after that date.

Goodwill Deferred Account
An amount of £2.7m (£4.1m in 2009/10) 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.

23. Useable Reserves

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

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

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
(23,152)	(21,264)	General Balances Available	(25,093)
(17,778)	(23,881)	Major Sporting Facilities	(29,942)
(7,652)	(9,383)	PFI future expenditure	(9,133)
22,716	29,511	Invest to Save	25,665
(25,866)	**(25,017)**	**Total**	**(38,503)**

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

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

Earmarked General Fund Reserves
The table below provides a breakdown of the earmarked reserves balance:

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
(24,276)	(24,272)	Schools Reserves	(23,729)
(7,520)	(5,960)	Local Authority Business Growth Initiative (LABGI)	(3,079)
(14,977)	(9,988)	Service area reserves	(6,648)
(6,634)	(5,968)	Revenue Grants and Contributions	(4,828)
(20,117)	(20,616)	Other earmarked reserves	(10,454)
(73,524)	**(66,804)**	**Total**	**(48,738)**

Within this figure is £23.7m (£24.3m 2009/10), which is the Schools' Earmarked Reserve. This consists of money, that has been allocated under Local Management of Schools legislation, and which remains unspent at the year-end.

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

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

Where a revenue grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution has been transferred to the Revenue Grants and Contributions reserve to support future spend.

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

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

Useable Capital Reserves
Capital Receipts Reserve
Holds the receipts generated from the disposal of non-current assets, which are restricted to being applied to finance new capital investment or to reduce indebtedness.

Major Repairs Reserve
The Council is required by regulation to establish and maintain a Major Repairs Reserve by charging depreciation on Housing Revenue Account (HRA) assets and crediting these

amounts to the reserve. Capital expenditure is then funded from the reserve without being charged to the HRA. Statute requires that the reserve be used only for capital expenditure on HRA Assets or for a voluntary set aside to repay debt. Appropriations to or from the Comprehensive Income and Expenditure Account reflect the statutory requirement to equalise the depreciation charged to the reserve with the Major Repairs Allowance received by the HRA.

Capital Grants Unapplied Reserve
Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution shall be transferred to the Capital Grants Unapplied Reserve reflecting its status as a capital resource available to finance expenditure.

24. Unusable Reserves

The following table summarises the Unusable Reserves balances:

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
		Capital Reserves:	
(497,188)	(589,078)	Revaluation Reserve	(576,331)
(1,245,618)	(1,146,886)	Capital Adjustment Account	(726,476)
(108)	(73)	Deferred Capital Receipts Reserve	(60)
(1,742,914)	(1,736,037)		(1,302,867)
		Revenue Reserves:	
29,977	41,610	Financial Instruments Adjustment Account	39,657
504,302	738,865	Pensions Reserve	563,313
(818)	628	Collection Fund Adjustment Account	265
3,431	3,540	Accumulated Absences Account	3,621
536,892	784,643		606,856
(1,206,022)	**(951,394)**	**Total**	**(696,011)**

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

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2009/10 £000		2010/11 £000	2010/11 £000
(497,188)	**Balance at 1 April**		**(589,078)**
(138,611)	Upward revaluation of assets	(31,181)	
22,171	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	25,651	
(116,440)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(5,530)**
24,490	Difference between fair value depreciation and historical cost depreciation	17,905	
60	Accumulated gains on assets sold or scrapped	372	
24,550	Amount written off to the Capital Adjustment Account		**18,277**
(589,078)	**Balance at 31 March**		**(576,331)**

Capital Adjustment Account:

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

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

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

Note 12 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000		2010/11 £000	2010/11 £000
(1,245,618)	**Balance at 1 April**		**(1,146,886)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
64,634	- Charges for depreciation of non-current assets	77,225	
147,755	- Charges for impairment of non-current assets	537,452	
0	- Amortisation of intangible assets	1,426	
39,956	- Revenue expenditure funded from capital under statute	41,279	
29,572	- Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	8,899	
281,917			666,281
(24,551)	Adjusting amounts written out of the Revaluation Reserve		(18,277)
257,366	Net written out amount of the cost of non-current assets consumed in the year		**(498,882)**

	Capital financing applied in the year:		
(9,739)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(7,113)	
(30,540)	- Use of the Major Repairs Reserve to finance new capital expenditure	(24,516)	
(97,347)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(175,457)	
(3,024)	- Application of grants to capital financing from the Capital Grants Unapplied Account	(150)	
(16,691)	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(18,214)	
(2,285)	- Capital expenditure charged against the General Fund and HRA balances	(2,144)	
(159,626)			**(227,594)**
992	Other		0
(1,146,886)	**Balance at 31 March**		**(726,476)**

Deferred Capital Receipts Reserve:

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

2009/10 £000		**2010/11 £000**
(108)	**Balance at 1 April**	**(73)**
35	Transfer to the Capital Receipts Reserve upon receipt of cash	13
(73)	**Balance at 31 March**	**(60)**

Financial Instruments Adjustment Account:

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

2009/10 £000		2010/11 £000	2010/11 £000
29,977	**Balance at 1 April**		**41,610**
15,864	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	
(3,257)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(2,363)	
(974)	Other movements for finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	410	
11,633	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(1,953)
41,610	**Balance at 31 March**		**39,657**

Pensions Reserve:

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

2009/10 £000		2010/11 £000
504,302	**Balance at 1 April**	**738,865**
217,359	Actuarial gains or losses on pensions assets and liabilities	(81,608)
73,276	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(37,973)
(56,072)	Employer's pensions contributions and direct payments to pensioners payable in the year	(55,971)
738,865	**Balance at 31 March**	**563,313**

Collection Fund Adjustment Account:

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

2009/10 £000		2010/11 £000
(818)	**Balance at 1 April**	**628**
1,446	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(363)
628	**Balance at 31 March**	**265**

Accumulated Absences Account:

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

2009/10 £000		2010/11 £000	2010/11 £000
3,431	**Balance at 1 April**		**3,540**
109	Amounts accrued at the end of the current year	81	
109	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		81
3,540	**Balance at 31 March**		**3,621**

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
894	Interest Received	1,764
(110,079)	Interest Paid	(93,891)

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

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

2009/10 £000		2010/11 £000
64,635	Depreciation	77,225
147,744	Impairment and downward revaluations	537,451
0	Amortisation	1,426
0	Impairment losses on loans and advances in year	650
(974)	Adjustment for effective interest rate	245
0	Soft loans - Reduction in fair value of soft loans made in year	165
0	Soft loans - interest adjustment to CI&ES in year	(25)
(889)	(Increase) / Decrease in impairment provision for bad debts	4,045
(20,029)	(Increase) / Decrease in creditors	(2,433)
14,614	Increase / (Decrease) in debtors	(7,274)
(176)	Increase / (Decrease) in inventories	(291)
17,204	Pension liability	(93,944)
29,572	Carrying amount of non-current assets sold	8,899
7,836	Contributions to provisions	9,013
0	Issuing of mortgages relating to deferred capital receipts	(27)
301	Other non-cash items charged to the net surplus or deficit on the provision of services	0)
259,838	**Total**	**535,125**

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

The following table provides a breakdown of the adjustment for items reported separately shown in the Cash Flow Statement:

2009/10 £000		2010/11 £000
(101,124)	Capital grants credited to surplus or deficit on the provision of services	(170,238)
(10,432)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(17,521)
(111,556)	**Total**	**(187,759)**

26. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2009/10 £000		2010/11 £000
(222,985)	Purchase of property, plant and equipment, investment property and intangible assets	(230,047)
0	Purchase of short and long term investments	(10,000)
0	Other payments for investing activities	(922)
10,432	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	17,521
63,361	Proceeds from the sale of short and long term investments	0
87,422	Capital grants received	200,728
14,840	Other receipts from investing activities	0
(46,930)	**Net cash flow from investing activities**	**(22,720)**

27. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2009/10 £000		2010/11 £000
44,369	Cash receipts of short and long term borrowing	867,479
(14,451)	Council tax and NNDR adjustments	2,344
(3,861)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	(3,967)
(27,534)	Repayment of short and long term borrowing	(854,957)
(1,477)	**Net cash flow from financing activities**	**10,899**

28. Amounts reported for resource allocation decisions

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

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

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

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

The income and expenditure of the Authority's principal portfolios recorded in the budget reports for the year ended 31 March 2010 is as follows:

2010/11 Portfolio Income and Expenditure

	Children, Young People and Families £000	Place £000	Communities £000	Deputy Chief Executive £000	Resources £000	Corporate £000	Total General Fund £000	Housing Revenue Account £000	Total £000
Grants	(105,445)	(15,243)	(43,415)	(2,662)	(214,097)	(367,906)	(748,768)	(37,122)	(785,890)
Other reimbursements and contributions	(2,135)	(2,303)	(26,032)	(981)	(2,423)	(44,464)	(78,338)	(978)	(79,316)
Sales	(3,909)	(1,259)	(131)	(3)	(11)	0	(5,313)	0	(5,313)
Fees and charges	(29,816)	(26,265)	(18,228)	(4,043)	(5,237)	0	(83,589)	(3,719)	(87,308)
Income from Council Tax	0	0	0	0	0	(196,589)	(196,589)	0	(196,589)
Other Income	(1,435)	(7,308)	(146,624)	(1,177)	(4,097)	(4,454)	(165,095)	(127,273)	(292,368)
Corporate Revenue Income	0	0	(126)	0	0	0	(126)	(124)	(250)
Recharges	(78,569)	(9,156)	(13,901)	(8,695)	(83,112)	0	(193,433)	(73)	(193,506)
Total Income	**(221,309)**	**(61,534)**	**(248,457)**	**(17,561)**	**(308,977)**	**(613,413)**	**(1,471,251)**	**(169,289)**	**(1,640,540)**
Employees	93,757	49,797	80,622	13,258	39,970	0	277,404	0	277,404
Premises	38,939	47,287	55,286	425	9,413	0	151,350	46,730	198,080
Transport	6,634	1,840	3,598	165	7,754	0	19,991	459	20,450
Supplies and services	49,500	41,610	23,595	17,383	11,104	0	143,192	6,081	149,273
Third party payments	77,648	72,725	169,809	673	244	459	321,558	30,891	352,449
Transfer payments	929	0	5,419	0	206,349	0	212,697	0	212,697
Central and departmental support	85,168	12,720	24,799	2,619	64,940	0	190,246	9,005	199,251
Other	17,560	19,010	76,994	0	4,198	34,297	152,059	73,000	225,059
Total Expenditure	**370,135**	**244,989**	**440,122**	**34,523**	**343,972**	**34,756**	**1,468,497**	**166,166**	**1,634,663**
Net Expenditure	**148,826**	**183,455**	**191,665**	**16,962**	**34,995**	**(578,657)**	**(2,754)**	**(3,123)**	**(5,877)**

2009/10 – Comparative Information

	Children, Young People and Families £000	Place £000	Communities £000	Deputy Chief Executive £000	Resources £000	Corporate £000	Total General Fund £000	Housing Revenue Account £000	Total £000
Grants	(76,796)	(5,655)	(53,474)	(2,228)	(203,038)	(349,024)	(690,215)	(35,019)	(725,234)
Other reimbursements and contributions	(2,749)	(2,003)	(7,975)	(1,017)	(2,858)	(48,422)	(65,024)	(1,034)	(66,058)
Sales	(3,736)	(1,343)	(142)	(6)	(14)	0	(5,241)	(2)	(5,243)
Fees and charges	(30,369)	(27,937)	(10,035)	(4,408)	(4,508)	0	(77,257)	(3,923)	(81,180)
Income from Council Tax	0	0	0	0	0	(193,426)	(193,426)	0	(193,426)
Other Income	(958)	(7,892)	(22,287)	(1,020)	(4,569)	0	(36,726)	(124,872)	(161,598)
Corporate Revenue Income	0	0	(1)	0	0	(5,188)	(5,189)	(86)	(5,275)
Recharges	(45,872)	(11,273)	(15,717)	(5,823)	(122,843)	0	(201,528)	(5)	(201,533)
Total Income	**(160,480)**	**(56,103)**	**(109,631)**	**(14,502)**	**(337,830)**	**(596,060)**	**(1,274,606)**	**(164,941)**	**(1,439,547)**
Employees	92,545	48,999	74,403	13,105	37,296	0	266,348	0	266,348
Premises	38,426	36,731	9,305	388	9,609	0	94,459	45,575	140,034
Transport	6,397	1,832	3,787	206	8,231	0	20,453	483	20,936
Supplies and services	54,712	41,986	16,392	11,086	10,692	0	134,868	4,705	139,573
Third party payments	53,094	72,922	132,076	824	1,311	454	260,681	30,839	291,520
Transfer payments	913	0	5,419	0	195,230	0	201,562	0	201,562
Central and departmental support	48,381	12,401	11,884	2,988	118,630	0	194,284	8,922	203,206
Other	12,553	12,649	30,690	0	1,875	33,545	91,312	72,428	163,740
Total Expenditure	**307,021**	**227,520**	**283,956**	**28,597**	**382,874**	**33,999**	**1,263,967**	**162,952**	**1,426,919**
Net Expenditure	**146,541**	**171,417**	**174,325**	**14,095**	**45,044**	**(562,061)**	**(10,639)**	**(1,989)**	**(12,628)**

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

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

2009/10 £000		2010/11 £000
(12,628)	**Net Expenditure in the Portfolio Analysis**	**(5,877)**
1,109	Additional segments not included in the analysis	(1,687)
101,489	Amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement (Technical Accounting adjustments)	438,401
519,239	Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	495,640
609,209	**Cost of Services in the Comprehensive Income and Expenditure Statement**	**926,477**

Reconciliation to Subjective Analysis:

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

2010/11	Net Expenditure in the Portfolio Analysis	Additional segments not included in the analysis	Amounts not included in the analysis but included in the CI&ES	Amounts included in the analysis but not included in the CI&ES	Allocation of Recharges	Cost of Services in the CI&ES	Amounts reported below the net expenditure of Continuing Operation in the CI&ES	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(657,601)	(337,763)	(35)	46,749	388,309	**(560,341)**	0	**(560,341)**
Interest and investment income	(460)	0	0	460	0	**0**	(1,487)	**(1,487)**
Income from council tax	(196,589)	0	0	196,589	0	**0**	(196,952)	**(196,952)**
Non Domestic Rates Distribution	0	0	0	0	0	**0**	(243,428)	**(243,428)**
Government grants and contributions	(813,117)	0	1,926	367,906	0	**(443,285)**	(276,910)	**(720,195)**
Total Income	**(1,667,767)**	**(337,763)**	**1,891**	**611,704**	**388,309**	**(1,003,626)**	**(718,777)**	**(1,722,403)**
Employee expenses	277,404	266,795	(86,079)	(31,088)	0	**427,032**	0	**427,032**
Other service expenses	1,299,905	69,281	(26,437)	(67,473)	0	**1,275,276**	0	**1,275,276**
Support service recharge	0	0	0	0	(388,309)	**(388,309)**	0	**(388,309)**
Depreciation, amortisation, and impairment	67,078	0	549,026	0	0	**616,104**	0	**616,104**
Interest payments	15,746	0	0	(15,746)	0	**0**	94,797	**94,797**
Precepts and levies	0	0	0	0	0	**0**	460	**460**
Payment to housing capital receipts pool	0	0	0	0	0	**0**	1,389	**1,389**
Gain or loss on disposal of fixed assets	0	0	0	0	0	**0**	(8,594)	**(8,594)**
(Surplus) / deficit of trading undertakings or other operations	1,757	0	0	(1,757)	0	**0**	(487)	**(487)**
Pension interest cost and expected return in pension assets	0	0	0	0	0	**0**	31,941	**31,941**
Total Expenditure	**1,661,890**	**336,076**	**436,510**	**(116,064)**	**(388,309)**	**1,930,103**	**119,506**	**2,049,609**
Surplus or deficit on the provision of services	**(5,877)**	**(1,687)**	**438,401**	**495,640**	**0**	**926,477**	**(599,271)**	**327,206**

2009/10 – Comparative Information	Net Expenditure in the Portfolio Analysis	Additional segments not included in the analysis	Amounts not included in the analysis but included in the CI&ES	Amounts included in the analysis but not included in the CI&ES	Allocation of Support Service Recharges	Cost of Services in the CI&ES	Amounts reported below the net expenditure of Continuing Operation in the CI&ES	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(454,743)	(327,817)	5,088	5,188	208,093	**(564,191)**	0	**(564,191)**
Interest and investment income	(86)	0	0	86	0	**0**	(953)	**(953)**
Income from council tax	(193,426)	0	0	193,426	0	**0**	(191,979)	**(191,979)**
Non Domestic Rates Distribution	0	0	0	0	0	**0**	(221,993)	**(221,993)**
Government grants and contributions	(791,292)	0	(26,547)	397,446	0	**(420,393)**	(227,572)	**(647,965)**
Total Income	**(1,439,547)**	**(327,817)**	**(21,459)**	**596,146**	**208,093**	**(984,584)**	**(642,497)**	**(1,627,081)**
Employee expenses	266,348	262,222	(19,660)	0	0	**508,910**	0	**508,910**
Other service expenses	1,066,375	66,704	(15,402)	(33,999)	0	**1,083,678**	0	**1,083,678**
Support service recharge	0	0	(2,145)	0	(208,093)	**(210,238)**	0	**(210,238)**
Depreciation, amortisation, and impairment	48,176	0	163,267	0	0	**211,443**	0	**211,443**
Interest payments	46,020	0	0	(46,020)	0	**0**	109,121	**109,121**
Precepts and levies	0	0	0	0	0	**0**	454	**454**
Payment to housing capital receipts pool	0	0	0	0	0	**0**	2,522	**2,522**
Gain or loss on disposal of fixed assets	0	0	(1,058)	1,058	0	**0**	19,140	**19,140**
(Surplus) / deficit of trading undertakings or other operations	0	0	(2,054)	2,054	0	**0**	(2,458)	**(2,458)**
Pension interest cost and expected return in pension assets	0	0	0	0	0	**0**	42,893	**42,893**
Total Expenditure	**1,426,919**	**328,926**	**122,948**	**(76,907)**	**(208,093)**	**1,593,793**	**171,672**	**1,765,465**
Surplus or deficit on the provision of services	**(12,628)**	**1,109**	**101,489**	**519,239**	**0**	**609,209**	**(470,825)**	**138,384**

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

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

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

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

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

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

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

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

2009/10 – Comparative Information	Income	Expenditure	Operating (Surplus)/ Deficit	Accounting Adjustments	Accounting (Surplus)/ Deficit
	£000	£000	£000	£000	£000
Street Force	(3,341)	1,469	(1,872)	(1,319)	(3,191)
Sheffield Design and Project Mgt.	(455)	270	(185)	(314)	(499)
Transport	(1,727)	2,754	1,027	(430)	597
Markets	(3,183)	4,321	1,138	(97)	1,041
	(8,706)	**8,814**	**108**	**(2,160)**	**(2,052)**

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

30. Pooled Budget Arrangements

Section 31 of the NHS Act 1999 allows partnership arrangements between NHS bodies, Local Authorities and other agencies in order to improve and co-ordinate services. Generally each partner makes a contribution to a pooled budget, with the aim of focusing services and activities for a client group. Funds contributed are those normally used for the services represented in the pooled budget and allow the organisations involved to act in a more cohesive way.

The following table summarises the pooled arrangements Sheffield City Council has entered into, along with Sheffield City Councils contributions to and from the pool and details of 2009/10 comparatives:

Service Area	Contribution to the Pool		Contribution from the Pool	
	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000
Intermediate Care	108	108	0	807
Learning Disabilities Accommodation	2,723	2,555	2,650	2,368
Equipment and adaptations	1,001	1,206	1,001	1,206

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

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

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000
NHS Sheffield	304	1,584	193	644
Sheffield City Council	108	108	0	807
Sheffield Teaching Hospitals	0	0	219	219
Sheffield Care Trust	0	0	0	22
Total	**412**	**1,692**	**412**	**1,692**

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	
	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000
NHS Sheffield	12,507	12,685	12,426	12,692
Sheffield City Council	2,723	2,555	2,650	2,368
Carried Forward	0	0	1,880	1,261
Total	**15,230**	**15,240**	**16,956**	**16,321**

Equipment and Adaptations
The pool is hosted by NHS Sheffield 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	
	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000
NHS Sheffield	1,704	1,229	1,704	1,170
Sheffield City Council	1,001	1,206	1,001	1,206
Other Local Authorities	5	6	5	6
Carried Forward	0	0	0	59
Total	**2,710**	**2,441**	**2,710**	**2,441**

31. Members Allowances

The Authority paid the following amounts to members of the Council during 2010/11:

2009/10 £000		2010/11 £000
978	Basic Allowance	991
338	Special Responsibility Allowances	341
18	Expenses	26
1,334	**Total**	**1,358**

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

32. Officers Remuneration

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

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

2009/10 Teachers	2009/10 Other	2009/10 Total	Remuneration Band	2010/11 Teachers	2010/11 Other	2010/11 Total
94	*41	135	£50,000 - 54,999	*91	*54	**145**
57	*48	105	£55,000 - 59,999	*68	*58	**126**
48	*18	66	£60,000 - 64,999	*43	*33	**76**
14	*18	32	£65,000 - 69,999	*27	*24	**51**
3	*11	14	£70,000 - 74,999	9	*17	**26**
7	*14	21	£75,000 - 79,999	*5	*28	**33**
4	*9	13	£80,000 - 84,999	*4	*6	**10**
4	2	6	£85,000 - 89,999	3	*4	**7**
*6	*4	10	£90,000 - 94,999	4	*1	**5**
2	5	7	£95,000 - 99,999	4	*5	**9**
1	1	2	£100,000 - 104,999	2	1	**3**
0	1	1	£105,000 - 109,999	1	*2	**3**
0	0	0	£110,000 - 114,999	1	*1	**2**
0	1	1	£120,000 - 124,999	0	*2	**2**
0	*1	1	£130,000 - 134,999	*1	0	**1**
0	0	0	£140,000 - 144,999	0	*1	**1**
0	0	0	£160,000 - 164,999	0	*1	**1**
240	**174**	**414**	**Total**	**263**	**238**	**501**
240	**162**	**402**	**Total Excluding redundancies**	**255**	**168**	**423**

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

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

Disclosure of Remuneration for Senior Employees

The following table sets out the disclosure of the remuneration of the Council's senior officers. No bonuses were payable to any of the senior officers in the table below for 2009/10 and 2010/11. No additional benefits, either cash or otherwise, were paid during 2009/10 and 2010/11.

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

Notes:

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

2009/10							
Post Holder Information	**Note**	**Salary - including Fees and Allowances** £	**Expenses Allowances** £	**Compensation for Loss of Office** £	**Total Remuneration excluding Pension Contributions** £	**Pension Contributions** £	**Total Remuneration including Pension Contributions** £
Chief Executive – John Mothersole		184,588	0	0	184,588	33,226	217,814
Deputy Chief Executive	1	130,669	0	0	130,669	23,259	153,928
Executive 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 and Young People		141,516	183	0	141,699	25,473	167,172
Acting Executive Director – Neighbourhoods and Community Care	5	107,703	0	0	107,703	11,467	119,170
Assistant Chief Executive – Legal and Governance	6	34,648	0	331,867	366,515	6,237	372,752
Assistant Chief Executive Policy and Performance	7	36,452	0	118,582	155,034	6,561	161,595
Assistant Chief Executive – Organisational Development and 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:

1 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.

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

3 The Executive Director of Place joined Sheffield City Council on 10 August 2009. Their full time equivalent salary was £116,902.

4 The Executive Director of Communities joined Sheffield City Council on 10 August 2009. Their full time equivalent salary was £123,066.

5 The Acting Executive Director if 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.

6 The Assistant Chief Executive for Legal and Governance left Sheffield City Council on 30 June 2009. Their full time equivalent salary was £89,831.

7 The Assistant Chief Executive for Policy and Performance left Sheffield City Council on 2 August 2009. Their full time equivalent salary was £76,922.

8 The Assistant Chief Executive for Organisational Development and Communications left Sheffield City Council on 30 September 2009. Their full time equivalent salary was £99,154.

33. External Audit Fees

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

2009/10 £000		2010/11 £000
433	Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor.	459
63	Fees payable to the External Auditors in respect of statutory inspection.	17
185	Fees payable to the External Auditors for the certification of grant claims and returns.	185
0	Fees payable to the External Auditors in respect of any other services provided over and above those listed above.	0
681	**Total**	**661**

34. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an Authority-wide basis and for the individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

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

2009/10 Comparative Information:

	Central Expenditure	Individual Schools Budget	Total
	£000	**£000**	**£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 DSG 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**

35. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

2009/10 £000		2010/11 £000
	Credited to Services:	
(41,712)	Department for Communities and Local Government	(42,105)
(37,962)	Department for Children, Schools and Families	(60,441)
(290)	Department for Transport	(3,042)
(2,034)	Department of Health	(2,294)
(204,098)	Department for Work and Pensions	(222,803)
(1,430)	European Regional Development Fund	(2,838)
0	Homes and Communities Agency	(10,436)
(1,153)	Home Office	(812)
(20,449)	Learning and Skills Council	(4,981)
(2,533)	Yorkshire Forward	(3,259)
0	Young Peoples Learning Agency	(29,893)
(1,503)	Youth Justice Board	(1,450)
(107,229)	Other	(58,931)
(420,393)	**Total**	**(443,285)**
	Credited to Taxation and Non Specific Grant Income:	
	Non-ring fenced Government Grants	
(51,136)	- Revenue Support Grant (RSG)	(35,199)
(25,742)	- PFI Grant	(24,186)
(376)	- Local Authority Business Growth Incentive (LABGI)	0
(1,234)	- Local Public Service Award (LPSA)	0
(48,847)	- Area Based Grant (ABG)	(65,091)
(127,335)		(124,476)
	Capital Grants and Contributions	
(43,078)	Department for Children, Schools and Families	(113,996)
(13,574)	Department for Transport	(11,824)
(14,573)	Department for Communities and Local Government	(6,936)
(1,131)	Environment Agency	0
(3,249)	Homes and Communities Agency	(642)
(2,496)	Heritage Lottery Fund	(309)

(131)	Big Lottery Fund	(1,296)
(6,923)	Yorkshire Forward	(2,428)
(15,082)	Other	(15,003)
(100,237)		(152,434)
(227,572)	**Total**	**(276,910)**

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

1 April 2009 £000	**31 March 2010 £000**		**31 March 2011 £000**
		Revenue Grants Receipts in Advance:	
(2,013)	0	Department for Communities and Local Government	0
(6,911)	(4,140)	Department for Children, Schools and Families	(4,984)
(1,942)	(3,335)	Department of Health	(4,894)
(2,134)	(1,424)	English Partnerships	(123)
(3,625)	(329)	European Regional Development Fund	(1,103)
(0)	(0)	Homes and Communities Agency	(2,298)
(733)	(1,216)	Learning and Skills Council	(1,318)
(2,802)	(9,463)	Other	(1,525)
(20,160)	**(19,907)**	**Total**	**(16,245)**
		Capital Grants Receipts in Advance:	
(20,626)	(35,672)	Department for Children, Schools and Families	(74,404)
(2,751)	(3,984)	Department for Communities and Local Government	(3,638)
(1,306)	(1,446)	Section 106 Developers Contributions	(1,161)
0	(971)	Yorkshire Forward	(1,002)
(3,625)	(1,697)	Other	(1,384)
(28,308)	**(43,770)**	**Total**	**(81,589)**

36. Related Party Transactions

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

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 £242m (£212m for 2009/10), with £5m (£11m for 2009/10) accrued. All such material related party transactions are disclosed either individually or in aggregate below.

Authority Members
In respect of financial year 2010/11 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 transactions include:

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

2009/10 – Comparative Information **Related Party**	**Receipts** **£000**	**Payments** **£000**	**Net Payments** **£000**	**Receivables** **£000**	**Payables** **£000**	**Net Accruals** **£000**
Sheffield Homes	(8,296)	48,421	**40,125**	4,438	(51)	**4,387**
Sheffield City Trust	(65)	33,482	**33,417**	8	(98)	**(90)**
Building Schools for the Future (Paradigm)	0	10,452	**10,452**	0	0	**0**
Sheffield Futures	(196)	10,706	**10,510**	0	0	**0**
South Yorkshire Housing Association	0	6,881	**6,881**	0	0	**0**
Sheffield Galleries and Museum Trust	(182)	2,690	**2,508**	116	(4)	**112**
Lyceum Theatres Trust	0	1,524	**1,524**	0	0	**0**
Autism Plus	0	975	**1,975**	0	0	**0**
Sheffield Industrial Museums Trust	(21)	789	**768**	2	0	**2**
Burngreave New Deal	(15)	1,478	**1,463**	6	(1)	**5**

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

Chief Officers

For the purpose of this disclosure the term ‘chief officer’ is defined as the Chief Executive, the Deputy Chief Executive, the Executive Directors and Director of Finance. The note also covers members of those officers’ close families or households. None of the Council’s chief officers declared a position of general control or management in a third party organisation during the financial year.

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 transactions with public bodies in the area:

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

*Figures inclusive of precepts and levies

2009/10 – Comparative Information **Related Party**	**Receipts** **£000**	**Payments** **£000**	**Net Payments** **£000**	**Receivables** **£000**	**Payables** **£000**	**Net Accruals** **£000**
South Yorkshire Pensions Authority	(17)	66,144	**66,127**	1	(1,472)	**(1,471)**
South Yorkshire Integrated Transport Authority*	(1,700)	39,261	**37,561**	1,069	(4)	**1,065**
South Yorkshire Police Authority*	(449)	22,424	**21,975**	52	(264)	**(212)**
NHS bodies within Sheffield and regional health organisations	(17,506)	20,132	**2,626**	2,111	(631)	**1,480**
South Yorkshire Fire and Rescue Authority*	(25)	9,347	**9,322**	7	(1)	**6**

*Figures inclusive of precepts and levies

Other material transactions

During 2010/11 the Council made net payments of £93.5m (£100m for 2009/10) to Kier Sheffield LLP. This includes nil accruement (£1m for 2009/10) at 31 March. The Council made net payments to The Source at Meadowhall totalling £1.5m (£0.13m for 2009/10) during the year.

37. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI / PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2009/10 £000		2010/11 £000
	Capital Investment	
223,170	Property, Plant and Equipment	237,333
0	Investment Properties	0
0	Intangible Assets	1,426
0	Loans Advanced	272
37,315	Revenue Expenditure Funded from Capital under Statute	41,279
260,485		**280,310**
	Sources of Finance	
117,446	Borrowing	73,074
102,120	Government grants and other contributions	175,607
30,526	Major Repairs Allowance	24,516
9,739	Capital receipts	7,113
654	Revenue Contributions	0
260,485		**280,310**
	Capital Financing Requirement	
1,404,089	Opening Balance	1,504,331
117,446	Borrowing in Year	67,455
2,640	Capitalisations	5,619
(19,844)	MRP / VRP and Other	(20,344)
1,504,331	**Closing Balance**	**1,557,061**

38. Leases and Lease Type Arrangements

Authority as Lessee

Finance Leases
The Authority has not classified any leases as Finance Leases.

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

2009/10 £000		2010/11 £000
4,392	Not later than one year	2,736
7,916	Later than one year and not later than five years	5,971
3,526	Later than five years	2,741
15,834	**Total**	**11,448**

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

Authority as Lessor

Finance Leases
The Authority has not classified any leases as Finance Leases.

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

2009/10 £000		2010/11 £000
2,701	Not later than one year	2,593
9,584	Later than one year and not later than five years	9,330
108,959	Later than five years	103,524
121,244	**Total**	**115,447**

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

39. Private Finance Initiatives (PFI) and PPP Arrangements

PFI and Similar Contracts
At 31 March 2011 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 £4.8m (£4.2m in 2009/10) 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 £8.0m (£7.8m in 2009/10). 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 £3.8m (£3.7m in 2009/10). The Schools Phase Three PFI contract became operational during the financial year 2006/07 and total payments during the year were £7.0m (£6.3m in 2009/10). The Building Schools for the Future (BSF) Wave One contract became operational in January 2009 and total payments during the year were £8.9m (£9.1m in 2009/10).

The Council has another long-term arrangement that is not PFI-funded. This is for the collection and disposal of municipal waste and was entered into in August 2001, originally for 30 years but extended during 2004/05 to 35 years. Payments to the contractor during the year totalled £28.1m (£25.8m in 2009/10). 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 **XXI** – 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.

PFI Assets
The assets held under PFI and similar contracts are recognised on the Authority's balance sheet. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant and Equipment balance in Note 12.

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

2009/10 £000		2010/11 £000
(240,208)	Value of the liability as at 1 April	(236,346)
0	Recognition of fixed assets	0
3,862	Finance lease rental	3,968
0	Lifecycle replacement costs	0
(236,346)	**Value of liability as at 31 March**	**(232,378)**

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

2009/10 Total £000		2010/11 Repay-ment of Liability £000	Interest Charge £000	Service Charge £000	Contin-gent Rents £000	Total £000
60,562	Within one year	5,567	25,260	29,367	4,842	65,036
262,769	Between two and five years	22,875	96,275	131,113	24,287	274,550
361,988	Between six and ten years	41,866	106,474	186,135	44,187	378,662
404,341	Between eleven and fifteen years	56,031	83,705	224,378	59,372	423,486
409,674	Between sixteen and twenty years	61,290	55,151	226,432	69,923	412,796
346,114	Between twenty-one and twenty-five years	42,108	22,921	199,633	71,609	336,271
83,527	Between twenty-six and thirty years	2,641	560	13,250	5,682	22,133
1,928,977	**Total**	**232,378**	**390,346**	**1,010,308**	**279,902**	**1,912,934**

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.

40. Long Term Contracts

In addition to the PFI and similar contracts disclosed in note 39, the Council has a number of other Long Term Contracts in place.

The Council has agreed to meet the cost of arrangements that Sheffield City Trust has entered into with certain leasing banks in respect of the provision of funding for sporting facilities in the city. The cost of this commitment during the year was £15.9m (£15.6m in 2009/10). 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 2010/11 totalled £38.2m (£50.2m in 2009/10). The 2009/10 payments included 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 2010/11 totalled £8.8m (£6.3m in 2009/10).

41. Impairment Losses

During 2010/11, the Authority has recognised impairment losses of £583m. £555m of this relates to a change in the valuation basis for Council Dwellings, as set out in the Department for Communities and Local Government (CLG) guidance Stock Valuation for Resource Accounting 2010.

Council Dwellings are valued at Existing Use Value, adjusted by a CLG-determined regional adjustment factor to arrive at Existing Use Value – Social Housing (EUV-SH). There has been a material change in adjustment factors from the previous rate set in 2005. For the Yorkshire and Humber region the adjustment factor has changed by 16% in 2010/11 (national average 13%). CLG explain that the update to the adjustment factor is required to reflect the difference in yields, risks and liabilities between private sector and public sector landlords.

Other impairment losses mainly reflect reductions in land values, where the Council's Affordable Housing policy has been applied to sites available for disposal.

42. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £11.5m (£5.7m in 2009/10). This includes redundancy and pension payments.

This amount was payable to 643 people (228 people in 2009/10) from across the Authority, who were made redundant as part of the Authority's workforce reductions in response to budget reductions.

Of the 2009/10 total, £649k was paid to three senior employees, in the form of compensation for loss of office, as disclosed in Note 32.

43. Post Employment Benefits

As part of the terms and conditions of employment of its employees, the Authority offers post employment benefits in the form of two pension schemes, which provide members with defined benefits related to pay and service. Although these benefits will not actually be payable until employees retire, the 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 (No VII), the City Council makes contributions to two pension schemes in respect of its employees.

Teachers

In 2010/11 the City Council paid £19.5m (£19.1m 2009/10) to Department for Education (DfE) in respect of Teachers' pension costs, which represented 14.1% (14.1% 2009/10) 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 2010/11 these amounted to £4.5m (£4.5m 2009/10), representing 3.25% (3.34% 2009/10) of pensionable pay.

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

Local Government Pension Scheme

Transactions Relating to Post Employment Benefits

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

2009/10 £000		2010/11 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
(26,743)	• Current service cost	(42,850)
(284)	• Past service costs	114,212
(2,164)	• Settlements and curtailments	(1,448)
(29,191)	**Charge to Net Cost of Services**	**69,914**

	Financing and Investment Income and Expenditure:	
(102,224)	• Interest cost	(111,276)
58,139	• Expected return on assets in the scheme	79,335
(44,085)	**Total Post Employment Benefits charged to the Surplus / Deficit on the Provision of Services**	**(31,941)**
	Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	
(217,359)	• Actuarial gains and (losses)	81,608
(290,635)	**Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement**	**119,581**

2009/10 £000		**2010/11 £000**
	<u>Movement in Reserves Statement</u>	
(73,276)	Reversal of net charges made to the Surplus / Deficit for the Provision of Services for post employment benefits in accordance with the Code	37,973
	Actual amount charged against the General Fund Balance for pensions in the year:	
56,072	• Employers contributions payable to scheme	55,971

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £169.8m (£251.4m 2009/10).

<u>Assets and Liabilities in Relation to Post Employment Benefits</u>
Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2009/10 £000		**2010/11 £000**
(1,452,504)	Opening Balance at 1 April	(1,992,120)
(26,743)	Current service cost	(42,850)
(102,224)	Interest cost	(111,276)
(15,680)	Contributions by scheme participants	(15,906)
(460,412)	Actuarial gains and losses	117,381
67,891	Benefits paid	72,655
(284)	Past Service costs	114,212
(2,164)	Curtailments	(1,448)
(1,992,120)	**Closing Balance at 31 March**	**(1,859,352)**

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

2009/10 £000		**2010/11 £000**
948,202	Opening balance at 1 April	1,253,255
58,139	Expected rate of return	79,335
243,053	Actuarial gains and losses	(35,773)
56,072	Employer contributions	55,971
15,680	Contributions by scheme participants	15,906
(67,891)	Benefits paid	(72,655)
1,253,255	**Closing Balance at 31 March**	**1,296,039**

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

The actual return on scheme assets in the year was a gain of £113m (£301m 2009/10).

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).
This has the effect of reducing the Council's liabilities in the South Yorkshire Pension Fund by £114.517m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

Scheme History

	2006/07 £000	**2007/08 £000**	**2008/09 £000**	**2009/10 £000**	**2010/11 £000**
Present value of liabilities	(1,591,167)	(1,712,510)	(1,452,504)	(1,992,120)	(1,859,352)
Fair value of assets in the Local Government Pension Scheme	1,150,374	1,137,755	948,202	1,253,255	1,296,039
Surplus / (deficit) in the scheme	(440,793)	(574,755)	(504,302)	(738,865)	(563,313)

The liabilities show the underlying commitments that the Authority has, in the long run, to pay post employment benefits. The total liability of £563m (£739m 2009/10) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, reducing the balance from £1.4bn to £861m (£1.8bn to £1.1bn 2009/10). 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 2012 is £54m.

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		2010/11
	Long-term expected rate of return on assets in the scheme:	
7.5%	• Equity investments	7.5%
4.5%	• Government bonds	4.4%
5.2%	• Other bonds	5.1%
6.5%	• Property	6.5%
0.5%	• Other assets	0.5%
	Mortality assumptions:	
	• Longevity at 65 for current pensioners	
20.4	Men	21.4
23.2	Women	24.1
	• Longevity at 65 for future pensioners	
21.3	Men	22.8
24.1	Women	25.7
3.3%	Rate of RPI inflation	3.4%
2.8%	Rate of CPI inflation	2.9%
4.8%	Rate of increase in salaries	4.65%
3.3%	Rate of increase in pensions	2.9%
5.6%	Rate for discounting scheme liabilities	5.5%
50%	Take-up of option to convert annual pension into retirement lump sum	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 %		2010/11 %
64.6	Equities	67.4
15.4	Government Bonds	14.6
7.9	Other Bonds	7.2
9.1	Property	9.8
3.0	Other Assets	1.0
100	**Total**	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserves in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	0.8	-8.6	-26.5	19.4	-2.8
Experience gains and losses on liabilities	0	1.8	-23.4	-23.1	-6.3

To satisfy the auditors of Sheffield Homes Limited that the company is a going concern, the Council has issued a letter of support to Sheffield Homes that subject to certain conditions it will guarantee the full amount of their deficit on the South Yorkshire Pension Fund. Under IAS 19 this deficit is £16m for 2010/11 (£24m 2009/10), this sum is included within the Council's overall IAS 19 deficit above.

44. 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 2010/11 £000
3,096	Sheffield City Trust City Hall	2,857
10,048	Sheffield Lyceum Theatre Trust Ltd	8,347
1,287	Sheffield City Trust Ice Centre	983
1,963	Clear Future Ltd	1,963
194	Sheffield Science Park Co Ltd	169
16,588		**14,319**

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.

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 21 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 45 to the accounts, the Council has an interest in Digital Region Limited. There remains a potential risk to the Council contingent on the future financial performance of Digital Region Limited. This is in light of the company's results for the year and its attempts to reduce costs in order to market the network at a competitive cost. The company is also affected by the Government's announcement to abolish Regional Development Agencies, including Yorkshire Forward, the principal founder of the company. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the ability of Digital Region Limited to continue as a going concern and it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. However it is the company Directors' view that a satisfactory resolution will be reached and that the company will therefore have adequate resources to continue for the foreseeable future.

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

45. Interest in Companies

Sheffield Homes Ltd
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 £6.4m at 31 March 2011 (£3.5m at 31 March 2010). The result for the year excluding FRS 17 adjustments was a profit of £2.9m before taxation (£1.1m loss in 2009/10) and £2.9m after taxation (£1.1m loss in 2009/10).

Copies of the accounts can be obtained from Sheffield Homes Ltd, PO Box 1918, Sheffield, S1 2XX.

Creative Sheffield Ltd
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 2011 the company's net assets were nil (nil at 31 March 2010) and it made neither profit nor loss (in 2009/10 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

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 liabilities were £10.1m as at 31 March 2011 (£0.8m at 31 March 2010). The result for the year was a loss before tax of £9.3m and a loss after tax of £9.2m (£583k and £840k in 2009/10 respectively).

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.

46. Trust Funds

The Council administers trust funds which principally relate to legacies left by various individuals, groups etc. There are 27 such accounts, where the Council is sole trustee, with a total value of £1.7m (£1.69m 2009/10). These are:

	2009/10				2010/11	
Income	Expend-iture	Trust Value		Income	Expend-iture	Trust Value
£000	£000	£000		£000	£000	£000
0	0	295	Beet Street Nursery Charitable Account	1	0	296
1	(9)	251	Norfolk Park Trust	1	0	252
1	0	229	Chelsea Park	1	0	230
0	(7)	167	Earl Marshal Street Recreation Ground Trust	1	(2)	166
1	0	179	Wincobank Wood Recreation Ground Trust	1	0	180
1	0	125	Sutherland Road Recreation Trust	1	0	126
4	(1)	57	Comfort Funds	0	0	57
0	0	107	Wilkinson Scholarship Fund	0	0	107
0	(1)	28	Hillsborough Park Trust Fund	0	0	28
31	(44)	51	Land at Fulwood / Whirlow	15	(7)	59
1	(1)	63	Sir George Franklin Trust Fund (Scholarships)	0	0	63
1	0	134	Other	1	0	135
41	**(63)**	**1,686**	**Total**	**22**	**(9)**	**1,699**

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

47. Adjustments resulting from the Transition to International Financial Reporting Standards (IFRS)

Reconciliation of net worth reported under previous GAAP to net worth reported under IFRS at the date of transition to IFRS - 1 April 2009

	SORP (Adjusted)	Effect of Transition to IFRS					Restated IFRS
	1 April 2009	Employee Benefits	Revenue Grants	Capital Grants	Non-Current Assets	Other	1 April 2009
Explanation:	See note 5	1	2	3	4	5	
	£000	£000	£000	£000	£000	£000	£000
Property, Plant and Equipment	3,086,857				55,706		3,142,563
Investment Property	50,804				(47,668)		3,136
Long-term Investments	15						15
Long-term Debtors	14,377						14,377
Long Term Assets	**3,152,053**	**0**	**0**	**0**	**8,038**	**0**	**3,160,091**
Short Term Investments	92,711					(29,350)	63,361
Inventories	681						681
Short Term Debtors	180,322						180,322
Less: Bad Debt Provision	(38,304)						(38,304)
Cash and Cash Equivalents	7,741					29,350	37,091
Assets Held for Sale	0				1,289		1,289
Current Assets	**243.151**	**0**	**0**	**0**	**1,289**	**0**	**244,440**
Bank Overdraft	0						0
Short Term Borrowing	(22,278)						(22,278)
Short Term Creditors	(163,406)		6,634				(156,772)
Short Term Provisions	0	(3,431)				(1,061)	(4,492)
PFI / PPP Finance Lease Liability	(3,862)						(3,862)
Capital grants and contributions unapplied	(53,900)			53,900			0
Current Liabilities	**(243,446)**	**(3,431)**	**6,634**	**53,900**	**0**	**(1,061)**	**(187,404)**
Long Term Borrowing	(1,023,455)						(1,023,455)
Long Term Provisions	(18,457)					1,061	(17,396)
Government Grants Deferred Account	(304,890)			304,890			0
PFI / PPP Finance Lease Liability	(236,346)						(236,346)
Net Pension Liability	(504,302)						(504,302)
Other Long Term Liabilities	(37,422)						(37,422)
Capital Grants Receipts in Advance	0			(28,308)			(28,308)
Long Term Liabilities	**(2,124,872)**	**0**	**0**	**276,582**	**0**	**1,061**	**(1,847,229)**
Net Assets	**1,026,886**	**(3,431)**	**6,634**	**330,482**	**9,327**	**0**	**1,369,898**

	SORP (Adjusted)	Effect of Transition to IFRS					Restated IFRS
	1 April 2009	Employee Benefits	Revenue Grants	Capital Grants	Non-Current Assets	Other	1 April 2009
Explanation:	See note 5	1	2	3	4	5	
	£000	£000	£000	£000	£000	£000	£000
Useable Reserves:							
- General Fund	(25,866)						(25,866)
- Earmarked Reserves	(66,890)		(6,634)				(73,524)
- Housing Revenue Account	(11,399)						(11,399)
- Capital Receipts Reserve	(18,544)						(18,544)
- Major Repairs Reserve	(8,951)						(8,951)
- Capital Grants Unapplied	0			(25,592)			(25,592)
	(131,650)	**0**	**(6,634)**	**(25,592)**	**0**	**0**	**(163,876)**
Unusable Reserves:							
- Revaluation Reserve	(500,153)				2,965		(497,188)
- Capital Adjustment Account	(928,436)			(304,890)	(12,292)		(1,245,618)
- Financial Instruments Adjustment Account	29,977						29,977
- Pensions Reserve	504,302						504,302
- Deferred Capital Receipts	(108)						(108)
- Collection Fund Adjustment Account	(818)						(818)
- Accumulated Absences Account	0	3,431					3,431
	(895,236)	**3,431**	**0**	**(304,890)**	**(9,327)**	**0**	**(1,206,022)**
Total Reserves	**(1,026,886)**	**3,431**	**(6,634)**	**(330,482)**	**(9,327)**	**0**	**(1,369,898)**

Reconciliation of net worth reported under previous GAAP to net worth reported under IFRS - 31 March 2010

	SORP (Adjusted) 31 March 2010	Effect of Transition to IFRS						Restated IFRS 31 March 2010
		Prior Year IFRS Adjust-ment	Employee Benefits	Revenue Grants	Capital Grants	Non-Current Assets	Other	
Explanation:	See note 5		1	2	3	4	5	
	£000		£000	£000	£000	£000	£000	£000
Property, Plant and Equipment	3,178,101	55,706				2,690		3,236,497
Investment Property	59,905	(47,668)				(9,101)		3,136
Long-term Investments	15	0						15
Long-term Debtors	12,658	0						12,658
Long Term Assets	**3,250,679**	**8,038**	**0**	**0**	**0**	**(6,411)**	**0**	**3,252,306**
Short Term Investments	1,800	(29,350)					27,550	0
Inventories	857	0						857
Short Term Debtors	164,875	0						164,875
Less: Bad Debt Provision	(37,415)	0						(37,415)
Cash and Cash Equivalents	0	29,350					(29,350)	0
Assets Held for Sale	0	1,289				(570)		719
Current Assets	**130,117**	**1,289**	**0**	**0**	**0**	**(570)**	**(1,800)**	**129,036**
Bank Overdraft	(3,218)	0					1,800	(1,418)
Short Term Borrowing	(39,409)	0						(39,409)
Short Term Creditors	(138,528)	6,634		(666)				(132,560)
Short Term Provisions	0	(4,492)	(108)				(5,155)	(9,755)
PFI / PPP Finance Lease Liability	(3,967)	0						(3,967)
Capital grants and contributions unapplied	(66,338)	53,900			12,438			0
Current Liabilities	**(251,460)**	**56,042**	**(108)**	**(666)**	**12,438**	**0**	**(3,355)**	**(187,109)**
Long Term Borrowing	(1,023,455)	0						(1,023,455)
Long Term Provisions	(25,965)	1,061					5,155	(19,749)
Government Grants Deferred Account	(366,865)	304,890			61,975			0
PFI / PPP Finance Lease Liability	(232,379)	0						(232,379)
Net Pension Liability	(738,865)	0						(738,865)
Other Long Term Liabilities	(34,372)	0						(34,372)
Capital Grants Receipts in Advance	0	(28,308)			(15,462)			(43,770)
Long Term Liabilities	**(2,421,901)**	**277,643**	**0**	**0**	**46,513**	**0**	**5,155**	**(2,092,590)**
Net Assets	**707,435**	**343,012**	**(108)**	**(666)**	**58,951**	**(6,981)**	**0**	**1,101,643**

	SORP (Adjusted) 31 March 2010	Prior Year IFRS Adjust-ment	Effect of Transition to IFRS: Employee Benefits	Revenue Grants	Capital Grants	Non-Current Assets	Other	Restated IFRS 31 March 2010
Explanation:	See note 5		1	2	3	4	5	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Useable Reserves:								
- General Fund	(25,017)							(25,017)
- Earmarked Reserves	(60,836)	(6,634)		666				(66,804)
- Housing Revenue Account	(13,606)							(13,606)
- Capital Receipts Reserve	(16,242)							(16,242)
- Major Repairs Reserve	(6,012)							(6,012)
- Capital Grants Unapplied	0	(25,592)			3,024			(22,568)
	(121,713)	**(32,226)**	**0**	**666**	**3,024**	**0**	**0**	**(150,249)**
Unusable Reserves:								
- Revaluation Reserve	(610,231)	2,965				18,188		(589,078)
- Capital Adjustment Account	(756,521)	(317,182)			(61,975)	(11,208)		(1,146,886)
- Financial Instruments Adjustment Account	41,610							41,610
- Pensions Reserve	738,865							738,865
- Deferred Capital Receipts	(73)							(73)
- Collection Fund Adjustment Account	628							628
- Accumulated Absences Account	0	3,431	109					3,540
	(585,722)	**(310,786)**	**109**	**0**	**(61,975)**	**6,980**	**0**	**(951,394)**
Total Reserves	**(707,435)**	**(343,012)**	**109**	**666**	**(58,951)**	**6,980**	**0**	**(1,101,643)**

Reconciliation to Total Comprehensive Income and Expenditure under IFRS for latest period presented in the most recent financial statements under previous GAAP - 31 March 2010

	SORP (Adjusted)	Effect of Transition to IFRS					Restated IFRS
		Employee Benefits	Revenue Grants	Capital Grants	Non-Current Assets	Other	
Explanation:	See note 5	1	2	3	4	5	
	£000	£000	£000	£000	£000	£000	£000
Continuing Operations:							
Children's and Education Services	157,374	(105)	(108)	5,745	(152)		162,754
Adult Social Care	137,745	28	388	66			138,227
Highways and Transport Services	69,902	34	(56)	1,845			71,725
Cultural, Environmental, Regulatory and Planning Services	137,599	99	612	3,528	5		141,843
Local Authority Housing (HRA)	28,948				(4,114)		24,834
Other Housing Services	30,130	39	(37)	0			30,132
Central Services	29,065	10	(134)	0			28,941
Corporate and Democratic Core	8,387	2					8,389
Non-Distributed Costs	2,362	2					2,364
Cost of Services	**601,512**	**109**	**665**	**11,184**	**(4,261)**	**0**	**609,209**
Other operating expenditure	22,116						22,116
Financing and investment income and expenditure	148,603						148,603
Profit / Loss on discontinued operations	0						0
Taxation and non-specific grant income	(541,307)			(100,237)			(641,544)
(Surplus) / Deficit on Provision of Services	**230,924**	**109**	**665**	**(89,053)**	**(4,261)**	**0**	**138,384**
Surplus / deficit on revaluation of non-current assets	(123,387)				6,957		(116,430)
Surplus / deficit on revaluation of available for sale financial assets	0						0
Actuarial gains / losses on pension assets / liabilities	217,359						217,359
Other gains / losses	(5,445)				4,285		(1,160)
Other Comprehensive Income and Expenditure	88,527	0	0	0	11,242	0	99,769
Total Comprehensive Income and Expenditure	**319,451**	**109**	**665**	**(89,053)**	**6,981**	**0**	**238,153**

<u>First-time adoption of IFRS</u>

These are the Council's first financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS is 1 April 2009.

The Council's IFRS accounting policies presented in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2011, the comparative information and the opening balance sheet at the date of transition.

The Council has applied the IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these first IFRS compliant financial statements, except in cases where interpretations or adaptations to fit the public sector, have been prescribed by the Code of Practice on Local Authority Accounting (The Code).

An explanation of the differences between amounts presented under the SORP 2009 and the IFRS-based Code are explained below.

<u>Explanation 1: Employee Benefits (Short Term Accumulating Absences)</u>

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

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

Regulations have been issued that mean local Councils are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account (unusable reserve) until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the financial statements:

1 April 2009 -	Decrease in net worth of £3.431m
31 March 2010 -	Decrease in net worth of £0.109m

<u>Explanation 2 and 3: Government Grants</u>

Under the Code grants and contributions relating to capital and revenue expenditure shall be accounted for on an accruals basis, and recognised immediately in the Comprehensive Income & Expenditure Statement as income, except to the extent that the grant or contributions has a condition(s) that the Authority has not satisfied. If a grant does not have a condition then there is no obligation to return the grant and so no liability exists.

Revenue Grants

A revenue grant without a condition(s) under the Code should be recognised in full as income when it is received, even if the expenditure has not yet been incurred, and any underspend carried forward in reserves. A revenue grant with a condition(s) should not be recognised as income until the Authority is reasonably sure that it will comply with the condition(s) attached to the grant and should be held as a liability on the balance sheet until such a time.

This treatment differs from the SORP which required income to be matched against expenditure, and any unspent grant to be carried forward as a liability on the balance sheet, even though the grant would never need to be repaid.

Adjustments have been made to the financial statements to recognise grant income, without a condition(s), held as a liability under the SORP which under the Code should have been recognised immediately. The effect of this is:

1 April 2009 - Increase in net worth of £6.634m
31 March 2010 - Decrease in net worth of £0.666m

Capital Grants
Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a result of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grant income received in 2009/10 (without conditions) but not used: Previously, no income was recognised in respect of this grant, which was shown in the Grants and Contributions Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.
- Grant income received in 2009/10 (with conditions): Grants received with conditions attached are held as Capital Grants – Receipts in Advance within the liabilities sections of the balance sheet, reflecting the obligation that if the condition is not adhered to, then the grant may be required to be repaid to its awarding body and are recognised as income when the Authority is reasonable sure that it will comply with the conditions.

There is no change to the General Fund balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

Explanation 4: Non-Current Assets
Under IFRS there have been a number of changes to the way in which assets are classified on the Authority's Balance Sheet. This in the main relates to assets previously held as Investment Property but under IFRS reclassified to Surplus Assets with a change in valuation basis.

However, although there are a number of changes to be made the overall net effect of these changes have resulted in a minimal change in the value of the assets held.

1 April 2009 -	Increase in net worth of £9.327m (an approximate increase of 0.27% in the value of assets held under SORP)
31 March 2010 -	Decrease in net worth of £6.980m (an approximate decrease of 0.21% in the value of assets held under SORP)

Explanation 5: Other Adjustments

Provisions
Provisions under the SORP were classified as long term liabilities on the Balance Sheet. Under IFRS provisions now need to be shown as either current or non current liabilities dependant upon when the liability is to be settled.

The adjustments relating to the reclassification of Provisions have no impact on the net worth of the Authority as they are solely movements between current liabilities and long term liabilities.

Cash and Cash Equivalents
Under IFRS the Authority needs to recognise items that can readily be converted into Cash (usually Short Term Investments) as “Cash Equivalents”.

The adjustments relating to Cash Equivalents have no impact on the net worth of the Authority as they are solely movements between different classes of current assets.

Leases
There have been a number of changes to the accounting treatment of leases under IFRS.

However, after reviewing the Councils leasing arrangements it has been concluded that no adjustments to the financial statements are required.

48. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by Laraine Manley, Executive Director of Resources on 23 September 2011.

Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Housing Revenue Account

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

Housing Revenue Account Income and Expenditure Statement

2009/10 Restated £000		Note	2010/11 £000
	Expenditure:		
31,629	Repairs and maintenance		32,593
51,115	Supervision and management		51,217
1,004	Rents, rates, taxes and other charges		1,162
100,983	Depreciation and impairment of non current assets		544,625
295	Debt management costs		401
1,124	Movement in the allowance for Bad or Doubtful Debts		654
186,150	**Total Expenditure**		**630,652**
	Income:		
(116,787)	Dwelling rents		(118,569)
(1,473)	Non-dwelling rents - garages, garage sites, shops		(1,467)
(7,210)	Charges for services and facilities		(7,182)
(2,344)	Contributions towards expenditure		(2,057)
(33,502)	HRA subsidy receivable		(35,843)
(161,316)	**Total Income**		**(165,118)**
24,834	Net Cost of HRA Services as included in the whole Authority Comprehensive Income and Expenditure Statement		465,534
645	HRA share of Corporate and Democratic Core		643
25,479	**Net Cost of HRA Services**		**466,177**
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:		
(1,058)	(Gain) or loss on sale of HRA non-current assets		(34)
42,525	Interest payable and similar charges		45,041
(86)	Interest and investment income		(296)
0	Capital grants and contributions receivable		(147)
66,860	**Deficit for the year on HRA services**		**510,741**

Movement on the Housing Revenue Account Statement

2009/10 Restated £000		2010/11 £000
(11,399)	**Balance on the Housing Revenue Account as at 1 April**	**(13,606)**
66,860	Deficit on the HRA Income and Expenditure Statement	510,741
(72,657)	Adjustments between accounting basis and funding basis under regulation	(517,352)
(5,797)	**Net increase before transfers to reserves**	**(6,611)**
3,590	Transfer to reserves	3,488
(2,207)	**Increase in year on the HRA**	**(3,123)**
(13,606)	**Balance on the Housing Revenue Account as at 31 March**	**(16,729)**

Notes to the Housing Revenue Account

1. Adjustments between accounting basis and funding basis under regulation

2009/10 £000		2010/11 £000
3,466	Difference between interest payable and similar charges (including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with Statute)	2,595
(77,181)	Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statutory HRA requirements	(520,001)
1,058	Gain / loss on sale of HRA non-current assets	34
0	Capital Expenditure funded by the HRA	20
(72,657)	**Total**	**(517,352)**

2. Transfer to / from reserves

2009/10 £000		2010/11 £000
3,797	Transfer to / from Major Repairs Reserve	3,488
(207)	Transfer to / from Earmarked Reserve	0
3,590	**Total**	**3,488**

3. Housing Stock

The Council was responsible for managing, on average 41,712 dwellings during 2010/11 (41,964 for 2009/10). The movement in stock can be summarised as follows:

2009/10		2010/11
42,129	Housing Stock as at 1 April	41,799
(77)	Less: Sales	(94)
(253)	Less: Demolitions and other deductions	(109)
0	Add: New build and acquisitions	30
41,799	**Housing Stock as at 31 March**	**41,626**

The housing stock can be analysed by type as follows:

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

2009/10 – Comparative Information			
	Flats and Maisonettes	**Houses and 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:

2009/10			**2010/11**	
Value at 1 April £000	**Value at 31 March £000**		**Value at 1 April £000**	**Value at 31 March £000**
		Operational Assets:		
1,348,257	1,342,535	Council Dwellings	1,342,535	864,123
16,301	15,932	Other Land and Buildings	15,932	17,402
73,308	77,182	**Non Operational Assets**	77,182	72,578
1,437,866	**1,435,649**	**Total**	**1,435,649**	**954,103**

4. Vacant Possession

The vacant possession value of Council dwellings as at 1 April 2010 was £2.86bn (£2.87bn at 1 April 2009).

The difference between the vacant possession value of dwellings and the Balance Sheet value as at 1 April 2010 and 31 March 2011 represents the economic cost to government of providing council housing at less than open market rents.

5. Major Repairs Reserve

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

The table below shows the movement on the reserve:

2009/10 £000		2010/11 £000
8,951	Balance at 1 April	6,012
23,804	Transfers to the MRR from the Capital Adjustment Account (re. Depreciation)	24,476
3,797	Transfers to the MRR from the HRA (re. Excess of MRA over depreciation)	3,488
(30,540)	Expenditure on capital assets	(24,516)
6,012	**Balance at 31 March**	**9,460**

6. Capital Expenditure

During the financial year total capital expenditure was £78m, (£137m 2009/10) split between houses £75m (£107m in 2009/10) and other property within the Housing Revenue Account £2m (£30m in 2009/10) and land £1m (£nil in 2009/10).

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

2009/10 £000		2010/11 £000
30,540	Major Repairs Reserve	24,516
76,053	Borrowing	50,873
2,334	Usable Capital Receipts	1,170
27,592	Capital Grants	1,512
5	Capital Contributions	0
136,524	**Total**	**78,071**

Capital receipts amounting to £5m (£5.8m 2009/10) were generated in the financial year from the disposal of land, houses and other property.

7. Depreciation

A depreciation charge of £24m (£24m 2009/10) was made to the HRA during the financial year. The spilt of the depreciation charge is detailed below:

2009/10 £000		2010/11 £000
	Operational Assets:	
23,790	Council Dwellings	24,476
14	Other Land and Buildings	0
0	**Non-Operational Assets**	0
23,804	**Total**	**24,476**

8. Impairment

During the year an impairment charge of £555m was made (£81m in 2009/10) with a depreciation adjustment of £45m. This related to a change in the valuation basis applied to Council Dwellings. Existing Use Value (EUV) is adjusted for Social Housing by the percentage prescribed by the Department for Communities and Local Government in the guidance *Stock Valuation for Resource Accounting 2010*. The adjustment factor dropped from 47% in 2009/10 to 31% for Yorkshire and Humber in 2010/11. Other general impairments to land and buildings total £10m, resulting in a £520m charge to the HRA.

9. HRA Subsidy

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

2009/10 £000		2010/11 £000
48,841	Charges for Capital	50,376
48,737	Allowance for Maintenance	50,689
27,601	Allowance for Major Repairs	27,965
25,410	Allowance for Management	26,568
1,434	Rent Constraints Allowance	1,336
(75)	Housing Subsidy in respect of previous years	0
46	Other Expenditure	46
(118,485)	Guideline Rent Income	(121,128)
(7)	Interest on Receipts	(9)
33,502	**TOTAL**	**35,843**

10. Rent Arrears

Rent arrears (excluding amounts collectable on behalf of other agencies) as at 31 March 2011 amounted to £7.8m (£8.3m as at 31 March 2010).

The provision for doubtful debts in respect of these rent arrears is £5.8m (£6.4m as at 31 March 2010).

11. Rent Income

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

2009/10 Dwellings	2009/10 Non-Dwellings	2009/10 Total		2010/11 Dwellings	2010/11 Non-Dwellings	2010/11 Total
£000	**£000**	**£000**		**£000**	**£000**	**£000**
119,158	2,034	121,192	Gross rent income before allowances	120,990	2,088	123,078
(2,371)	(561)	(2,932)	Less vacant properties	(2,421)	(621)	(3,042)
116,787	**1,473**	**118,260**	**Gross rent income after allowances**	**118,569**	**1,467**	**120,036**

12. Dwellings Rents

This represents rent income due from tenants. The average rent per week at 31 March 2011 was £58.31 compared with £56.27 per week at 31 March 2010, an increase of £2.04 or 3.6%.

13. Rebates

Rent rebates are available through the Housing Benefits scheme. As at 31 March 2011, 68% (67% as at 31 March 2010) of Council tenants were receiving assistance from the scheme.

Collection Fund

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

Collection Fund Statement

2009/10 £000		Notes	2010/11 £000	2010/11 £000
	Income:			
(180,898)	Income from Council Tax	**1**		(183,288)
	Transfer from General Fund:			
(44,074)	- Council Tax Benefits		(45,988)	
992	- Transitional Relief		1,932	(44,056)
(223,980)				(227,344)
(185,720)	Income collectable from business ratepayers	**2**		(184,655)
(409,700)	**Total Income**			**(411,999)**
	Expenditure:			
	Precepts and Demands:			
192,872	- Sheffield City Council			196,311
	- South Yorkshire Joint Authorities:			
19,559	- SY Police Authority		20,200	
8,893	- SY Fire and Rescue Authority		9,185	29,385
221,324				225,696
	Business Rate:			
181,938	- Payment to National Pool	**2**	180,211	
769	- Costs of Collection		762	180,973
404,031				406,669
	Impairment of debts:			
3,175	- Write-Offs – Council Tax		1,643	
2,021	- Write-Offs - NNDR		1,750	
1,500	- Provision for Non-Payment of Council Tax		1,200	4,593
				411,262
634	Contributions towards previous years surplus		0	319
411,361	**Total Expenditure**			**411,581**
1,661	**(Surplus) / Deficit for the Year**			**(418)**
(938)	**Balance Brought Forward**			**723**
723	**Balance Carried Forward**	**4**		**305**

Notes to the Collection Fund

1. Council Tax

There are an estimated 236,854 (235,279 for 2009/10) 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 152,681.58 for 2010/11 (152,090.44 for 2009/10). After allowing for non-collection, the calculation of Council Tax at band D is made so as to be sufficient to generate the estimated income required to be taken from the Collection Fund by the City Council and the South Yorkshire Joint Authorities. The amount of Council Tax set at band D is £1,476.63 for 2010/11 (£1,452.22 for 2009/10). This excludes parishes but includes Police and Fire and is converted to determine the level of Council Tax for the other seven bands.

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

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

2009/10 – Comparative Information						
Band	**Number of Properties in Band**	**Less Reductions**	**Chargeable Dwellings**	**Adjusted Chargeable Dwellings**	**Proportion of Band D Tax**	**Band D Equivalent Dwellings**
Disabled Band A		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 2009/101 Council Tax						**152,090.44**

The income of £227.6m for 2010/11 (£221.8m 2009/10), which is net of write-offs is receivable from the following sources:

2009/10 £000		**2010/11 £000**
177,723	Billed to Council Tax Payers (net of write-offs)	181,645
44,074	Council Tax Benefits	45,988
221,797	**Total**	**227,633**

2. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specify an amount of 41.4p in 2010/11 (48.5p 2009/10) and, subject to the effects of transitionary arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Fund on the basis of a fixed amount per head of population.

The NNDR income of £184.8m for 2010/11 (£184.7m 2009/10) (after allowing for relief's and provisions) was based on a total rateable value for the Council's area of £530,591,365 for the year (£462,872,271 for 2009/10).

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 surplus / (deficit).

2009/10 £000	Authority	2010/11 £000
(629)	Sheffield City Council	(266)
(65)	South Yorkshire Police Authority	(27)
(29)	South Yorkshire Fire and Rescue Authority	(12)
(723)	**Total**	**(305)**

Glossary

Term	**Definition**
Abbreviations	The symbol “k” following a figure represents £thousand. The symbol “m” following a figure represents £million. The symbol “bn” following a figure represents £billion.
Accounting Policies	These are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
Accruals Concept	Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.
Added Years	A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers must exercise this discretion in accordance with the national regulations and the City Council’s own policies.
Amortisation	An accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement over a period of years rather then 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 non-current assets used in the provision of services.
Capital Expenditure	Expenditure that is incurred to create or add value to a non-current asset.
Capital Receipts	The proceeds from the sale of capital assets which, subject to various limitations (e.g. Pooling Arrangements introduced in the Local Government Act 2003) can be used to finance capital expenditure, invested, or to repay outstanding debt on assets originally finance through borrowing.
Cash	Comprises cash on hand and demand deposits.
Cash Equivalents	These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Collection Fund	A fund administered by the Council recording receipts mainly from Council Tax, National non-domestic rates and payments to the General Fund.
Community Assets	Assets that the Council intends to hold forever and which may have some restrictions on their disposal, e.g. parks and historic buildings.

Consistency Concept	The consistency concept requires that there should be a consistent method of accounting treatment of like items within each accounting period and from one period to the next.
Contingency	A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence of one or more uncertain future events not wholly within the Council's control.
Council Tax	A banded property tax that is levied on domestic properties. The banding is based on assessed property values at 1 April 1991.
Credit Risk	The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.
Creditors	An amount owed by the Council for work done, goods received or services rendered, but for which no payment has been made.
Debtors	An amount owed to the Council for work done, goods received or services rendered, but for which no payment has been received.
Defined Benefit Scheme	A pension or other retirement benefit scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
Defined Contribution Scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Depreciation	The measure of the wearing out, consumption or other reduction in a non-current asset either as a result of its use, ageing or obsolescence.
Fair Value	IFRS does not have a consistent definition of fair value - different definitions apply in different circumstances. However, the general definition is: Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Finance Lease	An agreement that transfers all the risks and rewards of ownership of an asset. The payments usually cover the full cost of the asset together with a return for the cost of finance.
Financial Instrument	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities and includes both the most straightforward financial assets such as trade receivable

(debtors) and trade payable (creditors) and the most complex ones such as derivatives.

International Financial Reporting Standards (IFRS) Accounting standards developed by the International Accounting Standards Board which determine the standards to be adopted in the preparation and presentation of the Council's accounting records.

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

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

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

Impairment A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

Intangible assets Non-financial assets that do not have physical substance but are identified and are controlled by the entity through custody or legal rights. The two broad types of intangible non-current assets applicable to local authorities are goodwill and other intangible assets. Examples of other intangible assets might be patents or software licences.

Inventories Inventories are assets:

- in the form of materials or supplies to be consumed in the production process or distributed in the rendering of services
- held for sale or distribution in the ordinary course of operations
- in the process of production for sale or distribution

Investment Property Property held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations.

Materiality Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

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

Net Current The cost of replacing or recreating the particular asset in its

Replacement Cost 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.

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.

Property, Plant and Equipment Tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Provisions Amounts charged to revenue during the year for costs with uncertain timing, though a reliable estimate of the cost involved can be made.

Prudence Concept Requires that revenue is not anticipated until realisation can be assessed. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.

Public Works Loan Board A government agency, which provides loans to authorities at favourable rates.

Related Party The definition of a related party is dependent upon the situation, though key indicators of related parties are if:

- One party has direct or indirect control of the other party
- One party has influence over the financial and operating policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.

Remuneration	All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.
Reserves	Result from events that have allowed monies to be set aside, surpluses, decisions causing anticipated expenditure to have been postponed or cancelled, or by capital accounting arrangements.
Revenue Expenditure	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.
Termination Benefits	These are benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

Opinion on the Authority accounting statements

I have audited the accounting statements of Sheffield City Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund Statement 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director of Resources and auditor

As explained more fully in the Statement of the Executive Director of Resources Responsibilities, the Executive Director of Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Sheffield City Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Sheffield City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Sheffield City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Prentice
Officer of the Audit Commission
3 Leeds City Office Park
Holbeck
Leeds
LS11 5BD

29 September 2011