Auditor's Annual Report for Sheffield City Council

Year-ended 31 March 2024

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26 February 2025

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This report is addressed to Sheffield City Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

01

Executive Summary

Executive Summary

Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Sheffield City Council (the 'council'. This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:

Accounts - We provide an opinion as to whether the financial statements give a true and fair view of the financial position of the council and of its income and expenditure during the year and have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').

Other Information (such as the narrative report) – To consider, whether based on our audit, the other information in the Statement of Accounts is materiality misstated or inconsistent with the financial statements or our audit knowledge of the council.

Value for money – To report if we identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in the use of resources. We are also required to provide a summary of findings in the commentary in this report.

Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Financial Statements	We issued a disclaimed opinion on the council's financial statements on 26 February 2025. We have undertaken work to obtain sufficient appropriate audit evidence in a number of areas of the accounts, however we have been unable to perform all the procedures we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to: Valuation of; Other land and buildings, Surplus Assets, Assets under Construction, Short and Long-Term Debtors, Short and Long-Term Creditors, opening balances, and the movement in the usable and unusable reserves for the year ended 31 March 2024 In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the Backstop Date. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Council's income and expenditure for the year ended 31 March 2024. We have provided further details of the key risks we identified and our response on page 8-12
Other information	We did not identify any material inconsistencies between the content of the other information, the financial statements and our knowledge of the council.
Value for money	We are required to give an opinion as to whether the council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources. Our opinion is that we have identified one significant weakness in the Council's arrangement in relation to securing economy, efficiency, and effectiveness in the use of resources. In all other respects we found the Council's arrangement to be appropriate. Further details are set out on Page 13..
Other powers	See overleaf.

Executive Summary

There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the council is taking. We may also apply to the courts for a declaration that an item of expenditure the council has incurred is unlawful.

We have not applied to the courts this year.

Recommendations

We can make recommendations to the council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the council does not need to take any action, however, should the council provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

We have raised one other recommendation relating to a significant weakness in the Authority's arrangements in relation to economy, efficiency and effectiveness in Social Housing Provision This is described in further details on Page 27

Advisory notice

We may issue an advisory notice if we believe that the council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the council. Where we raise observations, we report these to management and the Audit and Standards Committee. The council is not required to take any action on these however it is good practice to do so, and we have included any responses that the council has given us in our report to Audit and Standards Committee.

02

Audit of the financial statements

Audit of the financial statements

KPMG provides an independent opinion on whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council as at 31 March 2024 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 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Our audit opinion on the financial statements

We have issued a disclaimed opinion on the Council's financial statements on 26 February 2025.

The full audit report is included in the Council's Annual Report and Accounts for 2023/24 which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of Land and Buildings • The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The council has an internal valuation team and also contracts with External Valuation Experts for specialised valuations. In 2023/24 there will be external valuations of the Energy Recovery Facility (Charterfields), Grosvenor House (Cushman and Wakefield) and all Agricultural Assets (Carter Jonas). • Major Sporting Facilities (MSF) will be subject to in-house valuers desktop exercise, all other assets will be assessed to ensure that they are still being carried at fair value as at 31 March 2024 • Valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied. This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value. • The value of PPE at 31 March 2023 (unaudited) was £3,411m. This includes £1,635m Housing Dwellings, £595m Other Land and Buildings, £247m Surplus Assets, and £633m Infrastructure Assets.	We performed the following procedures designed to specifically address the significant risk associated with the valuation: • We critically assessed the independence, objectivity and expertise of Charterfields, Cushman and Wakefield, and Carter Jonas the valuers used in developing the valuation of the Council's assets at 31 March 2024; • We have evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used; and • We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code. Due to the backstop date we were unable to conclude on the following: • We did not compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information; • With the exception of Council Dwellings, we have not challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We did not challenge key assumptions within the valuation as part of our judgement; • We did not agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; • We did not utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and • Disclosures: We were unable to consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.	We inspected the instructions issued to the valuer's for the valuation of land and buildings and verified they were appropriate to produce a valuation consistent with the requirements of the CIPFA Code. We assessed the independence, objectivity and expertise of Charterfields, Cushman and Wakefield, and Carter Jonas the external valuers used to develop the valuation of Council assets and we have no concerns. Whilst we did not conclude over the entire Land and Buildings balance, we challenged some of the key assumptions within the valuation as part of this work. In relation to the Council's housing stock which is valued at EUV for Social Housing, we are satisfied that the value of the Beacons used by the valuer were appropriate and in line with market conditions. We are satisfied that the correct beacon type has been allocated to each property in line with the Council's records. We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used and have raised a control deficiency around the lack of formal review of the assumptions utilised by the various valuers in calculating the estimated value. From the work we have done we did not identify any material misstatements relating to this risk.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Management override of controls (a) **Fraud risk related to unpredictable way management override of controls may occur.** • Professional standards require us to communicate the fraud risk from management override of controls as significant. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. • We have not identified any specific additional risks of management override relating to this audit.	We have performed the following procedures designed to specifically address this significant risk: • Evaluated the selection and application of accounting policies. • In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments. • Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the component's normal course of business or are otherwise unusual. We have been unable to perform the following procedures specifically designed address this significant risk associated as a result of the backstop: • Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates. • Whilst we did analyse all journals through the year using data and analytics and were satisfied that the population of transactions was complete, we did not complete out testing over those identified as high risk.	• We did not select the journal entries and other adjustments meeting our high-risk criteria and therefore we did not complete our examination and testing of these entries. • We did not reach a conclusion in-regards to work on accounting estimates within the financial statements. However, we did assess several assumptions which drive the estimate over Council Dwelling valuation and the assumptions that drive the valuation of the Gross Defined Benefit Liabilities. These were deemed to be balanced. • We did not identify any significant unusual transactions. • We identified a control deficiency in-regards to management's review and authorisation of journal entries.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of Post retirement benefit obligations **An inappropriate amount is estimated and recorded for the defined benefit obligation.** • The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the [Council/Authority]'s pension liability could have a significant effect on the financial position of the Council. • The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements. • We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme • Also, recent changes to market conditions have meant that more Council/Authority are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement. • In the draft financial statements, the Council had recognised: • a net Pension Asset £48m as at, 31 March 2024. (£140m as at 31.3.2023) • a Pension Prepayment of £89m as at, 31 March 2024.	We have performed the following procedures. • We obtained an understanding of the pensions process for setting and approving the assumptions used in the DBO valuation. • Auditing standards require auditors to identify a management control where there is a significant audit risk. We assessed Management's controls that ensure the appropriateness of actuarial assumptions for the preparation of the DBO accounting estimate. • Evaluated the competency, objectivity of the Fund actuaries and confirmed their qualifications and the basis for their calculations. • Performed inquiries of the Fund actuaries to assess the methodology and key assumptions used. • Challenged, with the support of KPMG pensions actuarial specialists, the key assumptions applied, the discount rate, inflation rate and mortality/life expectancy against externally derived data. • Vouched data provided by the audited entity to the Fund Administrator for use within the DBO accounting estimate calculation. • Confirmed that the pensions disclosures adopted by the Authority are in line with IAS19 and the SORP. • Assessed the level of surplus that should be recognised by the entity. • Assessed the impact of any special events, where applicable.	• We acknowledge Management reviews the actuarial assumptions following advice from an external actuarial specialist however the control does not meet the stringent requirements as defined by the FRC in its auditing standards; the review control lacks precision and is not documented and therefore the design is not considered to be an effective control. See details (page 42) • The Fund actuaries (individual and entity) are professionally qualified to perform actuarial valuations and prepare IAS19 disclosure reports being Fellows of the Institute of Actuaries in the UK; • The actuarial assumptions methodology is consistent with the prior year except for mortality future improvements, which was updated to CMI 2022 tables. Our actuaries view this change in approach as reasonable. They are also compliant with the Council's reporting framework. The actuarial assumptions adopted by the Council compared to KPMG Central Rates, are considered to be balanced overall. All individual assumptions are balanced except mortality future improvements which is cautious compared to KPMG Central Rates. • We agreed the data provided by the audited entity to the scheme administrator for use within the calculation of the scheme valuation with no issues noted.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings (cont)
Valuation of Post retirement benefit obligations **An inappropriate amount is estimated and recorded for the defined benefit obligation.** • The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the [Council/Authority]'s pension liability could have a significant effect on the financial position of the Council. • The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements. • We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme • Also, recent changes to market conditions have meant that more Council/Authority are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement. • In the draft financial statements, the Council had recognised: • a net Pension Asset £48m as at, 31 March 2024. (£140m as at 31.3.2023) • a Pension Prepayment of £89m as at, 31 March 2024.	We have performed the following procedures. • We obtained an understanding of the pensions process for setting and approving the assumptions used in the DBO valuation. • Auditing standards require auditors to identify a management control where there is a significant audit risk. We assessed Management's controls that ensure the appropriateness of actuarial assumptions for the preparation of the DBO accounting estimate. • Evaluated the competency, objectivity of the Fund actuaries and confirmed their qualifications and the basis for their calculations. • Performed inquiries of the Fund actuaries to assess the methodology and key assumptions used. • Challenged, with the support of KPMG pensions actuarial specialists, the key assumptions applied, the discount rate, inflation rate and mortality/life expectancy against externally derived data. • Vouched data provided by the audited entity to the Fund Administrator for use within the DBO accounting estimate calculation. • Confirmed that the pensions disclosures adopted by the Authority are in line with IAS19 and the SORP. • Assessed the level of surplus that should be recognised by the entity. • Assessed the impact of any special events, where applicable.	• We identified that the Council had recognized a contributions prepayment of £89m within short-term and long-term debtors at 31 March 2024. However, our view is that the employer contribution payments are only cash transactions and not charges to the CIES and therefore, should be recognised as plan assets at the time of payment. Management has agreed with our view and updated their financial statements accordingly. Hence, we have raised this as a corrected audit misstatement. • As per accounting standards IAS 19.131, the net balance sheet position for schemes in surplus should be disclosed separately from the net balance sheet position for schemes in deficit. Schemes in surplus should be aggregated on the balance sheet under non-current assets, and schemes in deficit (including any unfunded arrangements) should be aggregated under non-current liabilities. However, management had netted-off the unfunded liabilities of £51,540k against the funded surplus which is not appropriate, hence we recommended management disclose them separately. Management agreed with our recommendation and updated their financial statements, accordingly. • We have challenged management regarding the treatment of the recognisable surplus as they did not correctly allow for a minimum asset ceiling consistent with the value of the prepayment of contributions made by the Employer in April 2023. Following our challenge, management has obtained a revised asset ceiling paper from Hymans dated 26 November 2024 and they confirmed the revised asset ceiling calculations as appropriate. Management updated their financial statements to reflect the updated asset ceiling calculations. We have confirmed that the revised asset ceiling calculations are materially correct. • We have tested the updated disclosures and confirmed the disclosures are in line with CIPFA guidance and have added the additional disclosure following the successful court decision on a defined benefit pension scheme that could have an impact in the future.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Fraud risk from Expenditure Recognition **Liabilities and related expenses for purchases of goods or services are not completely identified and recorded** • The Council has a statutory duty to balance their annual budget. Where a Council does not meet its budget this creates pressure on the Council's usable reserves and this in term provides a pressure on the following year's budget. This is not a desirable outcome for management. • Q3 reporting to the Finance Committee is projecting a £16.7m overspend with significant pressures in Children's (£11.2m), Adult's (£2.6m), Neighbourhood (£2.1m), Strategic Support (£4.5m) and Public Heath (£1.6m), with an underspend in Corporate of £5.5m. • These pressures in the system may provide an incentive for management to understate expenditure to mask the current financial performance. • We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2024-25 to mitigate financial pressures in 2023-24.	Include procedures only relevant to the significant risk • We have performed the following procedures designed to specifically address this significant risk. • We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded; • We inspected a sample of invoices of expenditure and payments from the bank, in the period after 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete; • We have been unable to perform the following procedures specifically designed to address this significant risk as a result of the backstop as explained on page 4: • We will inspect journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence.	We have identified the following audit findings: • We note that the process for the management review of the expenditure accruals overlaps with the process identified on page 9 as part of our assessment of the journals control. As such, the same control deficiency applies here, and we cross refer to the recommendations made on page 43 • We assessed the levels of invoices and payments made post year end in April and May 2024 obtaining sufficient assurance that there was no risk of material misstatement for expenditure or liabilities that should have been included within the 2023/24 financial statements • Whilst not directly linked to the significant risk, we note that we have tested the accuracy and existence of other operating expenditure with no issues noted.

03

Value for Money

Value for Money

Introduction

We are required to be satisfied that the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

Financial sustainability: How the council plans and manages its resources to ensure it can continue to deliver its services.

Governance: How the council ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness: How the council uses information about its costs and performance to improve the way it manages and delivers its services

We are not required to consider whether all aspects of the Council's arrangements are operating effectively. We are also not required to satisfy ourselves that the Council has achieved value for money during the year.

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13	19	21
Identified risks of significant weakness?	✓ Yes	✗ No	✓ Yes
Actual significant weakness identified?	✗ No	✗ No	✓ Yes
2022-23 Findings	No significant weakness identified.	No significant weakness identified.	No significant weakness identified.
Direction of travel	↔	↔	↓

Value for Money

National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable. Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). In response to this, the Department for Education has created the “safety valve” arrangement, where Councils are given additional funding whilst education costs are brought under control, with an expectation that schools reserves are brought back to break-even over time. When the safety valve arrangements end, some Councils are concerned that structural sustainability issues will not be resolved, and Councils will be financially unviable.

Housing Revenue Account (HRA)

Councils which operate a HRA are required by law to prevent the account running into deficit, and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

Local context

Sheffield is a vibrant city in South Yorkshire renowned for its industrial heritage, cultural scene, and abundant green spaces.

Sheffield is a diverse and multicultural city and is home to approximately 556,000 residents.

The city has gone through significant regeneration, with projects such as Kelham Island transforming historically industrial zones into trendy urban neighbourhoods.

The Council has led the Heart of the City regeneration project for the past number of years with the construction phase coming to the end.

Like many cities, there are significant challenges relating to housing and economic inequality. The council recognises these challenges an aims to ensure support to residents by implementing a new housing strategy to meet both current and future needs.

The Council owns approximately 38,000 homes. Recent years have seen significant challenges within the Housing service, with a self-referral, in January 2024, and a Formal Judgement in June 2024 from the Regulator of Social Housing resulting from a failure to meet the quality standards for Consumers outlined by the Regulator

The Council faces significant financial pressures through a combination of cost inflation, increased demand for its services, and reduced central government funding. As a result, the Council has a budget gap before savings plans of £111m by the end of 2026-27.

Financial Sustainability

How the council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the council plans to bridge its funding gaps and identifies achievable savings;
- How the council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Budget Setting 2023-24

- The "Budget Holders guide to Budget Management" is included in Part 4d of the Council's Constitution, this outlines the overall process for Budget Setting. Budgets are initially set using the principals of incremental budgeting taking the previous year's budget and adjusting this for known changes that budget holders have identified. Financial Services pull together the overall base budget from these incremental budgets and compare these to the resources available to understand the overall position. The incremental budgets are increased for inflationary pressures, and known demand pressures and changes against the previous year's actual spend. This is done at each service level alongside the finance service managers who have the information of demand pressures and agreed inflationary uplifts, after the pressures for 2023/24 were identified and agreed this is compared to the available resources to outline the initial budget gap. These budget pressures and the resulting budget gap are reported to Service Committees in September 2022. At this stage each Service Committee is required to identify savings to get their budget back into balance.
- Through the end of 2022 and Early 2023 the Service Committees worked with Financial Services to identify and formalise savings targets into Budget Implementation Plans (BIPs). In additional to formalising the BIPs, income levels are confirmed as Government settlement announcements are made. Early in 2023 the individual services budgets, and savings BIP's are approved at the service committees, and then in total the budget is further scrutinised at the February Strategy and Resources committee.
- Financial Services facilitate the overall budget, and this is presented to the Executive Board for scrutiny, challenge and proposals to Full Council. The Full Council then, at the Budget Setting meeting, approve the Full Budget, the Capital Plan, Council Tax levels, Housing Rents and Fees and Charges for the coming year.

2023/2 Budget pressures and savings plans

- In September 2022 the Council were forecasting additional pressures of £69m for the 2023/24 Committee budgets. £43m of these pressures related to Social Care services. Through the 2023/24 Business Planning Process the Service Committees managed to identify £48m of savings to help deliver the balanced budget. The Finance Settlement from Government provided additional income for Business Rates compensation, and the ability to increase Council Tax by 4.99% instead of the projected 2.99% enabled the Council to set a balanced 2023/24 general fund budget without the use of reserves.

Financial Sustainability

The 2023/24 Financial Budget Position (cont)

- In setting this budget in March 2023 the Council acknowledged the risk to the delivery of the savings plan and included in budget setting up to £14m of contingency within the budget and should this not be sufficient the Council identified £18.6m of the Budget Pressures earmarked reserve. In 2020/21 £70m was allocated to the Budget Pressures earmarked reserve to support the in-year position, however only £30.7m was left in the budget contingency reserve at the end of 2022/23.
- The Total Revenue reserves are projected to be £13m (£13m 22/23) General Fund balance and £257m (£260m 22/23) of Earmarked reserves at the end of 2023/24
- The Medium-Term Financial plan is projecting that by 2026/27 there will be a cumulative funding gap of £111m without the Council taking decisions that will deliver recurring savings. Service Demand is forecast to continue to outstrip Government income and council tax increases. If the funding gap needs to be funded from reserves the Council will need to take the necessary decisions to identify and reallocate previously earmarked reserves. The impact would be to reduce revenue reserves to around £160m. Below is showing the levels of reserves have fallen over the recent past.

General Fund and Earmarked Reserves	2021-22 £'000	2022-23 £'000	2023-24 £'000
Earmarked Reserves	308,252	289,650	274,162
General Funds	12,851	15,051	15,051
Housing Revenue Account	8,023	8,661	14,319
Schools Balances	26,223	24,500	21,469
Revenue Grants and Contributions	17,875	16,480	8,417
Total Reserves	**375,177**	**356,706**	**335,721**

HRA: Housing Revenue Account, a ring-fenced fund relating to social housing – Extract from 2023-24 Financial Statements

The Housing Revenue Account (HRA) Balanced budget was set at £168.3m with no planned use from reserves in 2023/24, and a £2.2m Budget Gap for 2024/25. The HRA reserve at, 31 March 2023 was £8.6m. The HRA income increase was capped at 7% as per Government guidance. The Capital Programme was set for £214.1m in 2023/24 of which £90.8m was to be financed from prudential borrowing.

Development of the Efficiency Plans

- As part of the business planning process, services are required to identify savings opportunities to be delivered in year that will offset the pressures and meet targets determined from the planning process. This is done through Executive Directors and Senior Managers being heavily involved in planning their resources and discussing options such as efficiency savings, reduced service, stopping the service or new business models. Business Unit Managers are told about the savings they must make at the appropriate time and hence are held accountable for these savings.
- The proposals must be identified as part of the budget setting process which concludes with sign off at full council for a balanced budget before the start of the financial year. Agreed proposals become Budget Implementation Plans (BIPs).

Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans

- Included in the budget setting report in March 2023 to Full Council the potential impact of the proposed savings is fully documented with the estimate to be a reduction in whole time equivalents of 1.7%, equating to 97 Full time equivalents. The plan outlines that the reductions will be a combination of voluntary early retirements and voluntary settlements with the details of reductions being included in the BIP's.
- The Budget setting report documents, for each service committee, the proposed operational impact of the BIP's whether this is stopping, changing and/or re-engineering of the service.
- However, we have identified that some of the service departments are using bespoke controls to manage recruitment and not the Establishment control as currently it is not working effectively (see page 20)

Financial Sustainability

Monitoring performance of the Efficiency Plans and Budget.

- Finance reports are produced on a monthly basis and include analysis of the committee financial position at a granular level. The position is reported to the Finance Committee on a monthly basis. Our review of the Finance and Performance Committee minutes identified communication of actions to mitigate underperformance of BIPs and against plan could be strengthened. We noted BIPs are also reported to the Finance Committee on a quarterly basis by service line. Budget savings are RAG rated to clearly identify where there are risks of not achieving the efficiency plan, which is good practise.

- The value of BIP's needed in 2023-24 was £48m to deliver the balanced budget.

- At Q2 reporting the Council was forecasting one off savings of £17.5m, underperforming BIP's of £9m and Demand pressures of £25.4m leading to a projected deficit of £16.9m. By Q3 reporting the Council was forecasting one off savings of £22.7m, underperforming BIP's of £10.9m and demand pressures of £28.5m leading to a projected deficit of £16.7m. The majority of the demand pressures and underperforming BIPs are in Adults and Children's services.

- By the year end the Council delivered a deficit of £15.6m made up of one-off additional savings of £21.5m, underperformance of BIP schemes of £10.5m and £26.6m of additional Demand. The deficits being delivered by the Adults Health and Social Care (£2.7m), Education, Children's and Families (£12.7m) and Housing (£2.6m)

- 78% of the original BIPs were delivered. This overspend was funded by the Budget Pressures Reserve in 2023/24. In 2021/22 the Council set aside £70m of reserves to manage financial risks associated with delivering a balanced budget position, of which £40m had been used to manage overspends in 2021/22 and 2022/23. A further £12.5m was identified from the collection fund and transferred to this reserve as part of the budget setting process. However, the 2023/24 final outturn results in a further drawdown of £15.6m from this reserve with a remaining £27.6m reserve balance to carry forward to future periods.

Process for assessing and managing the risks to Financial Sustainability

- With the 2023/24 in year projected overspends, and MTFP of significant accumulated deficits over the medium-term Financial Services started the work on understanding and sharing the proposed position with members as soon as September 2023 to help frame the 2024/25 budget process.

- The Council has introduced Finance Budget Service Meetings that are designed to allow senior budget holders to agree decisions to manage risks of financial sustainability as soon as possible.

- During 2023/24 a small number of Equal Value Pay Claims were received by the Council. The Council have put in place diagnostic arrangements to understand both the validity of the claims and the quantum of roles the issues raised apply. The Council are currently working with employee stakeholders and at the time of this report have outlined a way forward. This will see a new job evaluation scheme be adopted throughout the Council and all 2137 roles will be assessed against the scheme. Until the Job evaluation scheme is completed and compensation is negotiated with employee stakeholders then the financial impact will be unknown. The Council are aware that there is likely to be a redress liability and an increase to the overall pay bill going forward. At this stage we have concluded that the Council have put in place adequate arrangements to deal with the issue during 2023/24, however it is still seen as a significant risk to the Financial Sustainability of the Council going into 2024/25 and beyond.

Significant Value for Money Risk

1 Cost setting & budgetary process – Adult's and Children's Social Care Services

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

Significant Value for Money Risk

Due to the challenging financial position at the Council, and increasing demands on resources, there is a risk that the Council does not have in place adequate arrangements in respect of its cost budget setting and budgetary processes for adult's social care. This hinders the council's ability to achieve financial sustainability over the short to medium term.

Our response

We sought to understand the process for budget setting at the service level, understanding how demand pressures, inflation, and savings plans are developed in 2023-24 and future years

Our findings

The total overspend for 2023-24 was £15.6m which is 2.2% net spend for the Council.

Individual service departments had outline savings plans in place prior to the start of the Budget Process. Budgets were set as current spend, at the start of the process including inflation.

Savings plans were agreed to meet service departments budget gaps, and these were shared and agreed with members.

Changes in demand between September 2022 and the start of the financial year in April 2023 were not taken into account. To mitigate this the Council, on the understanding that these budgets were under pressure, had a budget pressures earmarked reserve (£18.6m at the end of 2022-23) to use to cover additional pressures.

In year monitoring projected an overspend of £16.7m at Q2 and this was managed through the year to a £15.6m outturn position

It was identified that in Adult Social Care Services they have data on demand for services but are not currently using this to project the medium-term cost impact of this data.

Also, it has been identified that both Adults and Childrens' Social Care services are using a bespoke control in terms of staffing establishment and budgets. The HR Establishment control is not working effectively. This needs to be resolved but we do not believe this would pose a significant risk due to the mitigations in place.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements. We have concluded that the Council have adequate arrangements for the budget setting for 2023-24 overall, albeit we have made some performance improvement recommendations to the Council.

Governance

How the council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the council approaches and carries out its annual budget setting process;
- how the council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Risk management and monitoring arrangements

The Council has an established risk management framework and embedded systems within their developed governance structure. There is an approved Risk Management Policy which sets out the Council's risk appetite, roles and responsibilities of officers and members.

Each service area has a risk register as required by the risk management framework. Identified risks then feed into the corporate risk register that is reported to the Audit and Standards Committee. Where controls are put in place to mitigate the risk these are also documented in the risk register. The risk owners are responsible for identifying new and emerging risks, evaluating and identifying appropriate mitigation actions to reduce the risk to an acceptable level.

The Audit and Standards Committee will receive copies of the strategic risk register at least every six months in June and February to maintain effective governance and oversight of the evaluation and treatment of the strategic risks.

Budget approval, monitoring, and review

The 2023/24 budget is reviewed in the Qtier system by each Business Unit Manager which ensures that the budget is balanced. The balanced budget then receives approval and scrutiny from the Council in March 2023. For 2023/24, the Council approved the budget on 1 March 2023.

The process for producing the annual budget is detailed in the Budget and Policy Framework Procedure Rules. Budget Monitoring starts immediately by the Budget Holders, supported by the Finance Business Partners. Budget Monitoring reports are produced monthly as part of the service level and directorate level business area with regular meetings between budget holders and finance team to discuss the financial performance and forecasts. Reporting of budget variances are laid out in the rules, alongside the requirement to operate with the service cash limit budgets. Similar monitoring arrangements are in place to monitor the development and control of the Capital Programme.

Quarterly Financial Performance reports are presented, alongside a Treasury Management Outturn report and Capital Monitoring Report to the Finance and Performance Policy Committee. These cover a number of areas including: General Fund and Housing Revenue Account outturn; Fees and charges income; Service Expenditure; Usable Reserves movements; and Capital Expenditure position. The budget monitoring report each quarter is broken down by service area, and explanations for gaps between forecasted actuals and budgets are provided to members for scrutiny. The forecasted variance at Q1 was 17.6m and £15.6m at Q4, which showed that forecasting was accurate and allowed members to make informed decisions.

Governance

The narrative of the reporting provides details of the variances and a recommendation of actions needing to taken, whether this is budget virements or reprofiling of the future budgets for Capital spend. Where additional resources are needed it will also set out the reserves that will be funding any overspends. Each section of the report has a section for a budget implementation plan for each service line.

Budget Monitoring reports are fully supported by detailed reports on the Corporate Risk Register which highlight any financial risk pertaining to the budgets.

Controls in place to prevent and detect fraud

The Council has an Anti-Fraud Corruption and Anti bribery Policy. This strategy and the Council's response adheres to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption 2014.

The Council has a whistleblowing policy to help facilitate potential fraud and corruption to be highlighted. The governance of Fraud and Corruption is carried out through the Annual Fraud Report that is presented to the Audit Committee for assurance and challenge.

Standards

The Council has an officer Code of Conduct which aims to assist in the effective performance of the Officers duties and responsibilities. Elected Council members also have a Code of Conduct to follow to facilitate their performance. The Council has an Audit and Standards committee, supported by an Appeals and Collection Dispute committee, if necessary, which is responsible for responding to standards issues and complaints.

	2023-24	2022-23
Control deficiencies reported in the Annual Governance Statement	11	6
Head of Internal Audit Opinion	Reasonable Assurance	Reasonable Assurance
Ofsted rating (Council services)	Good (Sept – 23)	(Good – 2019)
Care Quality Commission rating	Good (review)	Good (2018-19)
Regulator of Social Housing	C3 Judgement	N/A

Compliance with laws and regulations

The Council has a monitoring officer, whose responsibility to is ensure the council is compliant with all laws and regulations. They are supported by an internal legal team, who act as deputies for the monitoring officer. The standard template for each board requires that they have performed an Equality Impact Assessment (EIA) and the legal implications. To ensure that the legal implications are reported accurately, each report is required to name a member of the legal team who they consulted to ensure statutory and regulatory compliance and signed off by a member of the committee and senior leadership board. This was implemented effectively through-out the year.

Scrutiny

The Council operate a committee structure in which members of the Council attend. Each committee has delegated authority from the main Council committee to deliver strategic goals and manage operational performance. Key officers of the management team attend to inform, seek approval and receive scrutiny. Each report provided to the council has a section which considers the overarching implications of the report, such as financial, risk, legal and health and safety. Additionally, as part of the minutes, each decision has a section for 'alternatives considered and rejected' which encourages scrutiny and challenge.

Conclusion

We have concluded that the Council have adequate arrangements over Governance for 2023-24.

Improving economy, efficiency and effectiveness

How the council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the council evaluates the services it provides to assess performance and identify areas for improvement;
- how the council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the council commissions or procures services, how it assesses whether it is realising the expected benefits.

Assessing level of value for money being achieved

The Council has agreed a set of Financial Procedures, supported by a procurement policy which are designed to both ensure that the Council follows public procurement legislation and achieves value for money through its procurement activities. These include commissioning procurement activities internally in the first instance to save money and potentially identify efficiencies.

Procedural notes for budget holders producing the budget within their own service area show that achieving value for money is also a core pillar on the budgeting process. Savings identified during 2023/24,included £19.3m which were improvements in the effectiveness of the service lines.

The Council engage in several benchmarking activities across directorates such as Core Cities, Past Performance and English Statistics. As part of the new Performance Outturn Report published in April 2024, each KPI where possible is linked to a benchmark comparator.

The Local Government VFM profiles for the Council show historical trends against the average for English Single Tier Local Authorities. Overall, the Council are spending below the comparator average for most of the indicators and are following the national trends, with the exception of Adult Social Care and Sporting facilities where spending is above the comparator average. In 2024-25 the Council have carried out a procurement exercise to run the City's major sporting facilities going forward, to allow the costs to be market tested.

Tender Waivers

Through inquiry, it was identified that a tender waiver list is under development so wasn’t operational in the 2023/24 year. There is therefore a risk that tender waivers aren’t appropriately monitored and subject to appropriate scrutiny. The Council are addressing this risk in 2024/25.

Recruitment

Through inspection of internal audit reports, there are several potential improvement areas tied to recruitment including clear checklists, templates and frameworks for when recruiting outside of normal channels. Additionally, it was identified that recruiting through the normal process was inefficient and service managers weren’t fully aware of what was required of them (even though the recruitment process has been devolved to them). There is therefore a risk that proper procedure hasn’t been followed, resulting in an inefficient use of resources. There have been several agreed Internal Audit recommendations, which includes formalising the recruiting framework.

Improving economy, efficiency and effectiveness

Heart of the City

The Council Has been involved in a regeneration project for much of the last decade. The construction phase of the schemes are coming to an end. The Council have significant levels (£290m) of assets currently classified as surplus assets as at 31 March 2024, of which the majority are assets that have been renovated, purchased and leased out on a commercial basis as part of the Heart of the City Schemes. The initial plans were for the assets to be developed, leased out and then sold to Market rather than retaining ownership. However the economic environment we now face has significantly changed since the initial plans were drawn up. As the Council move from the regeneration phase into the operational phase the Council need to revisit its position on all the assets currently classified as surplus assets and take appropriate decisions based on value for money whether to continue to hold these assets as Investment Properties, continue to use these assets as operational assets, or make available for sale.

Performance Monitoring

The Council has set out its strategic vision in the SCC Plan 2024-28 and this outlines the key ambitions for the Council. These being:

- A place where all children belong and all young people can build a successful future ;
- Great neighbourhoods that people are happy to call home;
- People live in caring, engaged communities that value diversity and support wellbeing
- A creative and prosperous city full of culture, learning, and innovation; and
- A city on the move – growing, connected and sustainable.

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Performance monitoring is undertaken at both the service level, directorate level and the committee level. We've inspected a delivery plan of Adult & Social Care, which documents key KPI's for 2023/24, which shows that frameworks are in place at the service level.

During 2023/24, it was the responsibility of the Strategy and Resources Committee to monitor corporate performance regularly. Through inspection of the minutes, there was an annual review of delivery from Q2 2022/23 –Q1 2023/24 which monitored performance against KPI's. However, there was no regular formal monitoring of performance on a quarterly basis. There is a risk therefore that the members weren't able to provide scrutiny in a timely manner, and that elements of underperformance weren't appropriately challenged and the required action taken to get back on track.

Officers are fully aware of the weaknesses in the Performance Monitoring arrangements and in April 2024, the Performance Outturn Framework, which monitors the performance of the entity

This Framework mapped the Key Performance Indicators (Over 70 KPI's) to the 5 strategic vision areas above thus allowing members and officers to understand whether the vision is being delivered. This is now under the remit of the Finance and Performance Policy Committee who monitor the performance on a quarterly basis. Given the steps that have been taken in regard of the monitoring issue, no weakness has been raised.

The Council have considered user satisfaction surveys of its users to monitor operational effectiveness and user satisfaction of the services provided.

The survey of its social housing tenants raised concerns with regard to the handling of repairs, complaints and home safety. The overall satisfaction score was 61.6% for 2023/24, This is 8% below the average for Social Housing Landlords nationwide.

Improving economy, efficiency and effectiveness

The council are subject to several regulators who assess the effectiveness of Council performance, these are detailed on this page.

The Regulator of Social Housing

The Regulator for Social Housing provides grades and judgements using a framework; G – Governance Grade, V – Viability Grade, C – Consumer Grades, in each section there are 1-4 grades explaining performance (with 1 being the highest grade). Further details found on the website Regulator of Social Housing - GOV.UK

In November 2022 the Council made a self-referral to the regulator as it had identified a failure to meet statutory health and safety requirements in relation to gas safety. The regulator in its investigation concluded that hundreds of properties had not received their annual gas safety inspection, and a significant number were overdue by more than 12 months with some dating back several years. The regulator concluded that the Council did not have effective controls In place to meet its statutory health and safety responsibilities in relation to gas safety, however the Council is addressing the issue and has already put in place a programme to reduce the backlog in gas inspections.

More recently, in June 2024 the regulator provided a regulatory judgement for Sheffield City Council to confirm a consumer grading of C3. The Judgement confirms that the regulator believes there are serious failings in how Sheffield City Council is delivering the outcomes of the Safety and Quality standard of the consumer standards. In April 2024 the Council had approximately 10,000 repairs ongoing, of which 75% are delayed, and 50% of routine repairs were overdue. The average timescales for completion of planned repairs being more than 120 days which exceeds the service standard of 55 days, and 90% of disrepair cases were completed outside of timescales. The Council was unable to provide sufficient assurance to the regulator that it had effective systems, controls or oversight of repairs, nor does the Council have an accurate record of the condition of its homes.

Housing Ombudsman

A review of the ombudsman report for 2023/24 showed that 137 complaints were raised. At least 90% were responded to within the original or extended Ombudsman deadline. 73% of the Ombudsman investigations were upheld, compared to 77% average. The Ombudsman concluded that the Council performed poorly on maladministration assessments compared to other landlords of a similar size. However, the total complaints received are broadly in line with other authorities of a similar size.

Care Quality Commission (CQC)

There were no inspections carried out in 2023-24 by the CQC in relation to services provided by the Council. However, 5 previous Good ratings were reviewed in July 2023 and there was no evidence to change these grades. All were graded 'Good".

Ofsted

Ofsted reviewed the Adult and Community Learning Services and Child Services during 2023-24 and the Council scored 'Good" or 'Outstanding' in all categories.

Ofsted also reviewed many schools under the Council's remit in the year. All Schools had at least ‘Good’ ratings.

ICO

The Council were subject to a consensual audit by the Information Commission Office on its freedom of information practices. These are routine audits. The council were found to have 'reasonable' processes which is a passing grade. There were two urgent recommendations identified however, which related to a lack of capacity in handling requests and a resulting backlog and, tied to this, that the council weren't complying with FOI/EIR timescales (10 day statutory deadline). An agreed action plan has been implemented to address these issues.

Oflog

Through review of Office for Local Government (Oflog), Council Tax collection rates are below the median of both 'Sheffield's Similar Local Authorities' and the English median. Sheffield has a collection rate of 92.3% compared to the English median of 95.3% and ‘similar local authorities’ of 94%. While this is a £5.5m difference based on Sheffield’s council tax collected, it's noted that Sheffield CC have lagged consistently for the past 10 years. To improve performance to the median represents an opportunity to improve the Council's financial position.

Improving economy, efficiency and effectiveness

Stakeholder engagement and partnerships

The council engaged with members of the public through allowing questions at its delegated committees. Each committee has an agenda item for the undertaking of public questions and concerns to ensure that the council are engaging with the people it serves.

The council engage with central government to apply and manage grant funding to further the development of the city and improvement of services. The main funding which is outside of statutory funding (such as housing benefit) comes from the levelling up fund. This is monitored through quarterly review at the Transport, Regeneration and Climate Policy Committee and communication of expected timelines of progress is communicated to the Ministery of Housing, Communities and Local Government. (MHCLG).

The council has an arrangement with Sheffield City Trust who run the City Sporting Facilities. The Council has two observing officers at the Trust’s Board (The Director of Parks, Leisure and Libraries, and The Head of Partnerships & Special Projects). The Board is held on a monthly basis where substantive reports are presented looking at Financial Performance and Cash Flow, both as a narrative update and management accounts pack. We have confirmed that these 2 members sit on the board through inspection of the Trust’s website to exert appropriate oversight. The performance of the Sheffield City Trust is monitored in the Service committees and as part of the Corporate performance reporting.

The Agreement with the Sheffield City Trust and the Council has come to an end during 2024-25, the Council have carried out a further procurement exercise to find partners to run the City Sporting Facilities going forward. We understand that the Sheffield City Trust is being wound up.

Significant Value for Money Risk

3 Social Housing Provision

Risk that value for money arrangements may contain a significant weakness linked to economy, efficiency & effectiveness

Significant Value for Money Risk

The Council has received a Housing Regulator Judgement in June 2024

The Housing Regulator Judgement outlies that there are serious failings within the Housing Service to deliver the required outcomes of the consumer standards to the Tenants, and significant improvement is necessary to ensure that the services provided are effective. Therefore, there is a risk that the Council does not have adequate arrangements in place to deliver effective Social Housing Provision

Our response

We reviewed the correspondence relating to the Housing Regulator Judgement and have assessed the response by the Council to the Regulator judgement in 2024-25 to understand the arrangements in place

Our findings

Findings

We have concluded that the Council does not have a housing stock condition survey in place to fully understand and manage an effective repairs and replacement programme.

The Council was unable to provide sufficient assurance to us that it had effective systems, controls or oversight of repairs. There was evidence that it had failed to take sufficient action to address the deterioration in repairs performance. In addition, it had failed to carry out the required gas safety checks.

Sheffield have added both management capacity and tradesman capacity to deal with these issues.

The Council has engaged constructively with the Regulator and has put in place a programme of actions to rectify the findings.

The Council make monthly submissions to the regulator on progress of both actions and the impact on outcomes.

The actions have commenced, and the benefits realisation period is spread from late 2024 through to March 2026

This engagement with the Regulator is ongoing and there are short term and more medium-term actions needed to be delivered.

Conclusion

Based on the findings above we have identified a significant weakness in arrangements to providing a safe and effective Social Housing service.

Please see our recommendation on page 27.

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	High	In June 2024, the Regulator for Social Housing issued a Judgement, which was that there are serious failings in how Sheffield City Council is delivering the outcomes of the consumer standards and significant improvement was needed, specifically in relation to outcomes in the Safety and Quality Standard. This resulted in the regulator awarding the Council with a consumer grade of C3. The Council is formally engaged with the regulator and is required to report back to the regulator on the progress of actions to deliver the required improvements needed. We recommend that the Council fully engage with the Regulator for Housing over the coming months, prioritising the resources and actions needed to deliver the action plan that has been agreed with the Regulator. These actions should be monitored regularly with appropriate data and indicators being reviewed to assess the efficacy of these actions on a timely basis.	The Council's Housing Service is proactively engaged with the Regulator to update on progress towards improved quality and safety standards and agreed compliance actions. Whilst there is still a way to go, progress on the action plan includes improvements made in reducing the number of overdue repairs and new policies for Neighbourhood Management and Damp and Mould, developed in consultation with residents. A programme of stock condition surveys aims to collect more accurate data on properties to inform planning. Management is focusing on how resources can best be utilised to deliver the planned actions. Officer Responsible: - Interim Director of Housing. Due Date – Various dates included in the Action Plans.

kpmg.com/uk