

**SHEFFIELD CITY COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**2015/16**

Audited

**For the period**  
**1 April 2015 to 31 March 2016**

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## Narrative Report by the Executive Director of Resources

### 1. INTRODUCTION

#### Purpose of the Narrative Report

Sheffield City Council is a large and diverse organisation and the information contained in these accounts can be technical and complex to follow. The aim of this Narrative Report, therefore, is to provide a narrative context to the accounts by presenting a clear and simple summary of the City Council's financial position and performance for the year and its prospects for future years.

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. They have been prepared in accordance with the 2015/16 Code of Practice on Local Authority Accounting (the Code) together with guidance notes as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A glossary can also be found towards the end of these accounts to help explain some of the accounting terms used. Due to the complex nature of the accounts a simpler version has been prepared, and this can be obtained at <https://www.sheffield.gov.uk/your-city-council/finance/statement-of-accounts.html>. These summarised statements have no formal legal standing, but by excluding most of the technical accounting adjustments they offer the reader a simplified view of the City Council's financial activities.

#### The Headlines

The following summarises the headlines of this year's accounts.

- In spite of substantial pressures on two of the Council's largest strategic contracts (waste management and highways maintenance) and on its social care budgets, the Council managed to achieve a broadly balanced budget for 2015/16.
- The Council's net worth has increased by £159m (or 29%) since 2014/15, the main factors being:
  - A decrease in the Council's pensions' liability (£60.4m) due to the annual review by the actuary;
  - a net increase in the Council's fixed assets due to revaluations (£130.4m), offset by;
  - an increase in the council's liabilities with respect to Private Finance Initiatives (£32.1m).
- Total usable reserves increased by £61.7m from £272.4m to £334.1m (see section 4 of this Narrative Report);
- £226.3m of capital investment went through the Capital Programme during the year, up from £145.3m in 2014/15.

## 2. THE CITY COUNCIL'S CORPORATE AIMS AND OBJECTIVES

The Council's Corporate Plan 2015-18 was approved by Cabinet on 18th March 2015.

The plan sets our direction and priorities for the next three years.

The plan is structured around five priorities of the administration that capture our long term ambitions for Sheffield:

- An in touch organisation
- Strong economy
- Thriving neighbourhoods and communities
- Better health and wellbeing
- Tackling inequalities

A summary of the Corporate Plan can be downloaded from the Council's website:  
<https://www.sheffield.gov.uk/your-city-council/policy--performance/what-we-want-to-achieve/corporate-plan.html>

## 3. KEY SECTIONS INCLUDED IN THE STATEMENT OF ACCOUNTS

### **Statement of Responsibilities** (page 24)

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

### **Movement in Reserves Statement** (page 25)

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

### **Comprehensive Income and Expenditure Statement** (page 28)

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

### **Balance Sheet** (page 29)

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

### **Cash Flow Statement** (page 31)

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 (page 32)**

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

## **Housing Revenue Account (HRA) (page 145)**

This account reflects the statutory obligation under the Local Government and Housing Act 1989 to show separately the financial transactions relating to the provision of local Council housing.

## **Collection Fund Statement (page 151)**

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

## **4. FINANCIAL PERFORMANCE FOR THE YEAR**

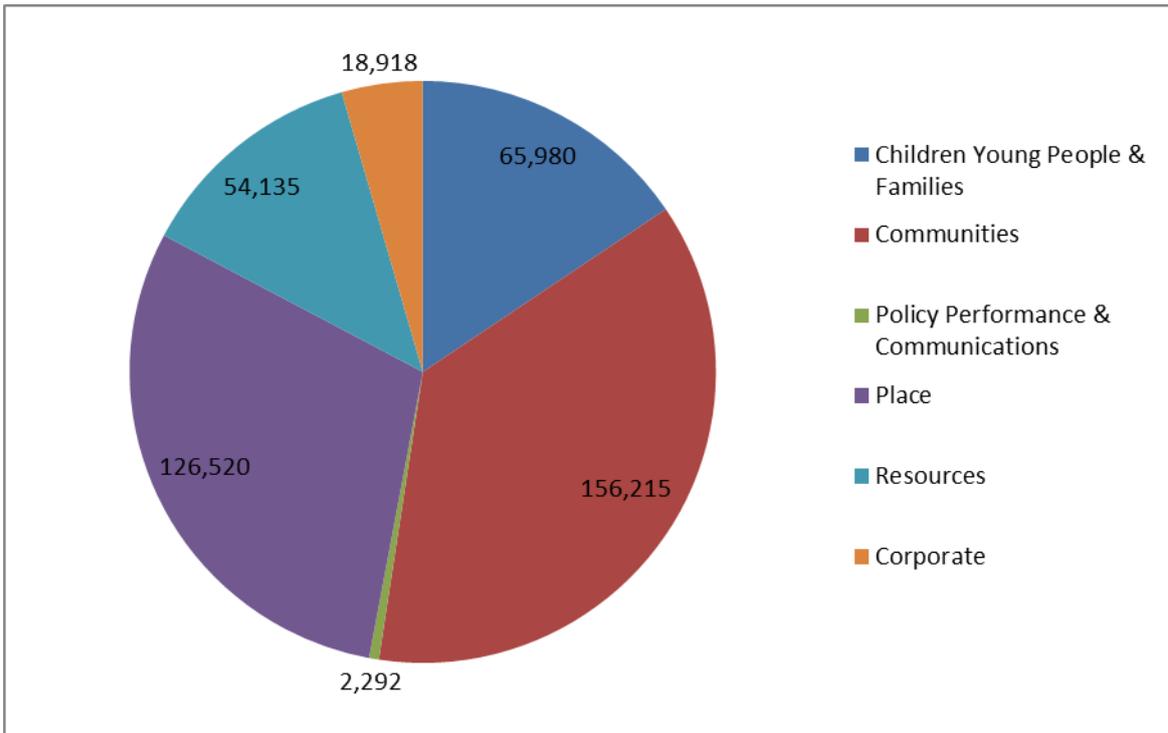
### **Revenue Expenditure**

Revenue expenditure covers the day-to-day running costs of the Council's services which are grouped under five portfolios plus corporate. The net revenue budget for 2015/16, which included a General Fund savings programme of £37.5m, was split by portfolio as shown in the chart overleaf. The net expenditure was budgeted to be funded by £115.8m of Revenue Support Grant, £170.4m of Council Tax, £105.7m of the Council's share of National Non Domestic Rates (NNDR), £28.9m of Business Rates Top Up Grant and £3.3m of Collection Fund Surplus. After four consecutive years of freezes, Council Tax was increased by 1.99%.

2015/16 was yet another challenging year in which all portfolios worked hard to deliver the savings programme referred to above, compounded by four years of austerity. The table after the chart shows the final outturn position for the year, expressed as variances between actual and budgeted net expenditure. For further details, please refer to the Council website where a copy of the final outturn report (approved by Cabinet on 22<sup>nd</sup> June 2016) can be found:

<http://sheffielddemocracy.moderngov.co.uk/ieListDocuments.aspx?CIId=123&MIId=6280&Ver=4>

**Sheffield City Council 2015/16 Net Revenue Budget by Portfolio (£000)**



| <b>Portfolio</b>                      | <b>Variance<br/>£'000</b> |
|---------------------------------------|---------------------------|
| Children Young People and Families    | 311                       |
| Communities                           | 952                       |
| Policy Performance and Communications | 175                       |
| Place                                 | 2,975                     |
| Resources                             | (930)                     |
| Corporate                             | (4,044)                   |
| <b>Total underspend for the year</b>  | <b>(561)</b>              |
| Approved carry-forward requests       | 523                       |
| <b>Net underspend for the year</b>    | <b>(38)</b>               |

As indicated in the table above, the key area of concern is the Place portfolio which overspent by £3m largely as a result of delays in delivering planned cost reductions on both the waste contract and the Streets Ahead contract.

Revenue expenditure is reported in the Council's Accounts under the Comprehensive Income and Expenditure Statement (CIES). The CIES takes a wider view of financial performance than that shown in the General Fund and shows the accounting position for the year, namely a surplus of £159m. This surplus represents the total amount by which the Council's net worth has increased during the year as shown in the Balance Sheet. The following paragraphs explain the four main sections of the CIES, and are supplemented by a table which reconciles the total underspend on the General Fund of £561k to the surplus in the CIES (£159m).

The first section of the CIES shows the cost of the Council’s services in gross and net terms, to give a total ‘Net Cost of Services’. This total includes items such as depreciation that would ordinarily be a considerable cost in a commercial organisation but which is not required to be funded by Council Tax. Net Cost of Services totals £443.1m in 2015/16 (£380.8m in 2014/15).

The second section of the CIES refers to corporate items such as the gain or loss on the disposal of non-current assets, payments made in relation to the pooling of HRA capital receipts and precepts paid to Parish Councils. This is known as ‘Operating Expenditure’ and totals £49.3m in 2015/16 (£68.5m in 2014/15).

The third section of the CIES includes £74.3m (£97.2m in 2014/15) of interest paid or received (‘Financing’) and £593m (£613m in 2014/15) of general income due to the Council (local share of NNDR, Council Tax, non-ring fenced Government grants including those used to fund capital expenditure).

The fourth and final section of the CIES contains two major accounting adjustments, one for the actuarial loss on the Council’s pension scheme, the other for the gain on revaluation of fixed assets.

|  | <b>£000</b>      |
|--|------------------|
| Total General Fund Underspend per Outturn report                                     | (561)            |
| Net contributions to revenue reserves  | (55,584)         |
| Surplus on the Housing Revenue Account   | 0                |
| Deficit on Schools Accounts  | 1,878            |
| <b>Total Contribution to Reserves</b>  | <b>(54,267)</b>  |
| Removal of debt charges  | (30,474)         |
| Removal of pension contributions   | (31,352)         |
| <i>Items that do not affect Council Tax:</i>   |                  |
| Inclusion of accounting charges for depreciation, impairment, holiday pay, PFI, etc. | 89,486           |
| Gains & losses on non-current assets, pension assets and other items                 | (132,442)        |
| <b>Surplus on Total Comprehensive Income and Expenditure in Accounts</b>             | <b>(159,049)</b> |

## **Better Care Fund**

NHS Sheffield Clinical Commissioning Group and Sheffield City Council entered into a new so-called ‘Section 75’ agreement (i.e. a pooled budget) covering the Better Care Fund (BCF) with effect from 1 April 2015. The establishment of this pool, which is hosted by Sheffield City Council, incorporates the Learning Disabilities Accommodation and Services, and the Community Equipment and adaptation services that were reported last year under separate Section 75 agreements.

The Better Care Fund was announced by the Government in the June 2013 spending round, to ensure a transformation in integrated health and social care. It creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their wellbeing as the focus of health and care services,

and shifting resources into social care and community services for the benefit of the people, communities and health and care systems.

Further details of this partnership arrangement can be found in Note 33 to the accounts.

## Capital Expenditure

Capital expenditure can generally be defined as spending which creates and enhances assets that have a life of more than one year.

The 2015/16 Capital Outturn is £226.3m against a revised budget of £268.2m, a variance of £41.9m (16%). The main reason for this is ‘slippage’ (the extent to which, in terms of expenditure, a capital project is behind schedule) which will be carried forward into 2016/17 (along with the resources identified to fund it).

The 2015/16 Capital Outturn represents an increase of £81m (56%) on 2014/15 (£145.3m), primarily due to significant expansion of the Place and Housing capital programmes.

The Housing capital programme is aligned to the three main themes in the Council’s Housing Strategy, namely:

- Increasing the supply of new homes in the City
- Making the best use of the city’s existing housing stock
- Helping younger, older and vulnerable people live independently

The Place capital programme for 2015/16 onwards features additional investment in the following areas:

- Regeneration, particularly for the Sheffield Retail Quarter, Castle Market and Grey-to-Green projects
- Leisure facilities – new centres in the North and South of the city
- Flood defences to protect the Lower Don Valley

The Year End position includes a £30.2m capital contribution to the Streets Ahead project which is a financial transaction driven by the performance of the contractor.

For further details, please refer to Appendix 7 of the final outturn report on the Council website:

<http://sheffielddemocracy.moderngov.co.uk/ieListDocuments.aspx?CIId=123&MIId=5939&Ver=4>

The capital expenditure of £226.3m in 2015/16 was funded via four main sources:

- Capital grants and contributions (£78.2m)
- Prudential borrowing (£72.9m)
- Major Repairs Reserve (£60.6m)
- Capital receipts (£14.6m)

A further £47.2m of capital was invested in the Streets Ahead programme during the year, which takes total capital expenditure for 2015/16 to £273.4m (see Note 41).

As at 31 March 2016, the loans portfolio, excluding £395m of PFI liabilities, totalled £740m. This compares to an overall Capital Financing Requirement, excluding PFI Liability, of £918m of which £346m relates to the Housing Revenue Account.

During the year, we took £66m of borrowing for capital purposes – primarily to fund our on-going commitment to the Streets Ahead programme and to purchase properties in preparation for the Sheffield Retail Quarter and therefore all relating to General fund activity.

### Usable Reserves

Reserves are reported in two categories, usable and unusable. This section is concerned with 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 following table shows a breakdown of usable reserves. Of the different components shown in the table, the General Fund balance is the only component which is not earmarked for a specific purpose. At £12.6m or 3.1% of the 2016/17 net revenue budget, the General Fund balance is low in comparison to most other major cities. If this were ever used, it would have to be replaced as soon as possible as the Council would always need a minimum level of emergency reserves.

| 1 April 2014<br>Restated<br>£000 | 31 March 2015<br>Restated<br>£000 |   | 31 March<br>2016<br>£000 |
|----------------------------------|-----------------------------------|---|--------------------------|
|                                  |                                   | <b>Capital Reserves:</b>                  |                          |
| (32,988)                         | (36,977)                          | Capital Receipts Reserve                  | (44,980)                 |
| (43,831)                         | (71,851)                          | Major Repairs Reserve                     | (71,827)                 |
| (24,494)                         | (26,055)                          | Capital Grants Unapplied Reserve          | (23,444)                 |
| (101,313)                        | (134,883)                         |   | (140,251)                |
|                                  |                                   | <b>Revenue Reserves:</b>                  |                          |
| (10,816)                         | (11,183)                          | General Fund Balance                      | (12,599)                 |
|                                  |                                   | Earmarked General Fund Reserves:          |                          |
| (16,277)                         | (18,018)                          | Schools Reserves:                         | (17,005)                 |
| (400)                            | (400)                             | Revenue Grants and Contributions          | (468)                    |
| (74,158)                         | (92,447)                          | Other Earmarked Revenue Reserves          | (151,928)                |
| (13,043)                         | (12,841)                          | Housing Revenue Account Balance           | (8,176)                  |
| (1,273)                          | (2,643)                           | Earmarked Housing Revenue Account Reserve | (3,713)                  |
| (115,967)                        | (137,532)                         |   | (193,889)                |
| <b>(217,280)</b>                 | <b>(272,415)</b>                  | <b>Total</b>                              | <b>(334,140)</b>         |

During the financial year 2015/16, total usable reserves increased by £61.7m from £272.4m to £334.1m. The key reasons for the increase in this category of reserves are as follows:

- Earmarked General Fund Reserves increased by £58.5m during the year
- Reserves used to fund the capital expenditure on assets increased by £5.4m

A breakdown of the in-year movement on each of the usable reserves can be found in the Movement in Reserves Statement. An explanation of each reserve is provided in Note 26.

## **5. SIGNIFICANT CHANGES IN ACCOUNTING POLICY**

The Council's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the CIPFA Code of Practice on Local Authority Accounting 2015/16. The accounting policies presented in Note 1 are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

There has been one significant change in accounting policy during 2015/16 for the implementation of *IFRS13 Fair Value Measurement*. This standard provides a consistent definition of fair value throughout the accounts for assets and liabilities; fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The impact of the change has resulted in revaluations, with additional disclosures in the financial statements and notes, for financial instruments, property assets (Assets Held for Sale, Investment Properties and Surplus Assets) and pensions.

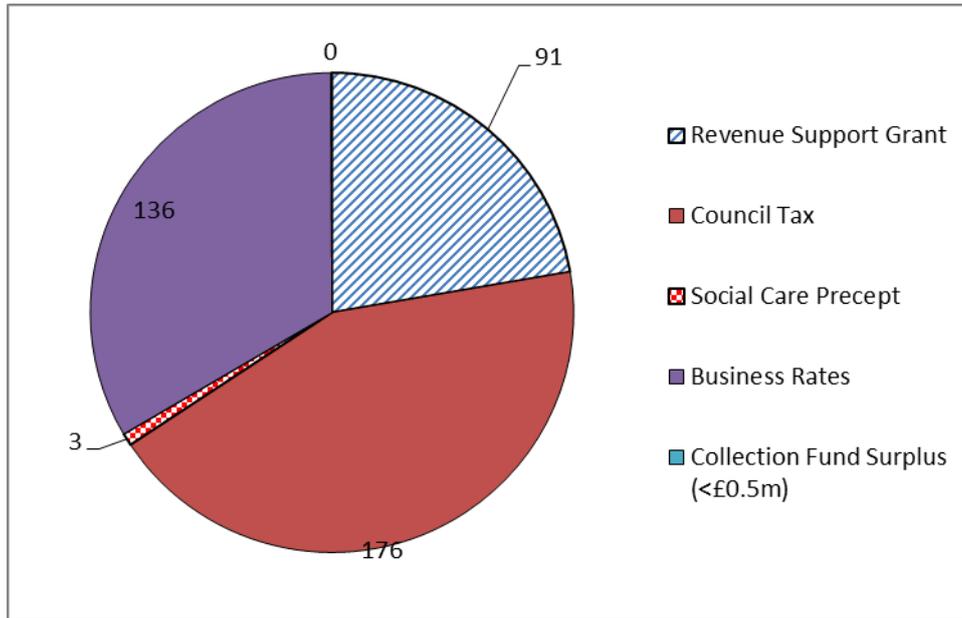
In 2016/17, the CIPFA Code of Practice will adopt the Transport Infrastructure Assets Code, resulting in a change to the measurement basis for the Council's highways related assets. The new Highways Network Asset will be valued at depreciated replacement cost, replacing the depreciated historic cost value reported now. The new valuation approach is expected to significantly increase the value of the Council's Balance Sheet from 1 April 2016 by several £billion.

## **6. FINANCIAL OUTLOOK**

This section provides a summary of what the future holds for the Council's finances. Further details can be found in the 2016/17 Revenue Budget (approved by Full Council on 4<sup>th</sup> March 2016) and the Medium Term Financial Strategy.

### **Local Government Finance Settlement**

After a period of consultation which ended on 15<sup>th</sup> January 2016, the final Local Government Finance Settlement figures for 2016/17 were confirmed on 8<sup>th</sup> February 2016.



*How the 2016/17 net revenue budget is financed (expressed in £m)*

As shown in the chart above, the net revenue budget for 2016/17 totals £406.5m and comprises three main sources of income, a new funding stream (the ‘Social Care Precept’) plus a small one-off amount of £283k “Collection Fund Surplus”.

When compared to the 2015/16 net revenue budget, the proportion of each of these income sources has changed significantly, thus pointing to a trend of things to come. For example, Revenue Support Grant (RSG) accounted for 27% of the net revenue budget in 2015/16. As a result of RSG being reduced by £25m in the 2016/17 Settlement, it now only accounts for 22% of the net revenue budget in 2016/17. Council Tax (including the social care precept) is now the primary source of income (at 44% of the total net revenue budget). Business Rates have overtaken RSG, and account for 33% of net revenue budget.

The Final Local Government Finance Settlement for 2016/17 also included indicative figures for the three financial years from 2017/18 to 2019/20. The indicative figures show that RSG is projected to reduce by around 59% cumulatively over the next three years. Whilst there was limited information about certain specific grants such as Public Health and New Homes Bonus, the Settlement did include some details of new sources of income such as the BCF grant and the social care precept.

As a result of this new information and to enable the Council to begin the business planning process for 2017/18, officers have started work on preparing a revised Medium Term Financial Strategy (MTFS) for 2017-22.

### **European Union (EU) - BREXIT**

On the 23rd June 2016, the United Kingdom voted in a referendum to leave the European Union (EU). The process for exiting the EU is still to be decided and, whilst there is little impact on Council finances in the immediate term, the wider outcome is unclear. The Council will continue to monitor the situation.

## Conclusion

Sheffield City Council has successfully delivered over £300m of General Fund budget savings in the past five years, and it has managed to produce a balanced 2016/17 budget, which includes additional portfolio General Fund savings of £27.6m. However, as outlined above, the Government's plans to reduce the national budget deficit to zero by the end of this Parliament will undoubtedly place Council services under further intense pressure for the foreseeable future.

## 7. FURTHER INFORMATION

Further information about the Council's Statement of Accounts is available upon request from the following e-mail address: [FinancialPlanning&Accounts@sheffield.gov.uk](mailto:FinancialPlanning&Accounts@sheffield.gov.uk)

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

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

Please note that local electors and taxpayers have a statutory right to inspect the Council's Statement of Accounts and all related books, deeds, contracts, bills, vouchers and receipts before the external audit has been completed, and to question the auditor. The availability of the accounts for inspection was advertised on the Council's website on 1<sup>st</sup> June 2016 and in public notice areas.

## Annual Governance Statement

### THE POSITION FOR THE FINANCIAL YEAR 2015/16

#### **Scope of responsibility**

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

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

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

Sheffield City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website: <https://www.sheffield.gov.uk/your-city-council/constitution-and-governance/code-of-corporate-governance.html>.

This statement explains how Sheffield City Council has complied with the code. It also meets the requirements of Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an 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 also its activities through which it accounts to, engages with and leads the community. This framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Sheffield City Council policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Sheffield City Council for the financial year ended 31 March 2016 and up to the date of approval of the Sheffield City Council annual report and statement of accounts.

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

## **The Sheffield City Council Governance Arrangements**

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

### **Internal Control Environment**

The system of internal control as described below has been in place at Sheffield City Council for the year ended 31 March 2016 and up to the date of approval of the annual report and accounts.

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

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

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

The Council has developed its Corporate Plan 2015 – 2018 (agreed by Cabinet on 18 March 2015) which sets out its vision and corporate priorities. The current plan has been developed to clearly show the link between the key aims of the Council and the corporate priorities to achieve these. The Council has a business planning process that is designed to align service activity and objectives to the corporate priorities. A quarterly performance monitoring process continues to track progress against the Council's key priorities and to highlight any potential risks and issues in achieving these.

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

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

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

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

The Corporate Plan and minutes of Council meetings are publicly available through the Council's website – [www.sheffield.gov.uk](http://www.sheffield.gov.uk).

## **2 - The facilitation of policy and decision-making**

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

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

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

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

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

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

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

The Council has a Risk Management Framework in place that has been agreed by Cabinet. The Council has appointed a Corporate Risk Manager who has reviewed and re configured the Council's risk management. He currently reports to the Audit Committee and EMT on a 6 monthly basis. All Council reports include a section dealing with risk management. The risk management framework has been significantly updated and the focus of attention is now on developing our risk management practice maturity both at an operational level and through close alignment and integration between risk and performance management processes in particular. This is to ensure that the processes used are simple and effective and meet the requirements of the Council. Workshop training has been delivered to senior managers, and an e-training module has been developed that will be integrated into the manager learning and development curriculum.

The Council has a Standards Committee which oversees the Council's Code of Conduct for Members. The Council has a Members Code of Conduct and a procedure for dealing with complaints under the Code. Independent Persons have been appointed.

As part of the Council's commitment to the highest possible standards of openness, probity and accountability, the Council encourages employees and others with genuine concerns about any of the Council's work, to come forward and voice those concerns. A

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

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

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

The Council needs to make well informed decisions through business intelligence to enable us to make changes to the right things in the right way.

The Corporate Plan 2015 – 2018 acknowledges that it's more important than ever to make the best use of public money. The Council needs to make sure we prioritise our efforts and resources for the greatest impact and plans to have an agreed, prioritised set of strategic changes that we will make, to achieve our long term goals by 2017. (2.19 – 2.23 of the Corporate Plan 2015 - 2018).

#### **5 - The financial management of the Council**

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

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

#### **6 - Performance management and its reporting**

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

For the period of this Statement, the Council operated an Individual Performance Review (IPR) framework which scored individual staff and managers against the Council's Imperatives, set at Leadership, Service and Individual level. These scores enabled the Council to map performance distribution. The Imperatives were co-produced using a range of consultative techniques with staff groups in the organisation. Completed reviews were collated by HR who gathered information which was then used to identify and consolidate good performance and identify where there was less than

optimum performance. Development interventions were provided to support improvements, where necessary. Whilst the IPR framework has recently been replaced by Personal Development Reviews (PDRs), the focus on performance development will continue.

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

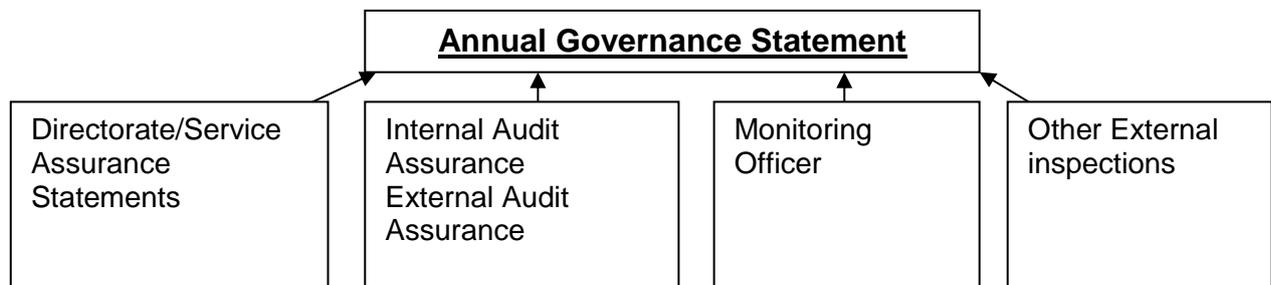
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

### Review of Effectiveness

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

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

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



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

The role of the Council’s internal auditors is to provide an independent appraisal function for the review of internal control systems. Internal Audit undertakes reviews of

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

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

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

The Council is responsible for setting the overall objectives of the Council and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the year 2015/16 all these duties have been performed.

A significant part of SCC's risk liability is connected to its maintained schools, for example: School Finance, Health and Safety, HR, Premises Maintenance. Whilst the day to day management of these issues is delegated to School Governing Bodies and Head teachers SCC retains residual liability for maintained schools where SCC is the employer and the owner of property.

During the financial year 2015/16 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, KPMG, issued an unqualified opinion on 24 September 2015 regarding the Council's Accounts for 2014/15.

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

| <b>Service</b>           | <b>Inspection</b>                                    | <b>Date carried out - result</b>  |
|--------------------------|--|---|
| Capital Delivery Service | Renewal of ISO 9001 Accreditation                    | 16/17 March 2015<br><br>New Service Management System accredited and new ISO 9001 Certification Issued.   |
| All Council              | External Audit - Statutory Accounts 2014/15          | July-September 2015 – unqualified opinion & certificate issued  |
| Revenues & Benefits      | External Audit – Housing Benefits                    | August – November 2015 – qualified opinion and certificate issued   |
| CYP                      | External Audit – Teachers Pensions                   | November 2015 – Assurance Letter issued   |
| Housing                  | External Audit – Pooling of Housing Capital Receipts | November 2015 – Assurance Letter issued   |
| CYP                      | External Audit – Skills Funding Agency               | January 2016 – Assurance Letter issued  |
| All Council              | External Audit - Statutory Accounts 2015/16          | Interim Audit (part-year)   |
| Sheffield City Council   | Information Commissioner’s Office Consensual Audit   | <p>March 2015 – ICO consensual audit in March 2015.</p> <p>69 recommendations were made, all of which were accepted.</p> <p>Significant progress has been made in relation to these recommendations around Freedom of Information, Subject Access and Information Sharing. Further work is ongoing to ensure that these recommendations are completed.</p> <p>The initial report from the ICO and follow up report were presented to the Audit Committee. The ICO was pleased with progress that had been made to date.</p> |
| Sheffield City Council   | Public Services Network Cabinet Office               | <p>Currently Ongoing</p> <p>As part of our annual accreditation with the cabinet office, we are currently going through this year’s accreditation. This accreditation enables SCC to use services and products such as GCSX. It provides a secure data exchange so that information can be provided across public authorities (central and local) so that services can be provided.</p>   |

|                               |                   |  |
|-------------------------------|-------------------|--|
| <p>Sheffield City Council</p> | <p>IG Toolkit</p> | <p>March 2016</p> <p>As part of our annual accreditation, we have gained compliance to the IG toolkit with health. This enables for example SCC to receive datasets from health which helps in particular public health, communities and CYPF (Children Young People and families).</p> <p>We achieved a satisfactory score level 2.</p> |
|-------------------------------|-------------------|--|

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

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

The Council has an Audit Committee made up of 6 non-Executive elected Members. In May 2011, 2 non-voting independent co-opted members were also appointed to the Committee to bring additional experience, independence and an external view to the Committee’s work.

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

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

**Development of the Governance Framework**

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

- The current financial climate has led to significant reductions in the money available for support services such as the finance service. However, the firm foundations laid in previous years of improvements to financial systems, controls and governance mean that the Council is relatively well placed to cope with these reductions and to report effectively on the budget and savings required.
- The Council continues to monitor closely its most significant external relationships in relation to risk and governance arrangements, and are incorporated within twice yearly reports on Risk Management Updates to the Audit Committee. Ensuring that appointed Members receive appropriate officer support remains an important area of activity.

### **Governance Issues**

In a large and complex organisation such as Sheffield City Council, there will always be opportunities to improve services. In the financial year 2015/16, 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.

### **Significant Governance Issues**

It is felt that no significant control weaknesses have been identified through the Annual Governance process.

### **Statement**

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

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

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

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

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

## Statement of Accounts

## Statement of Responsibilities

### The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### The Responsibilities of the Executive Director of Resources

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

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

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

The Executive Director of Resources has also:

- kept proper accounting records, which were up to date, and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I hereby certify that the Statement of Accounts on pages 25 - 159 gives a true and fair view of the financial position of Sheffield City Council at 31 March 2016 and of its income and expenditure for the year ended 31 March 2016.

Eugene Walker  
Interim Executive Director of Resources (Section 151 Officer)  
15 September 2016

## **The Core Financial Statements**

### **Movement in Reserves Statement**

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

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

## Sheffield City Council – Statement of Accounts 2015/16

| 2015/2016  |       |                                 |  |  |   |                                  |                                     |                                     |                                  |                              |                                   |
|--|-------|---------------------------------|--|--|---|----------------------------------|-------------------------------------|-------------------------------------|----------------------------------|------------------------------|-----------------------------------|
|  |       | General Fund<br>Balance<br>£000 | Earmarked General<br>Fund Reserves<br>£000 | Housing Revenue<br>Account Balance<br>£000 | Earmarked<br>Housing Revenue<br>Account Reserve<br>£000 | Major Repairs<br>Reserve<br>£000 | Capital Receipts<br>Reserve<br>£000 | Capital Grants<br>Unapplied<br>£000 | Total Usable<br>Reserves<br>£000 | Unusable<br>Reserves<br>£000 | Total Council<br>Reserves<br>£000 |
|  | Note  | 26                              | 26   | 26   | 26  | 26                               | 26                                  | 26                                  |                                  | 27                           |                                   |
| <b>Balance at 31 March 2015</b>  |       | <b>(11,183)</b>                 | <b>(110,865)</b>                           | <b>(12,841)</b>                            | <b>(2,643)</b>  | <b>(71,851)</b>                  | <b>(36,977)</b>                     | <b>(26,055)</b>                     | <b>(272,415)</b>                 | <b>(285,526)</b>             | <b>(557,941)</b>                  |
| <b>Movement in reserves during 2015/16:</b>                              |       |                                 |  |  |   |                                  |                                     |                                     |                                  |                              |                                   |
| (Surplus) / deficit on provision of services                             | CI&ES | (15,368)                        | 0  | (11,239)                                   | 0   | 0                                | 0                                   | 0                                   | (26,607)                         | 0                            | (26,607)                          |
| Other Comprehensive (Income) and Expenditure                             | CI&ES | 0                               | 0  | 690  | 0   | 0                                | 25                                  | 0                                   | 715                              | (133,157)                    | (132,442)                         |
| <b>Total Comprehensive (Income) and Expenditure</b>                      |       | <b>(15,368)</b>                 | <b>0</b>                                   | <b>(10,549)</b>                            | <b>0</b>  | <b>0</b>                         | <b>25</b>                           | <b>0</b>                            | <b>(25,892)</b>                  | <b>(133,157)</b>             | <b>(159,049)</b>                  |
| Adjustments between accounting basis and funding basis under regulations | 9     | (41,113)                        | 0  | (7,613)                                    | 0   | 21,780                           | (7,377)                             | 1,960                               | (32,363)                         | 32,363                       | 0                                 |
| <b>Net (increase) / decrease before transfers to earmarked reserves</b>  |       | <b>(56,481)</b>                 | <b>0</b>                                   | <b>(18,162)</b>                            | <b>0</b>  | <b>21,780</b>                    | <b>(7,352)</b>                      | <b>1,960</b>                        | <b>(58,255)</b>                  | <b>(100,794)</b>             | <b>(159,049)</b>                  |
| Transfers (to) / from earmarked reserves                                 | 10    | 55,065                          | (58,536)                                   | 22,827                                     | (1,070)   | (21,756)                         | (651)                               | 651                                 | (3,470)                          | 3,470                        | 0                                 |
| <b>(Increase) / decrease in year</b>                                     |       | <b>(1,416)</b>                  | <b>(58,536)</b>                            | <b>4,665</b>                               | <b>(1,070)</b>  | <b>24</b>                        | <b>(8,003)</b>                      | <b>2,611</b>                        | <b>(61,725)</b>                  | <b>(97,324)</b>              | <b>(159,049)</b>                  |
| <b>Balance at 31 March 2016</b>  |       | <b>(12,599)</b>                 | <b>(169,401)</b>                           | <b>(8,176)</b>                             | <b>(3,713)</b>  | <b>(71,827)</b>                  | <b>(44,980)</b>                     | <b>(23,444)</b>                     | <b>(334,140)</b>                 | <b>(382,850)</b>             | <b>(716,990)</b>                  |

## Sheffield City Council – Statement of Accounts 2015/16

| 2014/2015 Restated Comparative Information                               |       |                                 |  |  |   |                                  |                                     |                                     |                                  |                              |                                   |
|--|-------|---------------------------------|--|--|---|----------------------------------|-------------------------------------|-------------------------------------|----------------------------------|------------------------------|-----------------------------------|
|  | Note  | General Fund<br>Balance<br>£000 | Earmarked General<br>Fund Reserves<br>£000 | Housing Revenue<br>Account Balance<br>£000 | Earmarked<br>Housing Revenue<br>Account Reserve<br>£000 | Major Repairs<br>Reserve<br>£000 | Capital Receipts<br>Reserve<br>£000 | Capital Grants<br>Unapplied<br>£000 | Total Usable<br>Reserves<br>£000 | Unusable<br>Reserves<br>£000 | Total Council<br>Reserves<br>£000 |
| <b>Balance at 31 March 2014</b>  |       | <b>(10,816)</b>                 | <b>(90,835)</b>                            | <b>(13,043)</b>                            | <b>(1,273)</b>  | <b>(43,831)</b>                  | <b>(32,988)</b>                     | <b>(24,494)</b>                     | <b>(217,280)</b>                 | <b>(439,871)</b>             | <b>(657,151)</b>                  |
| <b>Movement in reserves during 2014/15:</b>                              |       |                                 |  |  |   |                                  |                                     |                                     |                                  |                              |                                   |
| (Surplus) / deficit on provision of services                             | CI&ES | 11,492                          | 0  | (78,088)                                   | 0   | 0                                | 0                                   | 0                                   | (66,596)                         | 0                            | (66,596)                          |
| Other Comprehensive (Income) and Expenditure                             | CI&ES | 0                               | 0  | 0  | 0   | 0                                | 13                                  | 0                                   | 13                               | 165,793                      | 165,806                           |
| <b>Total Comprehensive (Income) and Expenditure</b>                      |       | <b>11,492</b>                   | <b>0</b>                                   | <b>(78,088)</b>                            | <b>0</b>  | <b>0</b>                         | <b>13</b>                           | <b>0</b>                            | <b>(66,583)</b>                  | <b>165,793</b>               | <b>99,210</b>                     |
| Adjustments between accounting basis and funding basis under regulations | 9     | (35,249)                        | 0  | 76,718                                     | 0   | (27,819)                         | (4,002)                             | 1,800                               | 11,448                           | (11,448)                     | 0                                 |
| <b>Net (increase) / decrease before transfers to earmarked reserves</b>  |       | <b>(23,757)</b>                 | <b>0</b>                                   | <b>(1,370)</b>                             | <b>0</b>  | <b>(27,819)</b>                  | <b>(3,989)</b>                      | <b>1,800</b>                        | <b>(55,135)</b>                  | <b>154,345</b>               | <b>99,210</b>                     |
| Transfers (to) / from earmarked reserves                                 | 10    | 23,390                          | (20,030)                                   | 1,572                                      | (1,370)   | (201)                            | 0                                   | (3,361)                             | 0                                | 0                            | 0                                 |
| <b>(Increase) / decrease in year</b>                                     |       | <b>(367)</b>                    | <b>(20,030)</b>                            | <b>202</b>                                 | <b>(1,370)</b>  | <b>(28,020)</b>                  | <b>(3,989)</b>                      | <b>(1,561)</b>                      | <b>(55,135)</b>                  | <b>154,345</b>               | <b>99,210</b>                     |
| <b>Balance at 31 March 2015</b>  |       | <b>(11,183)</b>                 | <b>(110,865)</b>                           | <b>(12,841)</b>                            | <b>(2,643)</b>  | <b>(71,851)</b>                  | <b>(36,977)</b>                     | <b>(26,055)</b>                     | <b>(272,415)</b>                 | <b>(285,526)</b>             | <b>(557,941)</b>                  |

**Comprehensive Income and Expenditure Statement (CI&ES)**

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (Council Tax). Councils raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. Further analysis is shown in Notes 11, 12, 13 and 31.

| 2014/15 Restated              |                      |                         |  | 2015/16                   |                      |                         |
|-------------------------------|----------------------|-------------------------|--|---------------------------|----------------------|-------------------------|
| Gross Expenditure<br>£000     | Gross Income<br>£000 | Net Expenditure<br>£000 | Notes  | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| <b>Continuing Operations:</b> |                      |                         |  |                           |                      |                         |
| 188,868                       | (60,122)             | 128,746                 | Adult Social Care  | 201,550                   | (65,099)             | 136,451                 |
| 487,506                       | (362,250)            | 125,256                 | Children's and Education Services                            | 445,226                   | (345,987)            | 99,239                  |
| 48,663                        | (5,334)              | 43,329                  | Cultural and Related Services:                               | 50,060                    | (5,573)              | 44,487                  |
| 36,828                        | (11,724)             | 25,104                  | Environment and Regulatory Services                          | 40,830                    | (11,445)             | 29,385                  |
| 92,966                        | (15,743)             | 77,223                  | Highways and Transport Services                              | 90,406                    | (14,643)             | 75,763                  |
| 67,854                        | (159,676)            | (91,822)                | Housing - HRA  | 137,590                   | (161,071)            | (23,481)                |
| 212,836                       | (204,510)            | 8,326                   | Housing - Other Services                                     | 217,556                   | (201,560)            | 15,996                  |
| 30,780                        | (20,535)             | 10,245                  | Planning Services  | 24,864                    | (12,016)             | 12,848                  |
| 20,015                        | (8,649)              | 11,366                  | Central Services   | 19,411                    | (9,171)              | 10,240                  |
| 48,193                        | (4,784)              | 43,409                  | Corporate and Democratic Core                                | 50,857                    | (11,534)             | 39,323                  |
| 0                             | 0                    | 0                       | Non-Distributed Costs (NDC)                                  | 0                         | 0                    | 0                       |
| 29,431                        | (29,835)             | (404)                   | Public Health *  | 31,477                    | (28,605)             | 2,872                   |
| <b>1,263,940</b>              | <b>(883,162)</b>     | <b>380,778</b>          | <b>(Surplus) / Deficit on Continuing Operations</b>          | <b>1,309,827</b>          | <b>(866,704)</b>     | <b>443,123</b>          |
|                               |                      | 68,467                  | Other Operating Expenditure                                  |                           |                      | 49,255                  |
|                               |                      | 97,178                  | Financing and Investment Income and Expenditure              |                           |                      | 74,293                  |
|                               |                      | (613,019)               | Taxation and Non-Specific Grant Income                       |                           |                      | (593,278)               |
|                               |                      | <b>(66,596)</b>         | <b>(Surplus) / Deficit on Provision of Services</b>          |                           |                      | <b>(26,607)</b>         |
|                               |                      | (39,088)                | (Surplus) / deficit on revaluation of non-current assets     |                           |                      | (33,688)                |
|                               |                      | 204,881                 | Re-measurements of the pension net defined benefit liability |                           |                      | (99,469)                |
|                               |                      | 13                      | Other (gains) / losses                                       |                           |                      | 715                     |
|                               |                      | <b>165,806</b>          | <b>Other Comprehensive (Income) and Expenditure</b>          |                           |                      | <b>(132,442)</b>        |
|                               |                      | <b>99,210</b>           | <b>Total Comprehensive (Income) and Expenditure</b>          |                           |                      | <b>(159,049)</b>        |

\* On the 1 October 2015 0-5 years Healthy Child (Health Visiting) transferred to Local Authorities. See Note 8 for details.

## Balance Sheet

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use. For example the capital receipts reserve may only be used to fund capital expenditure or repay debt. The second category of reserves is unusable reserves i.e. those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Sheffield City Council – Statement of Accounts 2015/16

| As at 1 April<br>2014 Restated | As at 31<br>March<br>2015 Restated |                                    | Notes   | As at<br>31 March<br>2016 |
|--------------------------------|------------------------------------|------------------------------------|---------|---------------------------|
| £000                           | £000                               |                                    |         | £000                      |
| 2,336,467                      | 2,369,956                          | Property, Plant and Equipment      | 14      | 2,484,433                 |
| 62,754                         | 62,769                             | Heritage Assets                    | 15      | 63,064                    |
| 1,489                          | 1,495                              | Investment Properties              | 16      | 21,555                    |
| 171,099                        | 160,220                            | Long term Debtors                  | 19      | 147,627                   |
| <b>2,571,809</b>               | <b>2,594,440</b>                   | <b>Long Term Assets</b>            |         | <b>2,716,679</b>          |
| 60,000                         | 45,000                             | Short Term Investments             | 17      | 15,000                    |
| 125                            | 157                                | Inventories                        |         | 182                       |
| 83,451                         | 103,088                            | Short Term Debtors                 | 20      | 133,563                   |
| 32,802                         | 58,722                             | Cash and Cash Equivalents          | 17 / 21 | 83,914                    |
| 10,856                         | 29,541                             | Assets Held for Sale               | 22      | 30,022                    |
| <b>187,234</b>                 | <b>236,508</b>                     | <b>Current Assets</b>              |         | <b>262,681</b>            |
| (36,717)                       | (12,488)                           | Short Term Borrowing               | 17      | (25,786)                  |
| (135,704)                      | (152,444)                          | Short Term Creditors               | 23      | (130,078)                 |
| (38,920)                       | (24,349)                           | Short Term Provisions              | 24      | (23,162)                  |
| (8,312)                        | (11,444)                           | PFI / PPP Finance Lease Liability  | 17 / 43 | (13,838)                  |
| (20,702)                       | (23,519)                           | Capital Grants Receipts in Advance | 39      | (22,377)                  |
| <b>(240,355)</b>               | <b>(224,244)</b>                   | <b>Current Liabilities</b>         |         | <b>(215,241)</b>          |
| (666,613)                      | (681,517)                          | Long Term Borrowing                | 17      | (729,208)                 |
| (9,458)                        | (6,900)                            | Long Term Provisions               | 24      | (7,951)                   |
| (327,293)                      | (351,668)                          | PFI / PPP Finance Lease Liability  | 17 / 43 | (381,391)                 |
| (697,558)                      | (856,407)                          | Net Pension Liability              | 46      | (795,982)                 |
| (146,865)                      | (133,329)                          | Other Long Term Liabilities        | 25      | (118,833)                 |
| (13,750)                       | (18,942)                           | Capital Grants Receipts in Advance | 39      | (13,764)                  |
| <b>(1,861,537)</b>             | <b>(2,048,763)</b>                 | <b>Long Term Liabilities</b>       |         | <b>(2,047,129)</b>        |
| <b>657,151</b>                 | <b>557,941</b>                     | <b>Net Assets</b>                  |         | <b>716,990</b>            |
| (217,280)                      | (272,415)                          | Usable Reserves                    | 26      | (334,140)                 |
| (439,871)                      | (285,526)                          | Unusable Reserves                  | 27      | (382,850)                 |
| <b>(657,151)</b>               | <b>(557,941)</b>                   | <b>Total Reserves</b>              |         | <b>(716,990)</b>          |

The Statement of Accounts was approved and authorised for issue by the Interim Executive Director of Resources and the Audit Committee, in accordance with the Accounts and Audit (England) Regulations 2015, on 15 September 2016.

Eugene Walker  
Interim Executive Director of Resources  
(Section 151 Officer)  
15 September 2016

Councillor Josie Paszek  
Chair of the Audit Committee

15 September 2016

|                            |
|----------------------------|
| <b>Cash Flow Statement</b> |
|----------------------------|

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

| <b>2014/15</b>  |  | <b>Notes</b> | <b>2015/16</b> |
|-----------------|--|--------------|----------------|
| <b>£000</b>     |  |              | <b>£000</b>    |
| <b>Restated</b> |  |              |                |
| 66,595          | Net surplus or (deficit) on the provision of services  |              | 26,607         |
| 90,842          | - Adjustment to surplus or (deficit) on the provision of services for non-cash movements   | 28           | 159,220        |
| (81,665)        | - Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities | 28           | (6,321)        |
| <b>75,772</b>   | <b>Net cash flow from operating activities</b>   |              | <b>179,506</b> |
| (26,479)        | Investing activities   | 29           | (178,899)      |
| (23,373)        | Financing activities   | 30           | 24,585         |
| <b>25,920</b>   | <b>Net increase / (decrease) in cash and cash equivalents</b>  |              | <b>25,192</b>  |
| 32,802          | Cash and cash equivalents at 1 April   | 21           | 58,722         |
| <b>58,722</b>   | <b>Cash and cash equivalents at 31 March</b>   | 21           | <b>83,914</b>  |

## Notes to the Core Financial Statements

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

### 01. Accounting Policies

#### I. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code') and the CIPFA Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2015 Regulations.

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

#### II. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Payments for utilities, such as gas and electricity, are charged at the date of the meter reading rather than being apportioned between years, therefore this policy is applied consistently each year.
- Car parking penalty charge notices – a prudent approach is taken and the income is recognised at the point of actual receipt rather than when the invoice is raised.
- Materiality levels were set to determine the accruals to be taken at the end of the financial year for certain low value revenue transactions. In these instances, the change from year to year is recurring in nature and the sums involved have been deemed not to be material compared with total income and expenditure.

### **III. Acquisitions and Discontinued Operations**

#### **Acquired Operations**

All operations acquired in year will be treated in line with the Council's accounting policies and disclosed separately on the face of the Comprehensive Income and Expenditure Statement.

#### **Discontinued Operations**

Any discontinued operations are disclosed separately on the face of the Comprehensive Income and Expenditure Statement.

### **IV. Cash and Cash Equivalents**

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

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

### **V. Exceptional Items (Material Items of Income or Expense)**

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

## **VI. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

## **VII. Charges to Revenue for Non-Current Assets**

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

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

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

## **VIII. Employee Benefits**

### **Benefits Payable During Employment**

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is

calculated using the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to '(Surplus) / Deficit on the Provision of Services', but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

### **Post-Employment Benefits**

Employees of the Council are members of the following pension schemes:

- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Pensions on behalf of the Department of Health (DoH).
- The Local Government Pension Scheme, administered by South Yorkshire Pensions Authority on behalf of Sheffield City Council and the other local authorities in South Yorkshire.

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

However, the arrangements for the Teachers' Pension Scheme and the NHS Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as defined contribution schemes and no liability for future payments of benefits is recognised on the Balance Sheet. The '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 'Public Health' line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to NHS Pensions in the year.

## The Local Government Pension Scheme

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

- The liabilities of the pension fund attributable to the Council are included on the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate. Details of the rates used and assumptions made are included in Note 46 to the core financial statements.
- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked,
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs,
    - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure,
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

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

## **IX. Events After the Reporting Date**

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

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

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

## **X. Financial Instruments**

### **Financial Liabilities**

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of re-purchase / settlement. However, where re-purchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

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

### **Financial Assets**

Financial assets are classified into two types:

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

## **Loans and Receivables**

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

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

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

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

## **Available for Sale Assets**

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

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

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

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

## **Instruments Entered Into Before 1 April 2006**

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

## **XI. Foreign Currency Translation**

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

## **XII. Government Grants and Other Contributions**

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

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

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

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

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

## **Business Improvement Districts**

Business Improvement District (BID) schemes are funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

## **Community Infrastructure Levy**

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions, it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

## **XIII. Heritage Assets**

### **Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as Heritage Assets)**

Heritage Assets are assets held principally for their contribution to the knowledge, understanding and appreciation of the Council's culture, history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, and these are detailed below. The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also presented below. For the purposes of the accounts, the Council has grouped its Heritage Assets into four main areas, which are accounted for as follows:

#### **Museums and Galleries**

The collections include fine and decorative art, natural sciences, human history and industrial heritage. The assets are reported on the Council's Balance Sheet at insurance valuation, which is updated on an annual basis. The policy insures the collections as a whole and includes assets managed by both Museums Sheffield and Sheffield Industrial Museums Trust. High value works are valued annually, either through external valuation or with reference to auction guides. Variations are made to the insurance schedule on an annual basis or sooner as appropriate.

Land and buildings assets have been reported on the Council's Balance Sheet at cost. Only assets with a determinable life have been depreciated.

While the collections in their entirety have significant historic value, the majority of items have a relatively low market value. In many cases the costs of conservation exceed market values and investment in the assets is determined on the basis of its unique local historic significance.

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

- Museums Sheffield works to an Acquisition and Disposal Policy that is revised every five years and agreed by Museums Sheffield Board of Trustees and the Council.
- Sheffield Industrial Museums Trust works to the Collections Agreement between the Trust and the Council, which provides the basis for the collections activity of the Trust. This document includes the Acquisitions and Disposal policy.

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

### **Civic Collections**

The Civic Collections include gifts of silverware and paintings given to the City and examples of products manufactured by Sheffield's industries. The collection of silverware is reported on the Balance Sheet at insurance valuation, which is based on a specialist valuation report commissioned in 2009. The other artefacts have not been valued because of the diverse nature of the assets and in the Council's opinion, conventional valuation approaches lack sufficient reliability. The assets are deemed to have indeterminate lives hence the Council does not consider it appropriate to charge depreciation.

### **Archives and Libraries**

Sheffield Archives collect and preserve original historic records and printed material relating to Sheffield and the surrounding area. The collection is reported on the Balance Sheet at insurance valuation, which is based on an estimate of restorative costs, as it is unlikely market value could be derived given the diverse nature and size of the collections. The assets are deemed to have indeterminate lives hence the Council does not consider it appropriate to charge depreciation.

There are around 80,000 boxes of records. The public access policy is available at all sites for original documents, microform, CD-ROM and online libraries. Acquisitions occur throughout the year, deposited by other government departments and agencies, local Dioceses and private records on loan or donated to the Council.

### **Public Realm**

Heritage Assets in the Public Realm include statues and monuments, war memorials, public art and archaeological sites. The Council does not consider that reliable valuation information can be obtained for the items held in the public realm. This is because of the diverse nature of the assets held and lack of comparable market values.

Consequently, the Council does not recognise these assets on the Balance Sheet. However cost information is included where available.

Acquisitions, commissions for new items and disposals are dealt with on an individual basis.

### **General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

### **XIV. Inventories and Long Term Contracts**

Inventories are included on the Balance Sheet at the lower of cost and net realisable value.

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

### **XV. 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.

## **XVI. Joint Operations**

Joint Operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

## **XVII. Leases**

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

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

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

### **The Council as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged

over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

## **Operating Leases**

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

## **The Council as Lessor**

### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Lease**

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

## **XVIII. Overheads and Support Services**

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

- Corporate and Democratic Core i.e. costs relating to the Council's status as a multifunctional, democratic organisation.
- Non-Distributed Costs i.e. the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

## **XIX. Property, Plant and Equipment**

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

### **Recognition**

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

## Measurement

Assets are initially measured at cost, comprising:

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

Borrowing costs are capitalised for capital projects that take a substantial period of time to get ready for intended use, determined as a construction / development period of two years or more and until the construction is complete. This policy does not apply to projects that are predominantly grant funded.

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

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

- Buildings are based upon individual asset lives, assessed as part of the rolling programme of revaluations.
- Infrastructure assets between 20 and 40 years.
- Vehicles, plant, furniture and equipment between 5 and 10 years, with the exception of the incinerator plant under the Veolia Public Private Partnership (PPP) contract, which has a useful economic life of 23 years and the District Heating Network of 26 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A framework for identifying components has been agreed with the Council's valuers Kier Asset Partnership Services (KAPS). Components are also recognised where capital investment for replacement or enhancement of the asset establishes a material component.

Recognition is applied as follows:

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

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

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

### **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) / Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount

before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

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

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

## **XX. Private Finance Initiative (PFI) and Similar Contracts**

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

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

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

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

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

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

## **XXI. Provisions and Contingent Liabilities**

### **Provisions**

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

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

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

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

### **Accounting for the Costs of the Carbon Reduction Commitment Scheme**

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the second year of its second phase, which ends on 31 March 2019. The Council is required to purchase allowances, either

prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense is recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

### **Contingent Liabilities**

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

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

### **XXII. 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 2% 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.

### **XXIII. Reserves**

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

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

#### **XXIV. Revenue Expenditure Funded from Capital under Statute**

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

#### **XXV. Schools**

Accordingly, in line with the guidance currently available, the Council has adopted the following policy:

Where a school is under the Council's control (i.e. under the responsibility of the Council's Section 151 Officer) its income, expenditure, current assets, liabilities and reserves are consolidated into the Council's accounts and are, therefore, included within the figures disclosed in the Statement of Accounts. Any reserves attributable to the school are earmarked and disclosed separately. As a result Community schools, Community Special schools, Voluntary Aided schools, Voluntary Controlled schools and Foundation schools are all consolidated into the Council's accounts. However, once a school transfers to Academy status it is no longer under the control of the Council and, therefore, its income, expenditure, assets, liabilities and reserves are no longer consolidated into the Council's accounts.

In respect of any non-current assets associated with schools the Council has determined that Community schools, Community Special schools and Foundation schools should be on balance sheet, but that Voluntary Aided schools, Voluntary Controlled schools, and Academy schools should not. Voluntary Aided schools and Voluntary Controlled schools non-current assets are not included as ownership and control of the assets lies with the diocese. Non-current assets relating to schools that gain Academy status are derecognised from the Council's balance sheet when the contract is complete and signed and the specific assets have been handed over / transferred.

#### **XXVI. Tax Income (Council Tax, National Non-Domestic Rates and Residual Community Charge)**

The Council is a Council Tax billing authority, collecting Council Tax on behalf of other authorities as well as itself. The collection of Council Tax on behalf of other authorities is treated as being on an agency basis, and thus only the elements of Council Tax collection that relate to the Council's own income are included in its main financial statements.

The Council is a Business Rates billing authority, collecting Business Rates on behalf of the South Yorkshire Fire and Rescue Authority and Central Government as well as

itself. The collection of Business Rates on behalf of other authorities is treated as being on an agency basis, and thus only the elements of Business Rates collection that relate to the Council's own income (49%) are included in its main financial statements.

The Collection Fund account covers all local taxation collected by the Council on behalf of itself, local parish councils, Fire, Police and the Government.

The cost of collection allowance and costs added to NNDR in respect of recovery action are the Council's income and appear in the Income and Expenditure Account.

The Collection Fund account reflects the statutory requirement of the Local Government Finance Act 1988 (as amended by the 1992 Act).

## **XXVII. Value Added Tax (VAT)**

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

## **XXVIII. Fair Value Measurement**

The Council measures some of its non-financial assets, such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) has introduced several changes in accounting policy as a result of amendments to the following Accounting Standards. These standards have been issued, but have not yet been adopted by the Council. If these had been adopted for the financial year 2015/16 there would be no material change, as detailed below.

### **Amendments to IAS 19 Employee Benefits**

This amendment, which applies from 2016/17, requires contributions from employees or third parties to be considered when accounting for defined benefit plans. It requires that such contributions, where linked to service, are accounted for as a reduction of service cost. Current data suggests that this change is not expected to have a material impact on the figures currently reported in the financial statements.

### **Annual Improvements to IFRSs (2010 – 2014 Cycles)**

The following issues included in the Code amendment, relate to the Annual Improvement Cycles to IFRSs:

#### 2010- 2012 cycle

- IFRS 3 Business Combinations – scope of exceptions for joint ventures
- IFRS 7 Financial Instruments: Disclosures – servicing contracts
- IFRS 8 Operating Segments – aggregation of operating segments and reconciliation of the total reportable segments' assets to the entity's assets
- IFRS 13 Fair Value – short-term receivables and payables

#### 2012- 2014 cycle

- IAS 16 Property Plant & Equipment – revaluation method – proportionate restatement of accumulated depreciation
- IAS 24 Related Party Disclosures – key management personnel
- IAS 38 Intangible Assets – revaluation method; proportionate restatement of accumulated amortisation.

### **Amendments to IFRS 11 Joint Arrangements**

This amendment relates to the accounting for the acquisition of an interest in a joint operation that constitutes a business, as defined in IFRS 3 Business Combinations. The Council has not acquired any joint operations that meet the definition in 2015/16.

### **Amendments to IAS 16 Property Plant & Equipment and IAS 38 Intangible Assets**

The amendments to IAS 16 and IAS 38 explain that it is not appropriate to use revenue-based methods to calculate the depreciation of an asset because, revenue generated by an activity that includes the use of an asset, generally reflects factors other than the consumption of the economic benefits.

Whilst the Council may apply income methods for valuation purposes, assets are not depreciated on the basis of revenue-based methods. The current depreciation policies are set out in Note 1 Accounting Policies – XIX Property Plant & Equipment.

The Council does not currently own any Intangible Assets.

### **Amendment to IAS 1 Presentation of Financial Statements**

The amendments to the Code for local authorities clarify, rather than significantly change, existing IAS 1 requirements, mainly:

- Materiality and order of the notes – flexibility in presentation, with emphasis on understandability and comparability
- Disaggregation and subtotals permitted for the Balance Sheet
- Accounting Policies – minor changes to the description

### **Changes to the format of the Comprehensive income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis**

In 2016/17, there will be further changes to the presentation of the financial statements in two key areas:

- Reporting on an organisational basis, breaking the mandatory link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement (CIES).
- Introduction of a new Funding Analysis as part of the narrative report, to provide a direct reconciliation between funding and budget, and the CIES, in a way that is accessible to the lay-reader. The Funding Analysis will be supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note.

### **Accounting for Infrastructure Assets**

The CIPFA Code of Practice on Transport Infrastructure Assets will be adopted in the 2016/17 Code. This will lead to the creation of a single Highways Network Asset, measured at its current value rather than historical cost, using depreciated replacement cost (DRC) as the method of valuation.

The change in accounting policy comes into effect from 1 April 2016. CIPFA has confirmed in the 2015/16 Code Update that the transition arrangements will not require comparatives, or the opening balance on 1 April 2016, to be restated as a prior period adjustment. The new valuation will instead be accounted for in 2016/17 as an in year revaluation on 1 April 2016.

Under the DRC approach, current value will be determined by estimating the gross replacement cost of each component (roads, street lighting, signage, traffic management systems, footpaths and cycleways, bridges and other structures and land) on a modern equivalent basis, deducting the estimated accumulated depreciation to arrive at the depreciated replacement cost.

### 03. Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- The CIPFA Code requires the Council to produce group accounts to reflect significant activities provided to Council taxpayers by other organisations in which the Council has an interest. The group is identified as comprising the City Council, South Yorkshire Property Investment Limited (Local Housing Company) and Digital Region Limited, a company established to deliver high speed broadband to South Yorkshire. However, when consolidating the value of these entities the result is not material and therefore the production of all the required statements would not assist the reader.
- Contracts with partners and providers have been considered for embedded leases; the outcome of this review is not to recognise any assets on the Council balance sheet.
- The Council is awaiting the outcome of a number of audits from the European Community regarding the validity of grant claims. In some cases prima facie evidence suggests that the Council may be non-compliant with the grant conditions and some provision based on management judgement has been made. There is as yet no timescale for the EU authorities to deliver a formal response.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2016 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   |
|--------------------|---|--|
| 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 | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £44.4m. However, the assumptions |

fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

See Note 46 for further details.

interact in complex ways. During 2015/16, the Council's actuaries advised that the net pension liability had increased by £39.2m as a result of estimates being corrected based on experience and decreased by £138.6m attributable to updating of the assumptions – a net impact of a decreased liability of £99.4m.

Arrears

At 31 March 2016, the Council had a balance for sundry debtors of £23.2m. An impairment of doubtful debts of £18.1m (78.1%) was considered appropriate, however, it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, an additional impairment of doubtful debts may be required to cover some of the £5.1m of sundry debts currently not provided for.

Business Rates

The provision for appeals is based on assumptions about the likely level of appeals raised against the ratings list in the future and the likely success of outstanding appeals. The provision stands at £23.7m which is reasonable given available data sources and historic analysis. However, further information from the Valuation Office Agency (VOA) may lead to a revision of these assumptions and could materially change the required level of provision.

If more up to date information from the Valuation Office Agency stimulates a reduction to the provision, this will feed into a surplus on the collection fund. Estimates will be taken in January 2017 and so such a surplus would be made available for distribution to preceptors in the 2017/18 budget. Conversely, an increase in the provision would mean a reduction to available resources in 2017/18.

Future Funding

Like all other local authorities, the Council faces significant ongoing pressure on funding from Central Government. Beyond 2016/17, local authorities have been offered a limited amount of certainty over the level of funding from Department of Communities and Local Government (DCLG), and indicative figures for the next three years are available. In order to ensure that the Council is well placed to deal with the challenge of future funding cuts, various financial controls have been put in place. These include robust

budget monitoring on a monthly basis to ensure that budget savings are implemented, a clearly formulated medium term financial strategy and business planning process embedded in the organisation, a policy of taking prudent provisions and a risk-based reserves strategy.

## 05. Prior Period Adjustments

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

### Accounting for Bond Repayments

This adjustment is required to reclassify the bond repayments for the Major Sporting Facilities paid to Sheffield City Trust (SCT). The Bond is related to the financing for the original construction of the assets, with repayments due from 2013/14 to 2023/24.

The repayments commenced in 2013/14 with the principal and interest both expensed to revenue in the 2013/14 and 2014/15 financial statements. The principal element, related to the financing for the construction of the assets, should have been treated as capital expenditure in both years.

A creditor balance of £140.4m has also been added to the Balance Sheet to reflect the Council's liability to SCT for the debt repayments, in addition to a debtor balance of £140.4m to recognise the Council's future option to exercise its right over the assets. This balance has been impaired by £69.5m to reflect the most recent valuation of the assets; an updated revaluation will be carried out in 2017.

The correction from revenue to capital results in a release of funds to revenue reserves from 2013/14 and 2014/15. Following the capitalisation, the Council's usual capital accounting and Minimum Revenue Provision policies apply.

The 1 April 2014 and 31 March 2015 Balance Sheets and 2014/15 comparative figures have thus been restated in the 2015/16 Statement of Accounts. The effects of the restatement are shown in the tables below.

### Movement in Reserves Statement

#### Earmarked General Fund Reserves

To adjust for the change of accounting treatment from revenue to capital of £4.8m 2013/14 and £10.1m 2014/15, reversing the cumulative impact of both years to revenue reserves.

|                      | <b>Original<br/>£'000</b> | <b>Adjustment<br/>£'000</b> | <b>Revised<br/>£'000</b> |
|----------------------|---------------------------|-----------------------------|--------------------------|
| <b>1 April 2014</b>  | (86,005)                  | (4,830)                     | (90,835)                 |
| <b>31 March 2015</b> | (95,910)                  | (14,955)                    | (110,865)                |

The Balance Sheet and Note 10 Transfers to/from Earmarked Reserves and Note 26 Usable Reserves have also been restated as a result of this adjustment.

Capital Adjustment Account

To adjust for the impairment of the debtor £69.5m for the valuation of the assets.

|                      | <b>Original<br/>£'000</b> | <b>Adjustment<br/>£'000</b> | <b>Revised<br/>£'000</b> |
|----------------------|---------------------------|-----------------------------|--------------------------|
| <b>1 April 2014</b>  | (882,191)                 | 69,485                      | (812,706)                |
| <b>31 March 2015</b> | (865,005)                 | 69,485                      | (795,520)                |

The Balance Sheet and Note 27 Unusable Reserves have also been restated.

**Comprehensive Income & Expenditure Statement**

Culture & Related Services

To reverse the repayments made to revenue of £4.8m 2013/14 and £10.1m 2014/15 and to include the impairment charge for the revaluation of the assets £5.8m.

|                      | <b>Original<br/>£'000</b> | <b>Adjustment<br/>£'000</b> | <b>Revised<br/>£'000</b> |
|----------------------|---------------------------|-----------------------------|--------------------------|
| <b>1 April 2014</b>  | 73,328                    | 928                         | 74,256                   |
| <b>31 March 2015</b> | 53,451                    | (10,122)                    | 43,329                   |

Note 31 Amounts Reported for Resource Allocation Decisions has also been restated.

**Balance Sheet**

Long Term Debtors

To recognise the future option of rights to the assets £140.4m, impaired for the most recent valuation to £70.9m.

|                      | <b>Original<br/>£'000</b> | <b>Adjustment<br/>£'000</b> | <b>Revised<br/>£'000</b> |
|----------------------|---------------------------|-----------------------------|--------------------------|
| <b>1 April 2014</b>  | 100,159                   | 70,940                      | 171,099                  |
| <b>31 March 2015</b> | 89,280                    | 70,940                      | 160,220                  |

Note 19 Long Term Debtors has also been restated.

Creditors

To recognise the liability for the bond repayments £140.4m, less the payments made of £4.8m 2013/14 and £10.1m 2014/15.

|                      | <b>Original<br/>£'000</b> | <b>Adjustment<br/>£'000</b> | <b>Revised<br/>£'000</b> |
|----------------------|---------------------------|-----------------------------|--------------------------|
| <b>1 April 2014</b>  |                           |                             |                          |
| Short-term           | (125,582)                 | (10,122)                    | (135,704)                |
| Long-term            | (21,392)                  | (125,473)                   | (146,865)                |
| <b>31 March 2015</b> |                           |                             |                          |
| Short-term           | (141,681)                 | (10,763)                    | (152,444)                |
| Long-term            | (18,619)                  | (114,710)                   | (133,329)                |

Note 23 Short Term Creditors and Note 25 Other Long Term Liabilities have also been restated.

### Cash Flow

There is no impact on cash flow, but the individual lines on the Cash Flow Statement and notes have been amended for the correcting transactions.

|                                      | <b>Original<br/>£'000</b> | <b>Adjustment<br/>£'000</b> | <b>Revised<br/>£'000</b> |
|--------------------------------------|---------------------------|-----------------------------|--------------------------|
| <b>31 March 2015</b>                 |                           |                             |                          |
| Cash Flow Statement                  |                           |                             |                          |
| Net surplus on provision of services | 56,474                    | 10,122                      | 66,596                   |
| Adjustment for non-cash items        | 100,963                   | (10,122)                    | 90,841                   |
| Note 27 – Operating Activities       |                           |                             |                          |
| Movement in Creditors                | 6,148                     | (10,122)                    | (3,974)                  |

## 06. Events After the Reporting Date

The Statement of Accounts was authorised for issue by Eugene Walker, Interim Executive Director of Resources on 15 September 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2016 as it provides information that is relevant to an understanding of the Council's financial position but does not relate to conditions at that date:

### Digital Region Limited

Digital Region Ltd (“DRL”) is a joint venture whose members comprise Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council, Sheffield City Council and the Secretary of State for Business, Innovation and Skills (BIS).

The company was set up to manage and procure a high speed broadband network in the South Yorkshire region and to undertake the promotion of the network to the service

provider market. Due to a range of factors, the shareholders took a decision in August 2013 to commence an orderly and managed closure of DRL. In order to achieve a solvent liquidation of the company, the company's balance sheet was restructured by converting shareholder loans into a new class of C shares, further to the standing A shares, which confer voting rights, and B shares which entitle the Council to a share of profits and losses. A liquidator was appointed in June 2015 and a final distribution of the remaining shareholder funds will be made in 2016/17.

### European Union (EU) - BREXIT

On the 23rd June 2016, the United Kingdom voted in a referendum to leave the European Union (EU). The process for exiting the EU is still to be decided and, whilst there is little impact on Council finances in the immediate term, the wider outcome is unclear. The Council will continue to monitor the situation.

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

### **2015/16**

There were no exceptional items in 2015/16.

### **2014/15**

There were no exceptional items in 2014/15.

## **08. Acquired and Discontinued Operations**

### **Acquired Operations**

#### **2015/16**

On 1 October 2015 the commissioning responsibility for the 0-5 years Healthy Child Programme Services (Health Visiting) transferred from NHS England to local authorities. The transfer means that Sheffield City Council has responsibility for the commissioning and delivery of the national Health Visiting specification, including planning, outcome and performance monitoring and redesign of services. The delivery of the 0-5 Healthy Child Programme is provided by Sheffield Children's NHS Foundation Trust.

All income and expenditure has been included in the 'Public Health' line in the Comprehensive Income and Expenditure Statement.

#### **2014/15**

No operations were acquired in the year to 31 March 2015.

### **Discontinued Operations**

There were no discontinued operations during 2015/16 or 2014/15.

**09. Adjustments Between Accounting Basis and Funding Basis Under Regulations**

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

## Sheffield City Council – Statement of Accounts 2015/16

| 2015/16   |      |                                 |  |                                  |                                     |                                     |                                  |                              |                                   |
|---|------|---------------------------------|--|----------------------------------|-------------------------------------|-------------------------------------|----------------------------------|------------------------------|-----------------------------------|
|   |      | General Fund<br>Balance<br>£000 | Housing Revenue<br>Account Balance<br>£000 | Major Repairs<br>Reserve<br>£000 | Capital Receipts<br>Reserve<br>£000 | Capital Grants<br>Unapplied<br>£000 | Total Usable<br>Reserves<br>£000 | Unusable<br>Reserves<br>£000 | Total Council<br>Reserves<br>£000 |
|   | Note |                                 |  |                                  |                                     |                                     |                                  | 27                           |                                   |
| <b>Reversal of items debited or credited to the CI&amp;ES:</b>  |      |                                 |  |                                  |                                     |                                     |                                  |                              |                                   |
| Depreciation of Non-current assets  |      | (46,319)                        | 0  | (17,500)                         | 0                                   | 0                                   | (63,819)                         | 63,819                       | 0                                 |
| Impairment losses charged to the CI&ES  |      | 0                               | 0  | 0                                | 0                                   | 0                                   | 0                                | 0                            | 0                                 |
| Revaluation losses charged to the CI&ES   |      | (20,975)                        | (31,365)                                   | 0                                | 0                                   | 0                                   | (52,340)                         | 52,340                       | 0                                 |
| Movements in fair value of Investment Properties  |      | 20,060                          | 0  | 0                                | 0                                   | 0                                   | 20,060                           | (20,060)                     | 0                                 |
| Capital grants and contributions credited to the CI&ES  |      | 76,220                          | 0  | 0                                | 0                                   | (2,013)                             | 74,207                           | (74,207)                     | 0                                 |
| Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve  |      | 0                               | 0  | 0                                | 0                                   | 3,973                               | 3,973                            | (3,973)                      | 0                                 |
| Revenue expenditure funded from capital under statute   |      | (8,549)                         | 0  | 0                                | 0                                   | 0                                   | (8,549)                          | 8,549                        | 0                                 |
| Costs of disposal funded from capital receipts  |      | (573)                           | 0  | 0                                | 573                                 | 0                                   | 0                                | 0                            | 0                                 |
| Net gain / (loss) on sale of non-current assets   |      | (46,092)                        | 1,469                                      | 0                                | (27,114)                            | 0                                   | (71,737)                         | 71,737                       | 0                                 |
| Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance with statutory requirements        |      | (148)                           | 954  | 0                                | 0                                   | 0                                   | 806                              | (806)                        | 0                                 |
| Reversal of items relating to retirement benefits debited or credited to the CI&ES  |      | (70,396)                        | 0  | 0                                | 0                                   | 0                                   | (70,396)                         | 70,396                       | 0                                 |
| Amount by which Council Tax and non-domestic rates income adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation |      | (2,705)                         | 0  | 0                                | 0                                   | 0                                   | (2,705)                          | 2,705                        | 0                                 |

## Sheffield City Council – Statement of Accounts 2015/16

| 2015/16 (Continued)  |             |                                 |  |                                  |                                     |                                     |                                  |                              |                                   |
|--|-------------|---------------------------------|--|----------------------------------|-------------------------------------|-------------------------------------|----------------------------------|------------------------------|-----------------------------------|
|  |             | General Fund<br>Balance<br>£000 | Housing Revenue<br>Account Balance<br>£000 | Major Repairs<br>Reserve<br>£000 | Capital Receipts<br>Reserve<br>£000 | Capital Grants<br>Unapplied<br>£000 | Total Usable<br>Reserves<br>£000 | Unusable<br>Reserves<br>£000 | Total Council<br>Reserves<br>£000 |
|  | <b>Note</b> |                                 |  |                                  |                                     |                                     |                                  | 27                           |                                   |
| Amount by which officer remunerations costs calculated in accordance with the code are different from the amount of costs calculated in accordance with statutory requirements |             | 1,142                           | 0  | 0                                | 0                                   | 0                                   | 1,142                            | (1,142)                      | <b>0</b>                          |
| <b>Insertion of items not debited or credited to the CI&amp;ES:</b>  |             |                                 |  |                                  |                                     |                                     |                                  |                              |                                   |
| Statutory provision for repayment of debt (MRP)  |             | 29,296                          | 0  | 0                                | 0                                   | 0                                   | 29,296                           | (29,296)                     | <b>0</b>                          |
| Voluntary provision for repayment of debt (VMRP)   |             | 118                             | 27   | 0                                | 1,032                               | 0                                   | 1,177                            | (1,177)                      | <b>0</b>                          |
| Revenue Contribution to Major Repairs Reserve  |             | 0                               | 21,302                                     | (21,302)                         | 0                                   | 0                                   | 0                                | 0                            | <b>0</b>                          |
| Capital expenditure charged to the General Fund and HRA  |             | 0                               | 0  | 0                                | 0                                   | 0                                   | 0                                | 0                            | <b>0</b>                          |
| Transfer of Capital Receipts (<£10k) to the General Fund and HRA   |             | (143)                           | 0  | 0                                | 143                                 | 0                                   | 0                                | 0                            | <b>0</b>                          |
| Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool  |             | (3,406)                         | 0  | 0                                | 3,406                               | 0                                   | 0                                | 0                            | <b>0</b>                          |
| Employer's contribution to pension scheme  |             | 31,357                          | 0  | 0                                | 0                                   | 0                                   | 31,357                           | (31,357)                     | <b>0</b>                          |
| <b>Capital Financing:</b>  |             |                                 |  |                                  |                                     |                                     |                                  |                              |                                   |
| Use of Capital Receipts Reserve to finance new capital expenditure   |             | 0                               | 0  | 0                                | 14,583                              | 0                                   | 14,583                           | (14,583)                     | <b>0</b>                          |
| Use of Major Repairs Reserve to finance new capital expenditure  |             | 0                               | 0  | 60,582                           | 0                                   | 0                                   | 60,582                           | (60,582)                     | <b>0</b>                          |
| <b>Other:</b>  |             |                                 |  |                                  |                                     |                                     |                                  |                              |                                   |
| Mortgages transferred from Deferred Capital Receipts Reserve   |             | 0                               | 0  | 0                                | 0                                   | 0                                   | 0                                | 0                            | <b>0</b>                          |
| Other  |             | 0                               | 0  | 0                                | 0                                   | 0                                   | 0                                | 0                            | <b>0</b>                          |
| <b>Total</b>   |             | <b>(41,113)</b>                 | <b>(7,613)</b>                             | <b>21,780</b>                    | <b>(7,377)</b>                      | <b>1,960</b>                        | <b>(32,363)</b>                  | <b>32,363</b>                | <b>0</b>                          |

Sheffield City Council – Statement of Accounts 2015/16

| <b>2014/15 – Restated Comparative Information</b>  |             |  |   |   |  |  |   |                                       |  |
|--|-------------|--|---|---|--|--|---|---------------------------------------|--|
|  |             | <b>General Fund<br/>Balance<br/>£000</b> | <b>Housing Revenue<br/>Account Balance<br/>£000</b> | <b>Major Repairs<br/>Reserve<br/>£000</b> | <b>Capital Receipts<br/>Reserve<br/>£000</b> | <b>Capital Grants<br/>Unapplied<br/>£000</b> | <b>Total Usable<br/>Reserves<br/>£000</b> | <b>Unusable<br/>Reserves<br/>£000</b> | <b>Total Council<br/>Reserves<br/>£000</b> |
|  | <b>Note</b> |  |   |   |  |  |   | 27                                    |  |
| <b>Reversal of items debited or credited to the CI&amp;ES:</b>   |             |  |   |   |  |  |   |                                       |  |
| Depreciation of Non-current assets   |             | (47,032)                                 | 0   | (17,218)                                  | 0  | 0  | (64,250)                                  | 64,250                                | <b>0</b>                                   |
| Impairment losses charged to the CI&ES   |             | 0  | 0   | 0   | 0  | 0  | 0   | 0                                     | <b>0</b>                                   |
| Revaluation losses charged to the CI&ES  |             | (58,225)                                 | 39,059  | 0   | 0  | 0  | (19,166)                                  | 19,166                                | <b>0</b>                                   |
| Movements in fair value of Investment Properties   |             | 6  | 0   | 0   | 0  | 0  | 6   | (6)                                   | <b>0</b>                                   |
| Capital grants and contributions credited to the CI&ES   |             | 64,392                                   | 0   | 0   | 0  | 0  | 64,392                                    | (64,392)                              | <b>0</b>                                   |
| Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve   |             | 1,457                                    | 0   | 0   | 0  | 1,800  | 3,257                                     | (3,257)                               | <b>0</b>                                   |
| Revenue expenditure funded from capital under statute  |             | (8,281)                                  | 0   | 0   | 0  | 0  | (8,281)                                   | 8,281                                 | <b>0</b>                                   |
| Costs of disposal funded from capital receipts   |             | (135)                                    | 0   | 0   | 135  | 0  | 0   | 0                                     | <b>0</b>                                   |
| Net gain / (loss) on sale of non-current assets  |             | (64,505)                                 | 289   | 0   | (15,816)                                     | 0  | (80,032)                                  | 80,032                                | <b>0</b>                                   |
| Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance with statutory requirements |             | (160)                                    | 954   | 0   | 0  | 0  | 794                                       | (794)                                 | <b>0</b>                                   |
| Reversal of items relating to retirement benefits debited or credited to the CI&ES   |             | (55,722)                                 | 0   | 0   | 0  | 0  | (55,722)                                  | 55,722                                | <b>0</b>                                   |
| Amount by which Council Tax income adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation                 |             | 3,729                                    | 0   | 0   | 0  | 0  | 3,729                                     | (3,729)                               | <b>0</b>                                   |

## Sheffield City Council – Statement of Accounts 2015/16

| 2014/15 – Comparative Information (Continued)  |      |                                 |  |                                  |                                     |                                     |                                  |                              |                                   |
|--|------|---------------------------------|--|----------------------------------|-------------------------------------|-------------------------------------|----------------------------------|------------------------------|-----------------------------------|
|  | Note | General Fund<br>Balance<br>£000 | Housing Revenue<br>Account Balance<br>£000 | Major Repairs<br>Reserve<br>£000 | Capital Receipts<br>Reserve<br>£000 | Capital Grants<br>Unapplied<br>£000 | Total Usable<br>Reserves<br>£000 | Unusable<br>Reserves<br>£000 | Total Council<br>Reserves<br>£000 |
|  |      |                                 |  |                                  |                                     |                                     |                                  | 27                           |                                   |
| Amount by which officer remunerations costs calculated in accordance with the code are different from the amount of costs calculated in accordance with statutory requirements |      | 418                             | 0  | 0                                | 0                                   | 0                                   | 418                              | (418)                        | 0                                 |
| <b>Insertion of items not debited or credited to the CI&amp;ES:</b>  |      |                                 |  |                                  |                                     |                                     |                                  |                              |                                   |
| Statutory provision for repayment of debt (MRP)  |      | 30,244                          | 0  | 0                                | 0                                   | 0                                   | 30,244                           | (30,244)                     | 0                                 |
| Voluntary provision for repayment of debt (VMRP)   |      | 0                               | 27   | 0                                | 0                                   | 0                                   | 27                               | (27)                         | 0                                 |
| Revenue Contribution to Major Repairs Reserve  |      | 0                               | 36,389                                     | (36,389)                         | 0                                   | 0                                   | 0                                | 0                            | 0                                 |
| Capital expenditure charged to the General Fund and HRA  |      | (65)                            | 0  | 0                                | 65                                  | 0                                   | 0                                | 0                            | 0                                 |
| Transfer of Capital Receipts (<£10k) to the General Fund and HRA   |      | (104)                           | 0  | 0                                | 104                                 | 0                                   | 0                                | 0                            | 0                                 |
| Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool  |      | (3,020)                         | 0  | 0                                | 3,020                               | 0                                   | 0                                | 0                            | 0                                 |
| Employer's contribution to pension scheme  |      | 101,754                         | 0  | 0                                | 0                                   | 0                                   | 101,754                          | (101,754)                    | 0                                 |
| <b>Capital Financing:</b>  |      |                                 |  |                                  |                                     |                                     |                                  |                              |                                   |
| Use of Capital Receipts Reserve to finance new capital expenditure   |      | 0                               | 0  | 0                                | 8,490                               | 0                                   | 8,490                            | (8,490)                      | 0                                 |
| Use of Major Repairs Reserve to finance new capital expenditure  |      | 0                               | 0  | 25,788                           | 0                                   | 0                                   | 25,788                           | (25,788)                     | 0                                 |
| <b>Other:</b>  |      |                                 |  |                                  |                                     |                                     |                                  |                              |                                   |
| Mortgages transferred from Deferred Capital Receipts Reserve   |      | 0                               | 0  | 0                                | 0                                   | 0                                   | 0                                | 0                            | 0                                 |
| Other  |      | 0                               | 0  | 0                                | 0                                   | 0                                   | 0                                | 0                            | 0                                 |
| <b>Total</b>   |      | <b>(35,249)</b>                 | <b>76,718</b>                              | <b>(27,819)</b>                  | <b>(4,002)</b>                      | <b>1,800</b>                        | <b>11,448</b>                    | <b>(11,448)</b>              | <b>0</b>                          |

**10. Transfers (to) / from Earmarked Reserves**

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

|  | Note | 1 April 2014 Restated £000 | Transfer Out 2014/15 Restated £000 | Transfer In 2014/15 Restated £000 | 31 March 2015 Restated £000 | Transfer Out 2015/16 £000 | Transfer In 2015/16 £000 | 31 March 2016 £000 |
|--|------|----------------------------|------------------------------------|-----------------------------------|-----------------------------|---------------------------|--------------------------|--------------------|
| <b>Earmarked General Fund Reserves:</b>  |      |                            |                                    |                                   |                             |                           |                          |                    |
| Schools Reserves                         | 26   | (16,277)                   | 0                                  | (1,741)                           | (18,018)                    | 1,013                     | 0                        | (17,005)           |
| Revenue Grants and Contributions         | 26   | (400)                      | 0                                  | 0                                 | (400)                       | 0                         | (68)                     | (468)              |
| <i>Other Earmarked Revenue Reserves:</i> |      |                            |                                    |                                   |                             |                           |                          |                    |
| - Insurance Fund                         | 26   | (9,394)                    | 0                                  | (2,125)                           | (11,519)                    | 866                       | 0                        | (10,653)           |
| - New Homes Bonus (NHB)                  |      | (1,555)                    | 0                                  | (367)                             | (1,922)                     | 0                         | (3,605)                  | (5,527)            |
| - Major Sporting Facilities              |      | (22,826)                   | 52                                 | 0                                 | (22,774)                    | 0                         | (15,234)                 | (38,008)           |
| - PFI Future Expenditure                 |      | (12,175)                   | 1,010                              | 0                                 | (11,165)                    | 0                         | (17,145)                 | (28,310)           |
| - Public Health Reserves                 |      | 0                          | 0                                  | (2,005)                           | (2,005)                     | 973                       | 0                        | (1,032)            |
| - Service Area Reserves                  |      | (7,569)                    | 0                                  | (2,861)                           | (10,430)                    | 0                         | (44)                     | (10,474)           |
| - Other Reserves                         |      | (20,639)                   | 0                                  | (11,993)                          | (32,632)                    | 0                         | (25,292)                 | (57,924)           |
| <b>Total</b>                             |      | <b>(90,835)</b>            | <b>1,062</b>                       | <b>(21,092)</b>                   | <b>(110,865)</b>            | <b>2,852</b>              | <b>(61,388)</b>          | <b>(169,401)</b>   |

**11. Other Operating Expenditure**

The following table provides a breakdown of Other Operating Expenditure:

| 2014/15 £000  |   | 2015/16 £000  |
|---------------|---|---------------|
| 491           | Precepts (paid to non-principal authorities)        | 493           |
| 3,020         | Payments to the housing capital receipts pool       | 3,405         |
| 64,216        | (Gain) / loss on the disposal of non-current assets | 44,623        |
| 740           | Pension Administration Expenses                     | 734           |
| <b>68,467</b> | <b>Total</b>  | <b>49,255</b> |

**12. Financing and Investment Income and Expenditure**

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

| 2014/15<br>£000 |   | Note | 2015/16<br>£000 |
|-----------------|---|------|-----------------|
| 68,492          | Interest payable and similar charges  |      | 70,674          |
| 28,182          | Pensions interest cost and expected return on pensions assets                               |      | 26,798          |
| (1,075)         | Interest receivable and similar income  |      | (1,177)         |
| 1,654           | (Surplus) on Trading Undertakings   | 32   | (1,661)         |
| (75)            | Income from Partnership Organisations   |      | (14)            |
| 0               | Income and Expenditure in relation to Investment Properties and changes to their fair value |      | (20,327)        |
| <b>97,178</b>   | <b>Total</b>  |      | <b>74,293</b>   |

**13. Taxation and Non Specific Grant Income**

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

| £000      | 2014/15<br>£000  |  | Note | £000      | 2015/16<br>£000  |
|-----------|------------------|--|------|-----------|------------------|
|           | (169,704)        | Council Tax Income   |      |           | (175,444)        |
|           | (100,667)        | NNDR Distribution  |      |           | (98,756)         |
|           |                  | <i>Non-ring fenced government grants:</i>                        | 39   |           |                  |
| (157,463) |                  | - Revenue Support Grant (RSG)                                    |      | (115,837) |                  |
| (71,116)  |                  | - Private Finance Initiative Grant (PFI)                         |      | (73,443)  |                  |
| (1,968)   |                  | - Council Tax Freeze Grant                                       |      | 0         |                  |
| (12,399)  |                  | - Funding from the Health Service (Clinical Commissioning Group) |      | (16,399)  |                  |
| (6,387)   |                  | - New Homes Bonus  |      | (7,733)   |                  |
| (155)     |                  | - Local Support Services Grant                                   |      | (110)     |                  |
| (2,733)   |                  | - Small Business Rates Relief                                    |      | (3,468)   |                  |
| (1,640)   |                  | - Business Rates Multiplier Cap                                  |      | (1,967)   |                  |
| 0         |                  | - Independent Living Fund  |      | (2,195)   |                  |
| (28,342)  |                  | - Business Rates Top-up Grant                                    |      | (28,883)  |                  |
| (45)      |                  | - Business Rates Transfer Protection Grant                       |      | 0         |                  |
| (34)      |                  | - Other  |      | (24)      |                  |
|           | (282,282)        |  |      |           | (250,059)        |
|           | (552,653)        |  |      |           | (524,259)        |
|           | (60,366)         | Capital Grants and Contributions                                 | 39   |           | (69,019)         |
|           | <b>(613,019)</b> | <b>Total</b>   |      |           | <b>(593,278)</b> |

**14. Property, Plant and Equipment (PPE)**

Movements on Balances:

| <b>Movements in 2015/16</b>   |                                   |  |   |                                       |                                  |                                |   |                           |  |
|---|-----------------------------------|--|---|---------------------------------------|----------------------------------|--------------------------------|---|---------------------------|--|
|   | <b>Council Dwellings<br/>£000</b> | <b>Other Land and<br/>Buildings<br/>£000</b> | <b>Vehicles, Plant, Furniture<br/>and Equipment (VPFE)<br/>£000</b> | <b>Infrastructure Assets<br/>£000</b> | <b>Community Assets<br/>£000</b> | <b>Surplus Assets<br/>£000</b> | <b>Assets Under<br/>Construction<br/>£000</b> | <b>Total PPE<br/>£000</b> | <b>Total PFI Assets included<br/>in PPE<br/>£000</b> |
| <b>Cost or Valuation:</b>   |                                   |  |   |                                       |                                  |                                |   |                           |  |
| At 1 April 2015   | 904,586                           | 670,181                                      | 88,695  | 767,898                               | 34,889                           | 123,167                        | 8,854   | <b>2,598,270</b>          | <b>263,631</b>                                       |
| Additions - recognition   | 0                                 | 0  | 0   | 0                                     | 0                                | 0                              | 4,888   | <b>4,888</b>              | <b>0</b>   |
| Additions - programmed investment   | 67,869                            | 37,357                                       | 1,080   | 102,951                               | 2,554                            | 2,561                          | 50,312  | <b>264,684</b>            | <b>47,404</b>  |
| Revaluation increases / (decreases)<br>recognised in the Revaluation<br>Reserve             | 87                                | 3,759  | 0   | 0                                     | 546                              | 8,052                          | 14,073  | <b>26,517</b>             | <b>0</b>   |
| Revaluation increases / (decreases)<br>to Surplus / Deficit on the Provision<br>of Services | (48,645)                          | (5,496)                                      | 0   | 0                                     | (4,914)                          | (20,912)                       | (395)   | <b>(80,362)</b>           | <b>(29)</b>  |
| De-recognition – disposals  | (8,604)                           | (34,276)                                     | (37)  | 0                                     | (112)                            | (10,112)                       | (11,860)                                      | <b>(65,001)</b>           | <b>0</b>   |
| De-recognition – other  | 0                                 | 0  | 0   | 0                                     | 0                                | 0                              | 0   | <b>0</b>                  | <b>0</b>   |
| Reclassification and transfers  | (1,306)                           | 2,450  | 0   | 0                                     | 2,116                            | (5,439)                        | 101   | <b>(2,078)</b>            | <b>24</b>  |
| <b>At 31 March 2016</b>   | <b>913,987</b>                    | <b>673,975</b>                               | <b>89,738</b>   | <b>870,849</b>                        | <b>35,079</b>                    | <b>97,317</b>                  | <b>65,973</b>                                 | <b>2,746,918</b>          | <b>311,030</b>                                       |

## Sheffield City Council – Statement of Accounts 2015/16

| <b>Movements in 2015/16 (Continued)</b>  |                                   |  |  |                                       |                                  |                                |   |                           |  |
|--|-----------------------------------|--|--|---------------------------------------|----------------------------------|--------------------------------|---|---------------------------|--|
|  | <b>Council Dwellings<br/>£000</b> | <b>Other Land and Buildings<br/>£000</b> | <b>Vehicles, Plant, Furniture<br/>and Equipment<br/>£000</b> | <b>Infrastructure Assets<br/>£000</b> | <b>Community Assets<br/>£000</b> | <b>Surplus Assets<br/>£000</b> | <b>Assets Under<br/>Construction<br/>£000</b> | <b>Total PPE<br/>£000</b> | <b>Total PFI Assets included<br/>in PPE<br/>£000</b> |
| <b>Accumulated Depreciation and Impairment:</b>  |                                   |  |  |                                       |                                  |                                |   |                           |  |
| At 1 April 2015  | 0                                 | (32,037)                                 | (18,599)   | (176,042)                             | 0                                | (1,636)                        | 0   | <b>(228,314)</b>          | <b>(939)</b>   |
| Depreciation charge  | (17,117)                          | (16,879)                                 | (5,989)  | (23,120)                              | 0                                | (713)                          | 0   | <b>(63,818)</b>           | <b>(4,019)</b>                                       |
| Depreciation written out to the Revaluation Reserve  | 265                               | 3,225                                    | 0  | 0                                     | 0                                | 938                            | 56  | <b>4,484</b>              | <b>0</b>   |
| Depreciation written out to the Surplus / Deficit on the Provision of Services                   | 16,857                            | 1,671                                    | 0  | 0                                     | 9                                | 42                             | 0   | <b>18,579</b>             | <b>0</b>   |
| Impairment (losses) / reversals recognised in the Revaluation Reserve                            | (498)                             | 1,888                                    | 0  | 0                                     | 0                                | 1,002                          | 0   | <b>2,392</b>              | <b>0</b>   |
| Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services | 498                               | 52                                       | 0  | 0                                     | 0                                | 8,888                          | 0   | <b>9,438</b>              | <b>0</b>   |
| De-recognition - disposals   | 0                                 | 3,125                                    | 24   | 0                                     | 0                                | 90                             | 197   | <b>3,436</b>              | <b>0</b>   |
| De-recognition - other   | 0                                 | 0  | 0  | 0                                     | 0                                | 0                              | 0   | <b>0</b>                  | <b>0</b>   |
| Reclassification and Transfers   | (5)                               | 214                                      | 0  | 0                                     | (9)                              | (8,629)                        | (253)   | <b>(8,682)</b>            | <b>0</b>   |
| <b>At 31 March 2016</b>  | <b>0</b>                          | <b>(38,741)</b>                          | <b>(24,564)</b>  | <b>(199,162)</b>                      | <b>0</b>                         | <b>(18)</b>                    | <b>0</b>                                      | <b>(262,485)</b>          | <b>(4,958)</b>                                       |
| <b>Net Book Value:</b>   |                                   |  |  |                                       |                                  |                                |   |                           |  |
| At 31 March 2016   | 913,987                           | 635,234                                  | 65,174   | 671,687                               | 35,079                           | 97,299                         | 65,973  | <b>2,484,433</b>          | <b>306,072</b>                                       |
| At 31 March 2015   | 904,586                           | 638,144                                  | 70,096   | 591,856                               | 34,889                           | 121,531                        | 8,854   | <b>2,369,956</b>          | <b>262,692</b>                                       |

## Sheffield City Council – Statement of Accounts 2015/16

| <b>Movements in 2014/15</b>   |                                   |  |   |                                       |                                  |                                |   |                           |  |
|---|-----------------------------------|--|---|---------------------------------------|----------------------------------|--------------------------------|---|---------------------------|--|
|   | <b>Council Dwellings<br/>£000</b> | <b>Other Land and<br/>Buildings<br/>£000</b> | <b>Vehicles, Plant, Furniture<br/>and Equipment (VPFE)<br/>£000</b> | <b>Infrastructure Assets<br/>£000</b> | <b>Community Assets<br/>£000</b> | <b>Surplus Assets<br/>£000</b> | <b>Assets Under<br/>Construction<br/>£000</b> | <b>Total PPE<br/>£000</b> | <b>Total PFI Assets included<br/>in PPE *<br/>£000</b> |
| <b>Cost or Valuation:</b>   |                                   |  |   |                                       |                                  |                                |   |                           |  |
| At 1 April 2014   | 864,529                           | 768,707                                      | 84,328  | 668,221                               | 35,125                           | 126,760                        | 6,987   | <b>2,554,657</b>          | <b>287,244</b>   |
| Additions - recognition   | 0                                 | 0  | 0   | 0                                     | 0                                | 0                              | 0   | <b>0</b>                  | <b>0</b>   |
| Additions - programmed investment   | 26,596                            | 19,669                                       | 2,651   | 99,677                                | 1,217                            | 16,695                         | 8,580   | <b>175,085</b>            | <b>39,895</b>  |
| Opening balance corrections   | 0                                 | 0  | 0   | 0                                     | 0                                | 0                              | 0   | <b>0</b>                  | <b>0</b>   |
| Revaluation increases / (decreases)<br>recognised in the Revaluation<br>Reserve             | (10)                              | (1,718)                                      | 5,595   | 0                                     | 288                              | 7,112                          | 0   | <b>11,267</b>             | <b>(6,489)</b>   |
| Revaluation increases / (decreases)<br>to Surplus / Deficit on the Provision<br>of Services | 22,070                            | (57,429)                                     | 0   | 0                                     | (1,665)                          | (1,881)                        | 0   | <b>(38,905)</b>           | <b>(32,467)</b>  |
| De-recognition – disposals  | (8,434)                           | (58,830)                                     | (3,879)   | 0                                     | (12)                             | (7,079)                        | (6,713)                                       | <b>(84,947)</b>           | <b>(24,557)</b>  |
| De-recognition – other  | 0                                 | 0  | 0   | 0                                     | 0                                | 0                              | 0   | <b>0</b>                  | <b>0</b>   |
| Reclassification and transfers  | (165)                             | (218)  | 0   | 0                                     | (64)                             | (18,440)                       | 0   | <b>(18,887)</b>           | <b>5</b>   |
| Council Dwelling adjustment to re-<br>set Net Book Value (NBV)                              | 0                                 | 0  | 0   | 0                                     | 0                                | 0                              | 0   | <b>0</b>                  | <b>0</b>   |
| <b>At 31 March 2015</b>   | <b>904,586</b>                    | <b>670,181</b>                               | <b>88,695</b>   | <b>767,898</b>                        | <b>34,889</b>                    | <b>123,167</b>                 | <b>8,854</b>                                  | <b>2,598,270</b>          | <b>263,631</b>   |

| <b>Movements in 2014/15 (Continued)</b>  |                                   |  |  |                                       |                                  |                                |   |                           |  |
|--|-----------------------------------|--|--|---------------------------------------|----------------------------------|--------------------------------|---|---------------------------|--|
|  | <b>Council Dwellings<br/>£000</b> | <b>Other Land and Buildings<br/>£000</b> | <b>Vehicles, Plant, Furniture<br/>and Equipment<br/>£000</b> | <b>Infrastructure Assets<br/>£000</b> | <b>Community Assets<br/>£000</b> | <b>Surplus Assets<br/>£000</b> | <b>Assets Under<br/>Construction<br/>£000</b> | <b>Total PPE<br/>£000</b> | <b>Total PFI Assets included<br/>in PPE *<br/>£000</b> |
| <b>Accumulated Depreciation and Impairment:</b>  |                                   |  |  |                                       |                                  |                                |   |                           |  |
| At 1 April 2014  | 0                                 | (32,277)                                 | (27,925)   | (156,162)                             | 0                                | (1,826)                        | 0   | <b>(218,190)</b>          | <b>(19,544)</b>  |
| Depreciation charge  | (16,884)                          | (19,877)                                 | (6,791)  | (19,880)                              | 0                                | (814)                          | 0   | <b>(64,246)</b>           | <b>(5,823)</b>   |
| Depreciation written out to the Revaluation Reserve  | 39                                | 13,655                                   | 13,233   | 0                                     | 18                               | 367                            | 0   | <b>27,312</b>             | <b>22,832</b>  |
| Depreciation written out to the Surplus / Deficit on the Provision of Services                   | 16,858                            | 2,609                                    | 0  | 0                                     | 0                                | 183                            | 0   | <b>19,650</b>             | <b>0</b>   |
| Impairment (losses) / reversals recognised in the Revaluation Reserve                            | (3)                               | 510                                      | 0  | 0                                     | 0                                | (5)                            | 0   | <b>502</b>                | <b>0</b>   |
| Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services | 3                                 | 364                                      | 0  | 0                                     | 0                                | 5                              | 0   | <b>372</b>                | <b>0</b>   |
| De-recognition – disposals   | (1)                               | 2,471                                    | 2,884  | 0                                     | 0                                | 204                            | 0   | <b>5,558</b>              | <b>1,596</b>   |
| De-recognition - other   | 0                                 | 0  | 0  | 0                                     | 0                                | 0                              | 0   | <b>0</b>                  | <b>0</b>   |
| Reclassification and Transfers   | (12)                              | 508                                      | 0  | 0                                     | (18)                             | 250                            | 0   | <b>728</b>                | <b>0</b>   |
| Council Dwelling adjustment to re-set Net Book Value (NBV)                                       | 0                                 | 0  | 0  | 0                                     | 0                                | 0                              | 0   | <b>0</b>                  | <b>0</b>   |
| <b>At 31 March 2015</b>  | <b>0</b>                          | <b>(32,037)</b>                          | <b>(18,599)</b>  | <b>(176,042)</b>                      | <b>0</b>                         | <b>(1,636)</b>                 | <b>0</b>                                      | <b>(228,314)</b>          | <b>(939)</b>   |
| <b>Net Book Value:</b>   |                                   |  |  |                                       |                                  |                                |   |                           |  |
| At 31 March 2015   | 904,586                           | 638,144                                  | 70,096   | 591,856                               | 34,889                           | 121,531                        | 8,854   | <b>2,369,956</b>          | <b>262,692</b>   |
| At 31 March 2014   | 864,529                           | 736,430                                  | 56,403   | 512,059                               | 35,125                           | 124,934                        | 6,987   | <b>2,336,467</b>          | <b>267,700</b>   |

## Depreciation

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

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

## Capital Commitments

At 31 March 2016 the Council has entered into a number of construction contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 onwards. Future years budgeted costs are £191.6m, with similar commitments at 31 March 2015 of £192.3m. The major increase is due to the letting of significant investment contracts on Council Housing. The major commitments are:

| <b>31 March 2015</b> |                                | <b>31 March 2016</b> |
|----------------------|--------------------------------|----------------------|
| <b>£000</b>          |                                | <b>£000</b>          |
| 21,713               | Schools Refurbishment          | 12,437               |
| 18,269               | Decent Homes / Council Housing | 70,902               |
| 95,727               | Highways Infrastructure        | 68,229               |
| 56,595               | Other                          | 40,022               |
| <b>192,304</b>       | <b>Total</b>                   | <b>191,590</b>       |

## Revaluations

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

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

Council Dwellings are measured at Existing Use Value - Social Housing based on freehold vacant possession values by Beacon and adjusted by a regional adjustment factor, determined by Communities and Local Government (CLG). The adjustment factor has not been revised during 2015/16.

Since 2005 there has been a programme of modernisation and improvement work to bring the properties up to the Government's Decent Homes Standards. Currently 37,047 dwellings, approximately 92% of the current stock meet the Decent Homes Standards. As part of the 5 year Rolling Programme 20% of the Beacons have been revalued this year on the basis that the properties have been improved.

Where the Decent Homes programme has fallen behind there was a potential shortfall in the 5 yearly revaluation programme affecting the 3,150 properties not yet improved. To address this Kier Asset Partnership Services (KAPS) has valued these properties on the

assumption they have met Decent Homes Standards then applied a deflator of 12.5% to reflect that they are still unimproved. This deflator was derived from analysis of the mean percentage increase of the properties improved this year. The general market adjustment of 3.36% has then been applied to these figures to give a value as at 31 March 2016.

For those categories reported at Fair Value or Current Value, the Council re-values the assets at least every five years, on a rolling programme of valuations. The following statement splits the value of those asset categories, into the years the assets were most recently valued. De-minimis assets, valued at under £25k, are carried at historic cost.

|                                   | <b>Council Dwellings</b> | <b>Other Land and Buildings</b> | <b>Vehicles, Plant, Furniture and Equipment</b> | <b>Surplus Assets</b> | <b>Total</b>     |
|-----------------------------------|--------------------------|---------------------------------|---|-----------------------|------------------|
|                                   | <b>£000</b>              | <b>£000</b>                     | <b>£000</b>                                     | <b>£000</b>           | <b>£000</b>      |
| <b>Carried at Historical Cost</b> | <b>0</b>                 | <b>4,114</b>                    | <b>510</b>                                      | <b>500</b>            | <b>5,124</b>     |
| Valued at Fair Value as at:       |                          |                                 |   |                       |                  |
| 31 March 2016                     | <b>913,987</b>           | <b>88,199</b>                   | <b>56,134</b>                                   | <b>95,064</b>         | <b>1,153,384</b> |
| 31 March 2015                     | 0                        | 68,229                          | 2,447   | 578                   | 71,254           |
| 31 March 2014                     | 0                        | 128,999                         | 2,822   | 724                   | 132,545          |
| 31 March 2013                     | 0                        | 147,291                         | 235   | 353                   | 147,879          |
| 31 March 2012                     | 0                        | 198,402                         | 3,026   | 80                    | 201,508          |
| <b>Total Cost or Valuation</b>    | <b>913,987</b>           | <b>635,234</b>                  | <b>65,174</b>                                   | <b>97,299</b>         | <b>1,711,694</b> |

### Fair Value Hierarchy – Surplus Assets

Following the 2015/16 implementation of IFRS 13, Fair Value Measurement, the Council's surplus assets have been revalued to fair value as at 31 March 2016. All surplus assets above a de-minimis value of £25k have been revalued in 2015/16.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorized within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

Details of the Council's Surplus Assets and information about the fair value hierarchy as at 31 March 2016 are as follows:

| Recurring fair value measurements using: | Quoted prices in active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Fair value as at 31 March 2016 |
|--|--|---|---|--------------------------------|
|  | £000   | £000  | £000                                      | £000                           |
| Assets valued by Market Approach         | 0  | 95,392  | 0   | 95,392                         |
| De-minimis Assets                        | 0  | 156   | 1,751                                     | 1,907                          |
| <b>Total</b>                             | <b>0</b>   | <b>95,548</b>                                 | <b>1,751</b>                              | <b>97,299</b>                  |

### Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year.

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

#### Significant Observable Inputs – Level 2

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

#### De-minimis (Assets valued under £25k)

Of the surplus assets that are considered de-minimis, 50 are categorised at level 2 in the fair value hierarchy as they have been valued as part of the 2015/16 rolling programme on the same basis as other surplus assets above.

A further 722 de-minimis assets are categorised at level 3 in the fair value hierarchy. Some of these valuations are historic and / or based on unobservable inputs and these assets have been identified as requiring review as part of a wider improvement project for the asset register.

**15. Heritage Assets**

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

| 2015/16  |                               |                           |                                |                      |                               |                           |                                |                      |                      |
|--|-------------------------------|---------------------------|--------------------------------|----------------------|-------------------------------|---------------------------|--------------------------------|----------------------|----------------------|
|  | Reported at Cost              |                           |                                |                      | Reported at Valuation         |                           |                                |                      | Total Assets<br>£000 |
|  | Museums and Galleries<br>£000 | Civic Collections<br>£000 | Archives and Libraries<br>£000 | Public Realm<br>£000 | Museums and Galleries<br>£000 | Civic Collections<br>£000 | Archives and Libraries<br>£000 | Public Realm<br>£000 |                      |
| <b>Cost or Valuation:</b>  |                               |                           |                                |                      |                               |                           |                                |                      |                      |
| At 1 April 2015  | 22                            | 48                        | 0                              | 20                   | 58,500                        | 1,000                     | 3,182                          | 0                    | <b>62,772</b>        |
| Additions  | 26                            | 0                         | 0                              | 148                  | 0                             | 0                         | 0                              | 0                    | <b>174</b>           |
| Revaluation increases / (decreases) in the Revaluation Reserve                                       | 0                             | 0                         | 0                              | 0                    | 200                           | 0                         | 96                             | 0                    | <b>296</b>           |
| Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provisions of Service | (26)                          | 0                         | 0                              | (254)                | 0                             | 0                         | 0                              | 0                    | <b>(280)</b>         |
| Transfers in   | 0                             | 0                         | 0                              | 106                  | 0                             | 0                         | 0                              | 0                    | <b>106</b>           |
| <b>At 31 March 2016</b>  | <b>22</b>                     | <b>48</b>                 | <b>0</b>                       | <b>20</b>            | <b>58,700</b>                 | <b>1,000</b>              | <b>3,278</b>                   | <b>0</b>             | <b>63,068</b>        |
| <b>Depreciation and Impairment:</b>  |                               |                           |                                |                      |                               |                           |                                |                      |                      |
| At 1 April 2015  | (3)                           | 0                         | 0                              | 0                    | 0                             | 0                         | 0                              | 0                    | <b>(3)</b>           |
| Depreciation   | (1)                           | 0                         | 0                              | 0                    | 0                             | 0                         | 0                              | 0                    | <b>(1)</b>           |
| <b>At 31 March 2016</b>  | <b>(4)</b>                    | <b>0</b>                  | <b>0</b>                       | <b>0</b>             | <b>0</b>                      | <b>0</b>                  | <b>0</b>                       | <b>0</b>             | <b>(4)</b>           |
| <b>Net Book Value:</b>   |                               |                           |                                |                      |                               |                           |                                |                      |                      |
| At 31 March 2016   | 18                            | 48                        | 0                              | 20                   | 58,700                        | 1,000                     | 3,278                          | 0                    | <b>63,064</b>        |
| At 31 March 2015   | 19                            | 48                        | 0                              | 20                   | 58,500                        | 1,000                     | 3,182                          | 0                    | <b>62,769</b>        |

| 2014/15 comparative information  |                               |                           |                                |                      |                               |                           |                                |                      |                      |
|--|-------------------------------|---------------------------|--------------------------------|----------------------|-------------------------------|---------------------------|--------------------------------|----------------------|----------------------|
|  | Reported at Cost              |                           |                                |                      | Reported at Valuation         |                           |                                |                      | Total Assets<br>£000 |
|  | Museums and Galleries<br>£000 | Civic Collections<br>£000 | Archives and Libraries<br>£000 | Public Realm<br>£000 | Museums and Galleries<br>£000 | Civic Collections<br>£000 | Archives and Libraries<br>£000 | Public Realm<br>£000 |                      |
| <b>Cost or Valuation:</b>  |                               |                           |                                |                      |                               |                           |                                |                      |                      |
| At 1 April 2014  | 26                            | 48                        | 0                              | 0                    | 58,500                        | 1,000                     | 3,182                          | 0                    | <b>62,756</b>        |
| Additions  | 222                           | 0                         | 0                              | 57                   | 0                             | 0                         | 0                              | 0                    | <b>279</b>           |
| Revaluation increases / (decreases) in the Revaluation Reserve                                       | 0                             | 0                         | 0                              | 10                   | 0                             | 0                         | 0                              | 0                    | <b>10</b>            |
| Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provisions of Service | (226)                         | 0                         | 0                              | (57)                 | 0                             | 0                         | 0                              | 0                    | <b>(283)</b>         |
| Transfers in   | 0                             | 0                         | 0                              | 10                   | 0                             | 0                         | 0                              | 0                    | <b>10</b>            |
| <b>At 31 March 2015</b>  | <b>22</b>                     | <b>48</b>                 | <b>0</b>                       | <b>20</b>            | <b>58,500</b>                 | <b>1,000</b>              | <b>3,182</b>                   | <b>0</b>             | <b>62,772</b>        |
| <b>Depreciation and Impairment:</b>  |                               |                           |                                |                      |                               |                           |                                |                      |                      |
| At 1 April 2014  | (2)                           | 0                         | 0                              | 0                    | 0                             | 0                         | 0                              | 0                    | <b>(2)</b>           |
| Depreciation   | (1)                           | 0                         | 0                              | 0                    | 0                             | 0                         | 0                              | 0                    | <b>(1)</b>           |
| <b>At 31 March 2015</b>  | <b>(3)</b>                    | <b>0</b>                  | <b>0</b>                       | <b>0</b>             | <b>0</b>                      | <b>0</b>                  | <b>0</b>                       | <b>0</b>             | <b>(3)</b>           |
| <b>Net Book Value:</b>   |                               |                           |                                |                      |                               |                           |                                |                      |                      |
| At 31 March 2015   | 19                            | 48                        | 0                              | 20                   | 58,500                        | 1,000                     | 3,182                          | 0                    | <b>62,769</b>        |
| At 31 March 2014   | 24                            | 48                        | 0                              | 0                    | 58,500                        | 1,000                     | 3,182                          | 0                    | <b>62,754</b>        |

There were no significant acquisitions or disposals in 2015/16 or 2014/15.

## Museums and Galleries

### Museums Sheffield

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

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

- **Decorative Art Collection** – including approximately 16,000 examples of art, craft and design, British ceramics, glass, horology and an outstanding collection of Chinese carved ivories.
- **Visual Art Collection** – comprises over 6,000 items of British and European Art dating from the 1500s to the present, of which the most significant area is the Modern British collection. This includes key acquisitions by artists including Marc Quinn, Sam Taylor-Wood, Hew Locke, Sutapa Biswas and Czech artist Katerina Seda.
- **Social History Collection** – has strong family and community connections with the people of Sheffield and comprises around 25,000 objects including ephemera, personalia, costume, domestic items, furniture, and approximately 1,500 watercolours, drawings, prints and oil paintings documenting the changing city.
- **Coins, Medals and Token Collection** – number around 8,000 items and owe their origin to the Sheffield Literary and Philosophical Society. It dates from Roman and Greek pieces to 20<sup>th</sup> century coins from all over the world.
- **Arms and Armour Collection** – consists of Japanese and Indo-Iranian swords, shields and helmets alongside 200 European military, practical and sporting guns from the late 1600s onwards.
- **Archaeology Collection** – is of regional and national importance and comprises material dating from pre-history to the 20<sup>th</sup> century and includes the Anglo Saxon Benty Grange Helmet.
- **Natural Sciences Collection** – is of major regional significance and comprises: Botany, Entomology, Geology, Osteology, Zoology and extensive data relating to collectors, field recording and meteorology comprising over 60,000 biological and geological records.
- **World Cultures Collection** – was acquired by nineteenth century Sheffield travellers and contains 2,000 items from across the globe.

### **Sheffield Industrial Museums Trust**

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

### **Kelham Island Museum**

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

- **Heavy Industries Collections** – cover the Iron and Steel Industry, the Armaments Industry, the Transport Collection, Scientific and Technological Research, Extraction and Refractory Industries and engineering. The museum holds a comprehensive collection of about 6,000 items which relate to the general production of steel and other metals and the manufacture of metal, particularly steel, products.

- **Light Trades Industries Collections** – are represented by items relating to cutlery manufacture, hollowware and tool making industries.
- **General Trades Collection** – covers a range of non-metal working industries, such as brewing, retail and food production. The collection numbering about 550 items represents Sheffield's other manufacturing industries, including, button making, bookbinding and printing, snuff making, watch and clock making, shoemaking and needle and pin manufacture.
- **Library, Archive and Ephemera Collections** – include the historic documents and plans, the historic photographs, paintings and films, published books and journals and the personal and ephemera of local peoples and companies.

### **Abbeydale Industrial Hamlet**

The Hamlet is a collection of buildings, associated machinery and objects relating to the manufacture of edge tools, especially scythes. The site is a Grade 1 Listed building and a Scheduled Ancient Monument. The buildings and machinery include a crucible shop, water powered tilt hammers, grinding hull, scythe riveting shop, blacking shop along with workers cottages and a manager's cottage.

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

### **Shepherd Wheel**

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

### **Bishops House**

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

### **Civic Collections**

The Civic Collections include commemorative items and gifts of silverware and paintings given to the city. There are also examples of products manufactured by Sheffield's industries. The artefacts are displayed throughout the Town Hall and include the statue of

the first Lord Mayor of Sheffield, the 15<sup>th</sup> Duke of Norfolk and a marble bust of Queen Victoria located on the main staircase.

## **Archives and Libraries**

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

## **Public Realm**

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

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

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

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

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

## 16. Investment Properties

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

|  | 2014/15<br>£000 | 2015/16<br>£000 |
|--|-----------------|-----------------|
| Rental income from investment property                     | 0               | (267)           |
| Direct operating expenses arising from investment property | 0               | 0               |
| Net gain/(loss)  | 0               | (267)           |

The assets held as Investment Properties are small and large format advertising hoarding contracts. The Council has separate contracts for each format, both of which derive a rental income and places the responsibility on the company to pay the rates liability in respect of each site. The small format contract also affords the Council space to utilise the advertising space to promote City based events and activities.

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

| 2014/15<br>£000 | Cost or Valuation   | 2015/16<br>£000 |
|-----------------|---------------------|-----------------|
| 1,489           | Balance at 1 April  | 1,495           |
| 6               | Revaluations        | 20,060          |
| 1,495           | Balance at 31 March | 21,555          |

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

### Fair Value Hierarchy

To conform with the requirements of IFRS 13, Fair Value measurement, details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2016 are as follows:

| <i>Recurring fair value measurements using:</i> | Quoted prices in active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Fair value as at 31 March 2016 |
|---|--|---|---|--------------------------------|
|   | £000   | £000  | £000                                      | £000                           |
| Advertising Hoardings                           | -  | 21,555  | -   | 21,555                         |
| <b>Total</b>                                    | -  | <b>21,555</b>                                 | -   | <b>21,555</b>                  |

### Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year.

## **Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties**

### Significant Observable Inputs – Level 2

The fair value for the investment properties, i.e. the small and large advertising hoarding contracts, has been measured using the income approach. It has been established by taking the net direct revenue payable under the contract for the unexpired term of each Contract multiplied by a yield determined by market conditions, contractual terms and the covenant strength of the contracted party. They have been categorised at Level 2 in the fair value hierarchy as both Contracts have been subject to individual competitive tender exercises and the resulting revenues are the rate at which the specific sector assesses to be 'market value'.

### Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

### Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

### **Valuation Process for Investment Properties**

The fair value of the Council's investment property is measured annually at each reporting date. All valuations were carried out by Kier Asset Partnership Services (KAPS) and instructed by Mr N. Seneviratne FRICS, Director of Capital and Major Projects. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

**17. Financial Instruments**

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

| Current         | Long Term          |   | Current         | Long Term          |
|-----------------|--------------------|---|-----------------|--------------------|
| 31 March 2015   | 31 March 2015      |   | 31 March 2016   | 31 March 2016      |
| £000            | £000               |   | £000            | £000               |
| (5,039)         | (673,964)          | Financial liabilities (Principal amount)  | (18,249)        | (721,715)          |
| (7,449)         | 0                  | Accrued Interest                          | (7,537)         | 0                  |
| 0               | (7,552)            | Accounting Adjustments                    | 0               | (7,493)            |
| (12,488)        | (681,516)          | Financial liabilities at amortised cost   | (25,786)        | (729,208)          |
| <b>(12,488)</b> | <b>(681,516)</b>   | <b>Total borrowing</b>                    | <b>(25,786)</b> | <b>(729,208)</b>   |
| (11,444)        | (351,668)          | PFI and finance lease liabilities         | (13,838)        | (381,391)          |
| <b>(23,932)</b> | <b>(1,033,184)</b> | <b>Total other long term liabilities</b>  | <b>(39,624)</b> | <b>(1,110,599)</b> |
| 45,000          | 0                  | Loans and receivables (principal amount)  | 15,000          | 0                  |
| 231             |                    | Accrued Interest                          | 37              |                    |
| 0               |                    | Accounting Adjustments                    | 0               |                    |
| 45,231          | 0                  | Loans and receivables (at amortised cost) | 15,037          | 0                  |
| 56,154          | 0                  | Cash and Cash Equivalents                 | 71,709          | 0                  |
| <b>101,385</b>  | <b>0</b>           | <b>Total investment</b>                   | <b>86,746</b>   | <b>0</b>           |
| <b>0</b>        | <b>456</b>         | <b>Soft Loans Provided</b>                | <b>0</b>        | <b>351</b>         |

**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 - Sheffield Galleries and Museums Trust Loan**

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

Interest is credited at a marginally higher effective rate of interest than the rate receivable from SMGT, with the difference serving to increase the amortised cost of the loan 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).

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

| <b>31 March 2015</b> |                                      | <b>31 March 2016</b> |
|----------------------|--------------------------------------|----------------------|
| <b>£000</b>          |                                      | <b>£000</b>          |
| 570                  | Opening Balance                      | 456                  |
| 28                   | Increase in the Discounted Amount    | 25                   |
| (12)                 | Fair Value Adjustment                | 0                    |
| (130)                | Loan Repayment                       | (130)                |
| <b>456</b>           | <b>Balance Carried Forward</b>       | <b>351</b>           |
| <b>520</b>           | <b>Nominal Value Carried Forward</b> | <b>390</b>           |

### **Note 3 – Capitalisation of Interest**

We have chosen to apply IAS32 by capitalising borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of those assets: in line with our accounting policy XIX Property, Plant & Equipment.

The policy states that borrowing costs are capitalised for capital projects that take a substantial period of time to get ready for intended use, determined as a construction / development period of two years or more and until the construction is complete. However, this policy does not apply to projects that are predominantly grant funded.

In accordance with this policy, we have capitalised interest of £1.553m (2014/15 nil) using a capitalisation rate of 4.3% in relation to the on-going development of the Sheffield Retail Quarter.

## Financial Instrument Gain / Losses

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

| Financial Liabilities | 2014/15                               |                                       | Total |   | 2015/16               |                                       | Total           |
|-----------------------|---------------------------------------|---------------------------------------|-------|---|-----------------------|---------------------------------------|-----------------|
|                       | Financial Assets Loans and Receivable | Financial Assets Loans and Receivable |       |   | Financial Liabilities | Financial Assets Loans and Receivable |                 |
| £000                  | £000                                  | £000                                  | £000  | £000  | £000                  | £000                                  | £000            |
| (34,154)              | 0                                     | (34,154)                              |       | Interest expense                            | (33,824)              | 0                                     | (33,824)        |
| (34,338)              | 0                                     | (34,338)                              |       | Interest on PFI scheme liabilities          | (36,850)              | 0                                     | (36,850)        |
| <b>(68,492)</b>       | <b>0</b>                              | <b>(68,492)</b>                       |       | <b>Interest payable and similar charges</b> | <b>(70,674)</b>       | <b>0</b>                              | <b>(70,674)</b> |
| 0                     | 1,075                                 | 1,075                                 |       | Interest income                             | 0                     | 1,177                                 | 1,177           |
| <b>0</b>              | <b>1,075</b>                          | <b>1,075</b>                          |       | <b>Interest and investment income</b>       | <b>0</b>              | <b>1,177</b>                          | <b>1,177</b>    |
| <b>(68,492)</b>       | <b>1,075</b>                          | <b>(67,417)</b>                       |       | <b>Net gain / (loss) for the year</b>       | <b>(70,674)</b>       | <b>1,177</b>                          | <b>(69,497)</b> |

## 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 (all Level 2 inputs) 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.
- For loans from the Public Works Loan Board (PWLB) payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.
- As the purpose of the fair value disclosure is to provide a comparison with the carrying value in the Balance Sheet, accrued interest has been included in the fair valuation calculation as this is also reflected in the carrying amount. The accrued interest figure is calculated up to and including the valuation date.

- For loans receivable, the prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment has been recognised.
- Interest is calculated using the most common market convention ACT/365 (366 days in a leap year with the exception of PWLB which are charged on a 365 day basis regardless of leap years).
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the carrying amount.
- 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 2015    |                  |                                    | 31 March 2016    |                  |  |
|------------------|------------------|------------------------------------|------------------|------------------|--|
| Carrying Amount  | Fair Value       |                                    | Carrying Amount  | Fair Value       |  |
| £000             | £000             |                                    | £000             | £000             |  |
| (344,769)        | (427,528)        | PWLB debt                          | (354,678)        | (440,940)        |  |
| (349,235)        | (443,543)        | Non-PWLB debt                      | (400,316)        | (511,126)        |  |
| <b>(694,004)</b> | <b>(871,071)</b> | <b>Total Financial Liabilities</b> | <b>(754,994)</b> | <b>(952,066)</b> |  |

The table above reflected the aggregate position of Sheffield City Council's loan portfolio as at the Balance Sheet date. The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates applicable to similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31<sup>st</sup> March 2016) arising from the commitment to pay interest to lenders above current market rates.

The fair value of the PWLB loans of £440.9m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreement with the PWLB against what would be paid if the loans were at the prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £354.7m would be valued at £440.9m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the



to fund services. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Code of Practice on Treasury Management.
- By the adoption of a Treasury Policy Statement and treasury management clauses within the Council's Financial Regulations / Standing Orders / Constitution.
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing.
  - The maximum and minimum exposures to fixed and variable rates.
  - The maximum and minimum exposure in regard to the maturity structure of debt.
  - The maximum annual exposures to investments maturing beyond a year.
  - By approving an investment strategy for the forthcoming year setting out the criteria for both investing and selecting investment counterparties in compliance with 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 2015/16 were lower than the cost of borrowing the Council used accumulated investment balances and short term temporary borrowing (as this is significantly cheaper than 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, as well as 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. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standards and Poors Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies (Fitch, Moodys and Standard and Poors) forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit 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 watches, 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 Capita Asset Services' 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 2016, based on experience of default assessed by the rating agencies and the Council's past experience, adjusted to reflect current market conditions.

As at 31 March 2016 the Council held £15m in fixed term deposits with Bank of Scotland, which matures on 2 June 2016. A small default risk was attached to this deposit of 0.011% at 31 March 2016.

|                                       | Amount at<br>31 March<br>2016 | Historical<br>Experience of<br>Default | Adjustment<br>for<br>conditions at<br>31 March<br>2016 | Estimated<br>Maximum<br>Exposure to<br>Default |
|---------------------------------------|-------------------------------|--|--|--|
|                                       | £000                          |  |  | £000   |
| Deposits with A rated counterparties* | 15,000                        | 0%                                     | 0.011%   | 2  |
|                                       | 15,000                        |  |  | 2  |
| Customers**                           | 22,960                        | 0.85%                                  | 0.85%  | 195  |
|                                       | <b>37,960</b>                 |  |  | <b>197</b>                                     |

\* As per the Code guidance the percentage for financial instruments in terms of both historical default are calculated by looking at Sheffield City Council's actual experience of default rather than the general position in the market. In the case of Sheffield there has been no past experience of default and the Council has no exposure to Iceland so the percentage used is 0%. As at 31 March 2016 the Council held £15m as fixed term deposits with Bank of Scotland who were rated A at this time. The adjustment for conditions at 31 March 2016 reflects the risk on this deposit at that date as determined by Credit Rating Agencies.

\*\* The figure used for customers in terms of both historical default and adjustment for conditions were calculated by using the 2015/16 write offs as a % of the total amount of invoices raised in 2015/16.

Other funds held at the year end (£71.7m) were deposited with AAA Money Market Funds (MMFs) and an instant access account. As these funds offer instant access these deposits have been classified as Cash and Cash Equivalents in the accounts.

The table below shows that the Council's outstanding investment balance as at 31 March 2016 was £15m, and there was £45m investment at 31 March 2015.

| <b>31 March 2016</b>  |                           |         |                |
|-----------------------|---------------------------|---------|----------------|
| Financial Institution | Rating of<br>Counterparty | Country | Amount<br>£000 |
| Bank of Scotland plc  | A                         | UK      | 15,000         |

| <b>31 March 2015– Comparative Information</b> |                           |         |                |
|---|---------------------------|---------|----------------|
| Financial Institution                         | Rating of<br>Counterparty | Country | Amount<br>£000 |
| Bank of Scotland                              | A                         | UK      | 20,000         |
| Bank of Scotland                              | A                         | UK      | 10,000         |
| Santander UK                                  | A                         | UK      | 15,000         |

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to its deposits. During the reporting period the Council held no collateral as security.

The Council does not allow credit for customers therefore the value of £23m for 2015/16 (£40.1m for 2014/15) 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:

| <b>31 March<br/>2015<br/>£000</b> |                        |  | <b>31 March<br/>2016<br/>£000</b> |  |
|-----------------------------------|------------------------|--|-----------------------------------|--|
| 33,410                            | Less than three months |  | 16,202                            |  |
| 744                               | Three to six months    |  | 765                               |  |
| 1,047                             | Six months to one year |  | 2,003                             |  |
| 4,849                             | More than one year     |  | 3,990                             |  |
| <b>40,050</b>                     | <b>Total</b>           |  | <b>22,960</b>                     |  |

The Council's bad debt impairment at 31 March 2016 is £60.9m (£59.9m for 2014/15) of this £6.2m (£6.3m for 2014/15) relates to the above outstanding debt.

### **Liquidity Risk**

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow needs and whilst the PWLB provides access to longer term funds, 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.

All sums owing to the Council from funds deposited in MMFs and instant access account is £71.7m as at 31 March 2016 and offer instant repayment.

### **Refinancing and Maturity Risk**

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

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

| Principal<br>£000 | 2014/15           |                          | Principal plus Interest<br>£000 |                | 2015/16           |                          | Principal plus Interest<br>£000 |
|-------------------|-------------------|--------------------------|---------------------------------|----------------|-------------------|--------------------------|---------------------------------|
|                   | Principal<br>£000 | Accrued Interest<br>£000 |                                 |                | Principal<br>£000 | Accrued Interest<br>£000 |                                 |
| 5,039             | 15,001            | 20,040                   | Less than 1 year                | 18,249         | 17,278            | 35,527                   |                                 |
| 22,249            | 0                 | 22,249                   | Between 1 & 2 years             | 21,799         | 0                 | 21,799                   |                                 |
| 6,799             | 0                 | 6,799                    | Between 2 & 5 years             | 32,173         | 0                 | 32,173                   |                                 |
| 14,498            | 0                 | 14,498                   | Between 5 & 10 years            | 45,694         | 0                 | 45,694                   |                                 |
| 630,418           | 0                 | 630,418                  | More than 10 years              | 622,049        | 0                 | 622,049                  |                                 |
| <b>679,003</b>    | <b>15,001</b>     | <b>694,004</b>           | <b>Total</b>                    | <b>739,964</b> | <b>17,278</b>     | <b>757,242</b>           |                                 |

The maturity analysis of financial assets is:

| Principal<br>£000 | 2014/15           |                          | Principal plus Interest<br>£000 |               | 2015/16           |                          | Principal plus Interest<br>£000 |
|-------------------|-------------------|--------------------------|---------------------------------|---------------|-------------------|--------------------------|---------------------------------|
|                   | Principal<br>£000 | Accrued Interest<br>£000 |                                 |               | Principal<br>£000 | Accrued Interest<br>£000 |                                 |
| 45,000            | 231               | 45,231                   | Less than 1 year                | 15,000        | 37                | 15,037                   |                                 |
| <b>45,000</b>     | <b>231</b>        | <b>45,231</b>            | <b>Total</b>                    | <b>15,000</b> | <b>37</b>         | <b>15,037</b>            |                                 |

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

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

## Market Risk

### Interest Rate Risk

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

- Borrowing at variable rates      The interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowing at fixed rates      The fair value of the borrowing liability will fall (no impact on revenue balances).
- Investments at variable rates      The interest income credited to the Comprehensive Income and Expenditure Statement will rise.

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate instruments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

In order to minimise the Council’s exposure to loan interest functions the Council will only have a maximum of 35% variable rate debt as a percentage of total debt. At the 31 March 2016, variable rate debt as a proportion of total debt was 24.06%.

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

|  | <b>£000</b> |
|--|-------------|
| Increase in interest payable on variable rate borrowings *   | 1,780       |
| Increase in interest receivable on variable rate investments **  | (1,282)     |
| Increase in government grant receivable for financing costs  | 0           |
| Impact on Surplus or Deficit on the Provision of Services  | 498         |
| Share of overall impact debited to the HRA***  | 710         |
| Decrease in fair value of fixed rate investment assets****   | 26          |
| 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) | 90,959      |

**Notes:**

\*All borrowings raised from the PWLB and £211m of Market loans were at fixed rates in 2015/16 and as a result a change in interest rates would have no effect on the interest payable on these loans, the amount of government grant received and on the Comprehensive Income and Expenditure Statement or HRA. There are a number of LOBO loans (£178m) which have moved out of their ‘fixed’ period and onto calls which are shown in the accounts as variable (although in reality they are fixed at each call period until the next call, so are only affected by a change of interest rates when the loan was ‘called’ at which point the Council would have the option to repay the loan without any premiums being payable. There were no LOBOs called during 2015/16. For the purposes of this note the average rate of these loans (5.07%) has been inflated by 1% to show the impact this may have. In June 2016 Barclays Bank advised that they were permanently waiving their right to change the interest rate on their LOBO loans with us. The consequence being that they become fixed rate loans at their current rate of interest. Whilst this doesn’t change the interest paid during 2015/16 it does mean that there is a lowering of the potential impact of any interest rate

changes. As a result of the above change, £48m worth of LOBO loans would be reclassified as fixed loans and therefore the impact of interest rates being 1% higher on interest payable on variable rate borrowing would reduce by £480,000 (£1.3m compared to £1.78m previously).

\*\* Based on a 1% increase on the weighted average interest rate and investment balance for 2015/16.

\*\*\* HRA share is 39.90% of total interest payable which is charged to the HRA. Note that under self-financing it is assumed that no investment balances are attributable to the HRA and therefore they do not benefit from any increase in interest receivable.

\*\*\*\* There was one fixed term investment of £15m held with Bank of Scotland at the year end.

Other investments held by the Council at the year-end were deposited with Money Market Funds (MMFs) and a deposit account which offer instant access to funds and therefore classified as Cash or Cash Equivalents on the Balance Sheet.

\*\*\*\*\* All Sheffield City Council assets are classed as loans and receivables and therefore this figure is zero as there is no impact on the Comprehensive Income and Expenditure Statement.

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

### **Foreign Exchange Risk**

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

**19. Long Term Debtors**

The following is an analysis of Long Term Debtors:

| <b>1<sup>st</sup> April 2014</b> | <b>31 March 2015</b> |   | <b>31 March</b> |
|----------------------------------|----------------------|---|-----------------|
| <b>Restated</b>                  | <b>Restated</b>      |   | <b>2016</b>     |
| <b>£000</b>                      | <b>£000</b>          |   | <b>£000</b>     |
| 7,065                            | 6,626                | Up Front Contributions for Private Finance Initiative (PFI) Schemes | 6,186           |
| 1,047                            | 81                   | Housing Advances  | 75              |
| 116                              | 117                  | Charges Over Assets   | 118             |
| 68                               | 50                   | Barnsley Council Transferred Debt                                   | 39              |
| 82,531                           | 73,361               | Sheffield City Trust Prepayment                                     | 64,191          |
|                                  |                      | <i>Loans to Third Parties:</i>                                      |                 |
| 375                              | 190                  | - Sheffield City Region Local Enterprise Partnership                | 190             |
| 4,888                            | 4,888                | - Hammerson (New Retail Quarter Development)                        | 0               |
| 569                              | 467                  | - Sheffield Galleries and Museum Trust                              | 362             |
| 3,500                            | 3,500                | - Sheffield International Venues Ltd                                | 4,025           |
| 2,000                            | 2,000                | - Doncaster Council (LEP Growing Places Fund)                       | 2,000           |
| (2,000)                          | (2,000)              | - Loan Provision for LEP Growing Places Fund                        | (3,178)         |
| 70,940                           | 70,940               | - Sheffield City Trust  | 70,940          |
| 0                                | 0                    | - Gallium Finance   | 1,178           |
| 0                                | 0                    | - Manor and Castle Development Trust                                | 1,501           |
| <b>171,099</b>                   | <b>160,220</b>       | <b>Total</b>  | <b>147,627</b>  |

**Sheffield City Trust**

There are two Long term Debtor balances relating to Sheffield City Trust, a prepayment and a debtor.

In 2013 the Council advanced Sheffield City Trust £101m to part fund the repayment of bank debt. Repaying the bank debt freed the Trust from the expensive leases that would have otherwise run to 2024, and which were funded by the Council via annual grant. This prepayment is being amortised over ten years in line with the original lease arrangements. The total current value of the prepayment is £73.3m, £64.2m is included above as a long term debtor and £9.1m is shown as a short term debtor.

The debtor of £70.9m represents the current value of the Major Sporting Facilities property assets, which are currently held by Sheffield City Trust.

|                               |
|-------------------------------|
| <b>20. Short Term Debtors</b> |
|-------------------------------|

The following is an analysis of Debtors:

| 1 April<br>2014<br>Restated<br>£000 | 31 March<br>2015<br>Restated<br>£000 |  | 31 March<br>2016<br>£000 |
|-------------------------------------|--------------------------------------|--|--------------------------|
| 10,005                              | 16,441                               | Central Government Bodies  | 20,253                   |
| 0                                   | 0                                    | Less Impairment for Bad Debts                                    | 0                        |
| <b>10,005</b>                       | <b>16,441</b>                        | <b>Central Government Bodies (Net of Impairment)</b>             | <b>20,253</b>            |
| 8,984                               | 2,924                                | Other Local Authorities  | 6,722                    |
| 0                                   | 0                                    | Less Impairment for Bad Debts                                    | 0                        |
| <b>8,984</b>                        | <b>2,924</b>                         | <b>Other Local Authorities (Net of Impairment)</b>               | <b>6,722</b>             |
| 3,572                               | 791                                  | NHS Bodies   | 3,027                    |
| 0                                   | 0                                    | Less Impairment for Bad Debts                                    | 0                        |
| <b>3,572</b>                        | <b>791</b>                           | <b>NHS Bodies (Net of Impairment)</b>                            | <b>3,027</b>             |
| 0                                   | 0                                    | Public Corporations and Trading Funds                            | 0                        |
| 0                                   | 0                                    | Less Impairment for Bad Debts                                    | 0                        |
| <b>0</b>                            | <b>0</b>                             | <b>Public Corporations and Trading Funds (Net of Impairment)</b> | <b>0</b>                 |
| 8,723                               | 9,008                                | Housing Tenants  | 8,846                    |
| (6,654)                             | (6,358)                              | Less Impairment for Bad Debts                                    | (6,158)                  |
| <b>2,069</b>                        | <b>2,650</b>                         | <b>Housing Tenants (Net of Impairment)</b>                       | <b>2,688</b>             |
| 40,714                              | 42,379                               | Local Taxpayers and NNDR   | 37,596                   |
| (35,071)                            | (36,975)                             | Less Impairment for Bad Debts                                    | (36,590)                 |
| <b>5,643</b>                        | <b>5,404</b>                         | <b>Local Tax Payers and NNDR (Net of Impairment)</b>             | <b>1,006</b>             |
| 5,025                               | 10,977                               | Capital Project  | 12,737                   |
| 0                                   | 0                                    | Less Impairment for Bad Debts                                    | 0                        |
| <b>5,025</b>                        | <b>10,977</b>                        | <b>Capital Projects (Net of Impairment)</b>                      | <b>12,737</b>            |
| 178                                 | 165                                  | Accumulated Absences   | 0                        |
| 0                                   | 0                                    | Less Impairment for Bad Debts                                    | 0                        |
| <b>178</b>                          | <b>165</b>                           | <b>Other Entities and Individuals (Net of Impairment)</b>        | <b>0</b>                 |
| 9,170                               | 9,170                                | Sheffield City Trust Prepayment                                  | 9,170                    |
| 0                                   | 0                                    | Less Impairment for Bad Debts                                    | 0                        |
| <b>9,170</b>                        | <b>9,170</b>                         | <b>Other Entities and Individuals (Net of Impairment)</b>        | <b>9,170</b>             |
| 54,545                              | 71,100                               | Other Entities and Individuals                                   | 96,071                   |
| (15,740)                            | (16,534)                             | Less Impairment for Bad Debts                                    | (18,111)                 |
| <b>38,805</b>                       | <b>54,566</b>                        | <b>Other Entities and Individuals (Net of Impairment)</b>        | <b>77,960</b>            |
| <b>140,916</b>                      | <b>162,955</b>                       | <b>Total Debtors (Gross)</b>                                     | <b>194,422</b>           |
| <b>(57,465)</b>                     | <b>(59,867)</b>                      | <b>Less Total Impairment for Bad Debts</b>                       | <b>(60,859)</b>          |
| <b>83,451</b>                       | <b>103,088</b>                       | <b>Total Debtors (Net of Impairment)</b>                         | <b>133,563</b>           |

**21. Cash and Cash Equivalents**

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

| <b>1 April 2014</b> | <b>31 March 2015</b> |                        | <b>31 March</b> |
|---------------------|----------------------|------------------------|-----------------|
| <b>Restated</b>     | <b>Restated</b>      |                        | <b>2016</b>     |
| <b>£000</b>         | <b>£000</b>          |                        | <b>£000</b>     |
| 8,274               | 2,505                | Cash at Bank           | 12,155          |
| 100                 | 87                   | Petty Cash Floats      | 77              |
| 24,428              | 56,130               | Short Term Investments | 71,682          |
| <b>32,802</b>       | <b>58,722</b>        | <b>Total</b>           | <b>83,914</b>   |

**22. Assets Held for Sale**

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

| <b>2014/15</b> |   | <b>2015/16</b> |
|----------------|---|----------------|
| <b>Current</b> |   | <b>Current</b> |
| <b>£000</b>    |   | <b>£000</b>    |
| 10,856         | Balance at 1 April  | 29,541         |
| 20,023         | Assets newly classified as Held for Sale from Property, Plant and Equipment | 18,119         |
| 0              | Revaluation losses  | 0              |
| 0              | Revaluation gains   | 0              |
| (1,877)        | Assets declassified as held for sale  | (7,465)        |
| (645)          | Assets sold   | (10,173)       |
| 1,184          | Accounting Additions  | 0              |
| <b>29,541</b>  | <b>Balance at 31 March</b>  | <b>30,022</b>  |

**23. Short Term Creditors**

The following is an analysis of Creditors:

| <b>1 April 2014</b> | <b>31 March 2015</b> |                                       | <b>31 March</b>  |
|---------------------|----------------------|---------------------------------------|------------------|
| <b>Restated</b>     | <b>Restated</b>      |                                       | <b>2016</b>      |
| <b>£000</b>         | <b>£000</b>          |                                       | <b>£000</b>      |
| (27,785)            | (29,013)             | Central Government Bodies             | (20,483)         |
| (4,694)             | (4,873)              | Other Local Authorities               | (4,031)          |
| (2,909)             | (2,207)              | NHS Bodies                            | (4,207)          |
| (66)                | (50)                 | Public Corporations and Trading Funds | (19)             |
| (2,907)             | (2,743)              | Housing Tenants                       | (3,118)          |
| (12,071)            | (13,517)             | Local Taxpayers and NNDR              | (6,711)          |
| (11,334)            | (14,691)             | Capital Projects                      | (11,963)         |
| (10,986)            | (10,556)             | Accumulated Absences                  | (9,248)          |
| (62,952)            | (74,794)             | Other Entities and Individuals        | (70,298)         |
| <b>(135,704)</b>    | <b>(152,444)</b>     | <b>Total</b>                          | <b>(130,078)</b> |

|  |
|--|
| <b>24. Provisions and Deferred Credits</b> |
|--|

The Council maintains the following provisions:

|                                 | <b>Insurance</b> | <b>Digital Region</b> | <b>Termination Benefits</b> | <b>HRA - Week 53 Rent Deferred Credit</b> | <b>Other</b>    | <b>Total</b>    |
|---------------------------------|------------------|-----------------------|-----------------------------|---|-----------------|-----------------|
|                                 | <b>£000</b>      | <b>£000</b>           | <b>£000</b>                 | <b>£000</b>                               | <b>£000</b>     | <b>£000</b>     |
| <b>Balance at 1 April 2015</b>  | <b>(7,533)</b>   | <b>(1,700)</b>        | <b>(2,189)</b>              | <b>(2,419)</b>                            | <b>(17,408)</b> | <b>(31,249)</b> |
| Additional Provisions           | 0                | 0                     | (1,086)                     | 0   | (9,313)         | <b>(10,399)</b> |
| Amounts Used                    | 33               | 1,475                 | 1,728                       | 484                                       | 6,403           | <b>10,123</b>   |
| Unused Amounts Reversed         | 0                | 0                     | 295                         | 0   | 117             | <b>412</b>      |
| <b>Balance at 31 March 2016</b> | <b>(7,500)</b>   | <b>(225)</b>          | <b>(1,252)</b>              | <b>(1,935)</b>                            | <b>(20,201)</b> | <b>(31,113)</b> |
| <b>Comprising of:</b>           |                  |                       |                             |   |                 |                 |
| Short Term                      | (5,350)          | (225)                 | (1,252)                     | (484)                                     | (15,851)        | <b>(23,162)</b> |
| Long Term                       | (2,150)          | 0                     | 0                           | (1,451)                                   | (4,350)         | <b>(7,951)</b>  |
|                                 | <b>(7,500)</b>   | <b>(225)</b>          | <b>(1,252)</b>              | <b>(1,935)</b>                            | <b>(20,201)</b> | <b>(31,113)</b> |

### 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.

### Digital Region

The provision covers costs, attributable to the Council as a shareholder of Digital Region Limited. In June 2015, a liquidator was appointed to oversee the closure of the company; the final settlement has not required any additional funding, above that already committed, so the provision has been released in 2015/16.

### Termination Benefits

This provision is for individuals who the Chief Officer Panel have approved to leave the Council via voluntary early retirement and voluntary redundancy. However, as at 31 March 2016 they have not yet left the Council.

### HRA - Week 53 Rent Deferred Credit

This account is used to annualise HRA rent. It is used to equalise out the 52 / 53 week years, giving greater stability to the HRA.

**Other**

This balance represents the Council's other provisions and includes provisions for equal pay claims, business rates appeals, grant claw back, risks relating to the waste contract and various other smaller provisions.

**25. Other Long Term Liabilities**

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

| <b>1 April 2014</b> | <b>31 March 2015</b> |   | <b>31 March 2016</b> |
|---------------------|----------------------|---|----------------------|
| <b>Restated</b>     | <b>Restated</b>      |   |                      |
| <b>£000</b>         | <b>£000</b>          |   | <b>£000</b>          |
| (21,392)            | (18,619)             | Deferred Liabilities – South Yorkshire Council Debt | (15,569)             |
| (125,473)           | (114,710)            | Deferred Liabilities – Sheffield City Trust         | (103,264)            |
| <b>(146,865)</b>    | <b>(133,329)</b>     | <b>Total</b>  | <b>(118,833)</b>     |

**Deferred Liabilities**

The Council has a proportionate share in the interests of the former South Yorkshire Council Debt. As at 31 March 2016 the deferred liabilities for the Council amounted to £18.6m (£21.4m in 2014/15), comprising £3m (£2.8m in 2014/15) maturing within one year, which has been disclosed in Short Term Creditors – other entities and individuals (Note 23) and £15.6m (£18.6m in 2014/15) after that date as shown in the table above.

The Council also has a Long Term Creditor for Sheffield City Trust, reflecting the obligation to provide £140.4m of funding between 2014-2024 for the repayments of the bond financing for the Major Sporting Facilities. The outstanding liability as at 31 March 2016 is £114.7m, of which £103.3m is shown in this note, and £11.4m in Short Term Creditors (Note 23) as due within 12 months.

## 26. Usable Reserves

The following table summarises the Usable Reserves balances:

| 1 April 2014<br>Restated<br>£000 | 31 March 2015<br>Restated<br>£000 |   | 31 March<br>2016<br>£000 |
|----------------------------------|-----------------------------------|---|--------------------------|
|                                  |                                   | <b>Capital Reserves:</b>                  |                          |
| (32,988)                         | (36,977)                          | Capital Receipts Reserve                  | (44,980)                 |
| (43,831)                         | (71,851)                          | Major Repairs Reserve                     | (71,827)                 |
| (24,494)                         | (26,055)                          | Capital Grants Unapplied Reserve          | (23,444)                 |
| (101,313)                        | (134,883)                         |   | (140,251)                |
|                                  |                                   | <b>Revenue Reserves:</b>                  |                          |
| (10,816)                         | (11,183)                          | General Fund Balance                      | (12,599)                 |
|                                  |                                   | Earmarked General Fund Reserves:          |                          |
| (16,277)                         | (18,018)                          | Schools Reserves                          | (17,005)                 |
| (400)                            | (400)                             | Revenue Grants and Contributions          | (468)                    |
| (74,158)                         | (92,447)                          | Other Earmarked Revenue Reserves          | (151,928)                |
| (13,043)                         | (12,841)                          | Housing Revenue Account Balance           | (8,176)                  |
| (1,273)                          | (2,643)                           | Earmarked Housing Revenue Account Reserve | (3,713)                  |
| (115,967)                        | (137,532)                         |   | (193,889)                |
| <b>(217,280)</b>                 | <b>(272,415)</b>                  | <b>Total</b>                              | <b>(334,140)</b>         |

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 9 and 10.

### General Fund Balance

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

The table below shows the General Fund balance as at 31 March 2015 and as at 31 March 2016:

| 1 April 2014<br>Restated<br>£000 | 31 March 2015<br>Restated<br>£000 |                            | 31 March 2016<br>£000 |
|----------------------------------|-----------------------------------|----------------------------|-----------------------|
| (10,816)                         | (11,183)                          | General Balances Available | (12,599)              |
| <b>(10,816)</b>                  | <b>(11,183)</b>                   | <b>Total</b>               | <b>( 12,599)</b>      |

The General Fund Balance was £12.6m at 31 March 2016, representing only 3.0% of the 2015/16 net budget requirement of £424.1m. If this £12.6m were ever used, it would have to be replaced as soon as possible as the Council will always need a minimum level of emergency reserves.

## Earmarked General Fund Reserves

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

| <b>1 April 2014</b> | <b>31 March 2015</b> |                                   | <b>31 March 2016</b> |
|---------------------|----------------------|-----------------------------------|----------------------|
| <b>Restated</b>     | <b>Restated</b>      |                                   | <b>£000</b>          |
| <b>£000</b>         | <b>£000</b>          |                                   |                      |
| (16,277)            | (18,018)             | Schools Reserves                  | (17,005)             |
| (400)               | (400)                | Revenue Grants and Contributions  | (468)                |
|                     |                      | Other Earmarked Revenue Reserves: |                      |
| (9,394)             | (11,519)             | - Insurance Fund Reserve          | (10,653)             |
| (22,826)            | (22,774)             | - Major Sporting Facilities       | (38,008)             |
| (1,555)             | (1,922)              | - New Homes Bonus (NHB)           | (5,527)              |
| (12,175)            | (11,165)             | - PFI Future Expenditure          | (28,310)             |
| (0)                 | (2,005)              | - Public Health                   | (1,032)              |
| (7,569)             | (10,430)             | - Service Area Reserves           | (10,474)             |
| (20,639)            | (32,632)             | - Other Earmarked Reserves        | (57,924)             |
| <b>(90,835)</b>     | <b>(110,865)</b>     | <b>Total</b>                      | <b>(169,401)</b>     |

Earmarked reserves are set aside to meet known or predicted future liabilities, such as equal pay claims. These liabilities mean that the earmarked reserves are not normally available to fund the budget or other measures.

Earmarked reserves are available to fund capital or revenue expenditure following approval by Cabinet. Expenditure is charged to the revenue or capital account when it is incurred and is financed by an appropriation from the reserve through the Movement in Reserves Statement.

A list of earmarked reserves, their purpose and proposed use are set out below.

- **Schools Reserves:** Schools' Earmarked Reserve consists of money that has been allocated under Local Management of Schools legislation, and which remains unspent at the year end. This reserve is not available to support General Fund expenditure.
- **Revenue Grants and Contributions:** Where a revenue grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution has been transferred to the Revenue Grants and Contributions reserve to support future spend.
- **Major Sporting Facilities:** The Major Sporting Facilities (MSF) reserve exists because of the need to smooth the future significant payments due for the MSF debt (re: Ponds Forge, the Arena, Don Valley Stadium and Hillsborough Leisure Centre). During 2014/15 £8.5m of these reserves were used temporarily to fund the Pension Deficit early payment to deliver £2.6m of savings. These funds were fully repaid during 2015/16. There has been a transfer of £25m to this reserve during 2015/16 as a result of an accounting adjustment. Details of this transfer are contained within note 5, Prior Period Adjustments.

- **PFI Future Expenditure:** The PFI reserve exists due to Government funding being received in advance to pay future years' liabilities. This income is set aside in a reserve until needed to ensure sufficient funds are available to cover the cost of contracts in future years. During 2014/15 £9.9m of these reserves were used temporarily to fund the Pension Deficit early payment to deliver £2.6m of savings. These funds were fully repaid during 2015/16.
- **New Homes Bonus:** The Government is paying all Councils "New Homes Bonus" to incentivise them to bring empty properties back into use or encourage new housing to be built. The Council has agreed to use the payments to create a Local Growth Fund for projects that promote housing and economic growth. This reserve sets aside the payments until required for agreed projects.
- **Insurance Fund Reserve:** This reserve contains funds required to cover the Council against potential litigation claims, for which, there is not enough certainty to create a provision in the accounts. The balance on the reserve as at 31<sup>st</sup> March 2016 is £10.7m.
- **Other Earmarked Reserves:** Other Earmarked reserves also include funds which are set aside to cover predicted liabilities such as business rates appeals, redundancies, Equal Pay claims, social care pressures and items earmarked for use by particular services.

### Housing Revenue Account Reserves

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

The table below shows the balance of the Housing Revenue Account Reserves:

| <b>31 March<br/>2015<br/>£000</b> |   | <b>31 March<br/>2016<br/>£000</b> |
|-----------------------------------|---|-----------------------------------|
| (12,841)                          | Housing Revenue Account Balance           | (8,176)                           |
| (2,643)                           | Earmarked Housing Revenue Account Reserve | (3,713)                           |
| <b>(15,484)</b>                   | <b>Total</b>                              | <b>(11,889)</b>                   |

### Capital Receipts Reserve

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

The table below shows the balance of the Capital Receipts Reserve:

| <b>31 March<br/>2015<br/>£000</b> |                          | <b>31 March<br/>2016<br/>£000</b> |
|-----------------------------------|--------------------------|-----------------------------------|
| (36,977)                          | Capital Receipts Reserve | (44,980)                          |
| <b>(36,977)</b>                   | <b>Total</b>             | <b>(44,980)</b>                   |

### Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources required to be used on HRA assets or for capital financing purposes. The balance on the reserve shows the resources that have yet to be applied at the year end.

The table below shows the balance of the Major Repairs Reserve:

| <b>31 March<br/>2015<br/>£000</b> |                       | <b>31 March<br/>2016<br/>£000</b> |
|-----------------------------------|-----------------------|-----------------------------------|
| (71,851)                          | Major Repairs Reserve | (71,827)                          |
| <b>(71,851)</b>                   | <b>Total</b>          | <b>(71,827)</b>                   |

### Capital Grants Unapplied Reserve

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

The table below shows the balance of the Capital Grants Unapplied Reserve:

| <b>31 March<br/>2015<br/>£000</b> |                                  | <b>31 March<br/>2016<br/>£000</b> |
|-----------------------------------|----------------------------------|-----------------------------------|
| (26,055)                          | Capital Grants Unapplied Reserve | (23,444)                          |
| <b>(26,055)</b>                   | <b>Total</b>                     | <b>(23,444)</b>                   |

**27. Unusable Reserves**

The following table summarises the Unusable Reserves balances:

| 1 April 2014<br>Restated<br>£000 | 31 March 2015<br>Restated<br>£000 |  | 31 March<br>2016<br>£000 |
|----------------------------------|-----------------------------------|--|--------------------------|
|                                  |                                   | <b>Capital Reserves:</b>                 |                          |
| (368,875)                        | (385,624)                         | Revaluation Reserve                      | (395,316)                |
| (812,706)                        | (795,520)                         | Capital Adjustment Account               | (826,957)                |
| (56)                             | (56)                              | Deferred Capital Receipts Reserve        | (53)                     |
| (1,181,637)                      | (1,181,200)                       |  | (1,222,326)              |
|                                  |                                   | <b>Revenue Reserves:</b>                 |                          |
| 36,700                           | 35,906                            | Financial Instruments Adjustment Account | 35,100                   |
| 697,558                          | 856,407                           | Pensions Reserve                         | 795,982                  |
| (3,300)                          | (7,029)                           | Collection Fund Adjustment Account       | (854)                    |
| 10,808                           | 10,390                            | Accumulated Absences Account             | 9,248                    |
| 741,766                          | 895,674                           |  | 839,476                  |
| <b>(439,871)</b>                 | <b>(285,526)</b>                  | <b>Total</b>                             | <b>(382,850)</b>         |

**Capital Reserves**

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

**Revaluation Reserve**

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

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

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

| 2014/15<br>£000  |   | £000     | 2015/16<br>£000  |
|------------------|---|----------|------------------|
| (368,875)        | <b>Balance at 1 April</b>   |          | <b>(385,624)</b> |
| (60,016)         | Upward revaluation of assets  | (50,632) |                  |
| 20,928           | Downward revaluation of assets and impairment losses  | 16,943   |                  |
| (39,088)         | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services |          | (33,689)         |
| 6,856            | Difference between fair value depreciation and historical cost depreciation   | 6,959    |                  |
| 15,483           | Accumulated gains on assets sold or scrapped  | 15,916   |                  |
| 0                | Opening balance adjustment  | 0        |                  |
| 22,339           | Amount written off to the Capital Adjustment Account  |          | 22,875           |
| (0)              | Other Adjustments   |          | 1,122            |
| <b>(385,624)</b> | <b>Balance at 31 March</b>  |          | <b>(395,316)</b> |

### Capital Adjustment Account

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

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

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

Note 14 Property, Plant and Equipment (PPE) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2014/15<br>Restated<br>£000<br>(812,706) |   | £000     | 2015/16<br>£000<br>(795,520) |
|--|---|----------|------------------------------|
|  | <b>Balance at 1 April</b>   |          |                              |
|  | <i><b>Reversal of items relating to capital expenditure debited or credited to the CI&amp;ES:</b></i> |          |                              |
| 64,250                                   | Depreciation of non-current assets  | 63,819   |                              |
| 0  | Impairment of non-current assets  | 0        |                              |
| 19,166                                   | Revaluation losses of non-current assets  | 51,218   |                              |
| (6)                                      | Movement in fair value of Investment Properties   | (20,060) |                              |
| 8,281                                    | Revenue expenditure funded from capital under statute   | 8,549    |                              |
| 80,032                                   | Non-current assets written off on disposal  | 71,736   |                              |
| 0  | Other   | 0        |                              |
| 171,723                                  |   |          | 175,262                      |
|  | <i><b>Adjusting amounts written out of the Revaluation Reserve:</b></i>                               |          |                              |
| (6,856)                                  | Difference between fair value depreciation and historical cost depreciation                           | (6,959)  |                              |
| (15,483)                                 | Accumulated gains on assets sold or scrapped  | (15,916) |                              |
| 0  | Opening balance adjustment  | 0        |                              |
| (22,339)                                 |   |          | (22,875)                     |
| (663,322)                                | Net written out amount of the cost of non-current assets consumed in the year                         |          | (643,133)                    |
|  | <i><b>Capital financing applied in the year:</b></i>  |          |                              |
| (8,490)                                  | Use of the Capital Receipts Reserve to finance new capital expenditure                                | (14,583) |                              |
| (25,788)                                 | Use of the Major Repairs Reserve to finance new capital expenditure                                   | (60,582) |                              |
| (64,392)                                 | Capital grants and contributions credited to the CI&ES  | (74,207) |                              |
| (3,257)                                  | Application of grants and contributions from the Capital Grants Unapplied Reserve                     | (3,973)  |                              |
| (30,244)                                 | Statutory provision for the repayment of debt   | (29,296) |                              |
| (27)                                     | Voluntary provision for the repayment of debt   | (1,178)  |                              |
| (132,198)                                |   |          | (183,819)                    |
| 0  | Transfer from the Deferred Capital Receipts Reserve   |          | 0                            |
| 0  | Other   |          | (5)                          |
| <b>(795,520)</b>                         | <b>Balance at 31 March</b>  |          | <b>(826,957)</b>             |

### Deferred Capital Receipts Reserve

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

| 2014/15<br>£000<br>(56) |  | 2015/16<br>£000<br>(56) |
|-------------------------|--|-------------------------|
| 0                       | New loans and mortgages                    | 0                       |
| 0                       | Receipt of cash                            | 0                       |
| 0                       | Transfer to the Capital Adjustment Account | 3                       |
| <b>(56)</b>             | <b>Balance at 31 March</b>                 | <b>(53)</b>             |

## 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.

| 2014/15<br>£000 |  | 2015/16<br>£000 |
|-----------------|--|-----------------|
| <b>36,700</b>   | <b>Balance at 1 April</b>  | <b>35,906</b>   |
| (721)           | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | (721)           |
| (16)            | Soft Loan Amortisation   | (25)            |
| (57)            | Other movements  | (60)            |
| (794)           | Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements | (806)           |
| <b>35,906</b>   | <b>Balance at 31 March</b>   | <b>35,100</b>   |

## Pensions Reserve

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

| 2014/15<br>£000 |   | 2015/16<br>£000 |
|-----------------|---|-----------------|
| <b>697,558</b>  | <b>Balance at 1 April</b>   | <b>856,407</b>  |
| 204,881         | Actuarial (gains) or losses on pensions assets and liabilities                          | (99,469)        |
| 55,722          | Reversal of items relating to retirement benefits debited or credited to the CI&ES      | 70,396          |
| (101,754)       | Employer's pensions contributions and direct payments to pensioners payable in the year | (31,352)        |
| <b>856,407</b>  | <b>Balance at 31 March</b>  | <b>795,982</b>  |

### Collection Fund Adjustment Account

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

| 2014/15<br>£000 |  | 2015/16<br>£000 |
|-----------------|--|-----------------|
| <b>(3,300)</b>  | <b>Balance at 1 April</b>  | <b>(7,029)</b>  |
| (3,729)         | Amount by which Council Tax and Non-domestic Rate income credited to the CI&ES is different from Council Tax and Non-domestic Rates income calculated for the year in accordance with statutory requirements | 6,175           |
| <b>(7,029)</b>  | <b>Balance at 31 March</b>   | <b>(854)</b>    |

### 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.

| 2014/15<br>£000 |   | 2015/16<br>£000 |
|-----------------|---|-----------------|
| <b>10,808</b>   | <b>Balance at 1 April</b>   | <b>10,390</b>   |
| (418)           | Amount by which officer remuneration charged to the CI&ES is different from remuneration chargeable in the year in accordance with statutory requirements | (1,142)         |
| <b>10,390</b>   | <b>Balance at 31 March</b>  | <b>9,248</b>    |

## 28. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| 2014/15<br>£000 |                   | 2015/16<br>£000 |
|-----------------|-------------------|-----------------|
| 1,201           | Interest Received | 1,367           |
| (96,818)        | Interest Paid     | (97,445)        |

### 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:

| 2014/15<br>£000 |  | 2015/16<br>£000 |
|-----------------|--|-----------------|
| <b>Restated</b> |  |                 |
| 64,250          | Depreciation   | 63,819          |
| 19,168          | Impairment and downward valuations   | 51,500          |
| (3,973)         | Increase / (Decrease) in creditors   | (9,057)         |
| (5,554)         | (Increase) / Decrease in debtors   | (28,715)        |
| (31)            | (Increase) / Decrease in inventories   | (27)            |
| (46,032)        | Movement in pension liability  | 39,044          |
| 80,032          | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 71,737          |
| (17,018)        | Other non-cash items charged to the net surplus or deficit on the provision of services          | (29,081)        |
| <b>90,842</b>   | <b>Total</b>   | <b>159,220</b>  |

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

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

| 2014/15<br>£000 |  | 2015/16<br>£000 |
|-----------------|--|-----------------|
| 0               | Proceeds from short-term and long-term investments   | 95,000          |
| (65,849)        | Any other items for which cash effects are investing or financing cash flows                       | (74,207)        |
| (15,816)        | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (27,114)        |
| <b>(81,665)</b> | <b>Total</b>   | <b>(6,321)</b>  |

## 29. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

| 2014/15<br>£000 |   | 2015/16<br>£000  |
|-----------------|---|------------------|
| (133,663)       | Purchase of property, plant and equipment, investment property and intangible assets  | (219,941)        |
| (85,000)        | Purchase of short and long term investments   | (65,000)         |
| (17)            | Other payments for investing activities   | (3,234)          |
| 15,816          | Proceeds from the sale of property, plant and equipment, investment property, intangible assets and deferred capital receipts | 27,117           |
| 100,000         | Proceeds from short and long term investments   | 0                |
| 76,385          | Other receipts from investing activities  | 82,159           |
| <b>(26,479)</b> | <b>Net cash flow from investing activities</b>  | <b>(178,899)</b> |

### 30. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

| 2014/15<br>£000 |   | 2015/16<br>£000 |
|-----------------|---|-----------------|
| 0               | Cash receipts of short and long term borrowing  | 66,000          |
| 0               | Other receipts from financing activities  | 0               |
| (12,021)        | Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts | (15,088)        |
| (11,517)        | Repayment of short and long term borrowing  | (18,576)        |
| 165             | Other payments for financing activities   | (7,751)         |
| <b>(23,373)</b> | <b>Net cash flow from financing activities</b>  | <b>24,585</b>   |

### 31. Amounts Reported for Resource Allocation Decisions

Sheffield City Council is organised into five portfolios based around the services delivered, plus Corporate. The portfolios are:

- Children, Young People and Families Portfolio,
- Place Portfolio,
- Communities Portfolio,
- Policy, Performance and Communications Portfolio, and
- Resources Portfolio.

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

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

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

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year ended 31 March 2016 is as follows:

| 2015/16 Portfolio Income and Expenditure |  |                 |                     |  |                   |                   |                            |                                    |                  |
|--|--|-----------------|---------------------|--|-------------------|-------------------|----------------------------|------------------------------------|------------------|
|  | Children, Young<br>People and Families<br>£000 | Place<br>£000   | Communities<br>£000 | Policy, Performance<br>and<br>Communications<br>£000 | Resources<br>£000 | Corporate<br>£000 | Total General Fund<br>£000 | Housing Revenue<br>Account<br>£000 | Total<br>£000    |
| Grants                                   | (84,176)                                       | (11,169)        | (20,526)            | (2,518)  | (198,866)         | 0                 | (317,255)                  | (12)                               | (317,267)        |
| Other reimbursements and contributions   | (1,222)  | (2,396)         | (11,099)            | (117)  | (621)             | 0                 | (15,455)                   | (1,046)                            | (16,501)         |
| Sales                                    | (2,511)  | (1,154)         | (87)                | 0  | (26)              | 0                 | (3,778)                    | (2,992)                            | (6,770)          |
| Fees and charges                         | (26,117)                                       | (27,958)        | (27,096)            | (536)  | (26,775)          | (421)             | (108,903)                  | (3,369)                            | (112,272)        |
| Other Income                             | (1,573)  | (8,654)         | (19,180)            | (975)  | (4,546)           | 3,098             | (31,830)                   | (163,188)                          | (195,018)        |
| Recharges                                | (16,338)                                       | (12,461)        | (4,498)             | (1,611)  | (72,670)          | (7,236)           | (114,814)                  | (372)                              | (115,186)        |
| <b>Total Income</b>                      | <b>(131,937)</b>                               | <b>(63,792)</b> | <b>(82,486)</b>     | <b>(5,757)</b>                                       | <b>(303,504)</b>  | <b>(4,559)</b>    | <b>(592,035)</b>           | <b>(170,979)</b>                   | <b>(763,014)</b> |
| Employees                                | 61,764   | 37,551          | 50,765              | 4,300  | 44,723            | 0                 | 199,103                    | 27,682                             | 226,785          |
| Premises                                 | 2,910  | 9,366           | 2,255               | 79   | 55,398            | 3                 | 70,011                     | 47,266                             | 117,277          |
| Transport                                | 5,806  | 1,966           | 1,267               | 38   | 1,837             | 0                 | 10,914                     | 834                                | 11,748           |
| Supplies and services                    | 51,197   | 52,514          | 15,352              | 3,023  | 16,542            | 33,173            | 171,801                    | 48,665                             | 220,466          |
| Third party payments                     | 55,016   | 116,193         | 161,810             | 551  | 207               | 0                 | 333,777                    | 1,779                              | 335,556          |
| Transfer payments                        | 920  | 0               | 5,419               | 0  | 190,711           | 0                 | 197,050                    | 0                                  | 197,050          |
| Support Services                         | 32,000   | 11,240          | 9,264               | 983  | 51,017            | 1                 | 104,505                    | 12,579                             | 117,084          |
| Other                                    | 78   | 830             | 0                   | 0  | 1,087             | (497,682)         | (495,687)                  | 32,174                             | (463,513)        |
| <b>Total Expenditure</b>                 | <b>209,691</b>                                 | <b>229,660</b>  | <b>246,132</b>      | <b>8,974</b>   | <b>361,522</b>    | <b>(464,505)</b>  | <b>591,474</b>             | <b>170,979</b>                     | <b>762,453</b>   |
| <b>Net Expenditure</b>                   | <b>77,754</b>                                  | <b>165,868</b>  | <b>163,646</b>      | <b>3,217</b>   | <b>58,018</b>     | <b>(469,064)</b>  | <b>(561)</b>               | <b>0</b>                           | <b>(561)</b>     |

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| <b>2014/15 – Comparative Information</b> |   |                       |                             |  |                           |                           |                                    |   |                       |
|--|---|-----------------------|-----------------------------|--|---------------------------|---------------------------|------------------------------------|---|-----------------------|
|  | <b>Children, Young<br/>People and Families<br/>£000</b> | <b>Place<br/>£000</b> | <b>Communities<br/>£000</b> | <b>Policy, Performance<br/>and<br/>Communications<br/>£000</b> | <b>Resources<br/>£000</b> | <b>Corporate<br/>£000</b> | <b>Total General Fund<br/>£000</b> | <b>Housing Revenue<br/>Account<br/>£000</b> | <b>Total<br/>£000</b> |
| Grants                                   | (86,349)  | (21,552)              | (19,687)                    | (4,855)  | (199,069)                 | 0                         | (331,512)                          | 0   | (331,512)             |
| Other reimbursements and contributions   | (1,183)   | (1,687)               | (11,463)                    | (937)  | 1,041                     | 0                         | (14,229)                           | (1,037)                                     | (15,266)              |
| Sales                                    | (2,820)   | (1,469)               | (114)                       | 0  | (66)                      | 0                         | (4,469)                            | (2,739)                                     | (7,208)               |
| Fees and charges                         | (25,863)  | (27,006)              | (26,066)                    | (486)  | (21,479)                  | (94)                      | (100,994)                          | (3,639)                                     | (104,633)             |
| Other Income                             | (1,447)   | (7,755)               | (18,183)                    | (1,345)  | (4,161)                   | 4,559                     | (28,332)                           | (160,237)                                   | (188,569)             |
| Recharges                                | (32,476)  | (13,020)              | (4,009)                     | (1,629)  | (69,108)                  | (10,016)                  | (130,258)                          | (1,570)                                     | (131,828)             |
| <b>Total Income</b>                      | <b>(150,138)</b>  | <b>(72,489)</b>       | <b>(79,522)</b>             | <b>(9,252)</b>   | <b>(292,842)</b>          | <b>(5,551)</b>            | <b>(609,794)</b>                   | <b>(169,222)</b>                            | <b>(779,016)</b>      |
| Employees                                | 63,460  | 38,374                | 52,874                      | 4,571  | 44,059                    | 0                         | 203,338                            | 27,026                                      | 230,364               |
| Premises                                 | 2,977   | 10,599                | 2,167                       | 84   | 56,638                    | 0                         | 72,465                             | 49,077                                      | 121,542               |
| Transport                                | 6,092   | 1,943                 | 1,568                       | 40   | 1,756                     | 0                         | 11,399                             | 876   | 12,275                |
| Supplies and services                    | 44,690  | 60,722                | 9,242                       | 4,112  | 14,442                    | 40,127                    | 173,335                            | 45,118                                      | 218,453               |
| Third party payments                     | 59,259  | 114,382               | 161,126                     | 870  | 329                       | 0                         | 335,966                            | 698   | 336,664               |
| Transfer payments                        | 753   | 0                     | 5,419                       | 0  | 192,006                   | 0                         | 198,178                            | 0   | 198,178               |
| Support Services                         | 47,498  | 9,863                 | 8,024                       | 1,034  | 45,180                    | 2                         | 111,601                            | 14,432                                      | 126,033               |
| Other                                    | 8   | 1,893                 | 0                           | 0  | 864                       | (499,901)                 | (497,136)                          | 31,995                                      | (465,141)             |
| <b>Total Expenditure</b>                 | <b>224,737</b>  | <b>237,776</b>        | <b>240,420</b>              | <b>10,711</b>  | <b>355,274</b>            | <b>(459,772)</b>          | <b>609,146</b>                     | <b>169,222</b>                              | <b>778,368</b>        |
| <b>Net Expenditure</b>                   | <b>74,599</b>   | <b>165,287</b>        | <b>160,898</b>              | <b>1,459</b>   | <b>62,432</b>             | <b>(465,323)</b>          | <b>(648)</b>                       | <b>0</b>                                    | <b>(648)</b>          |

**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.

| <b>2014/15</b>   | <b>2015/16</b> |
|--|----------------|
| <b>£000</b>  | <b>£000</b>    |
| <b>(648) Net Expenditure in the Portfolio Analysis</b>                   | <b>(561)</b>   |
| (90) Additional segments not included in the analysis                    | 1,878          |
| (103,694) Amounts not included in the analysis but included in the CI&ES | 5,253          |
| 485,210 Amounts included in the analysis but not included in the CI&ES   | 436,553        |
| <b>380,778 Cost of Services in the CI&amp;ES</b>                         | <b>443,123</b> |

**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.

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| 2015/16  |   |  |  |  |                         |                               |   |                    |
|--|---|--|--|--|-------------------------|-------------------------------|---|--------------------|
|  | 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   | (445,492)                                 | (224,767)  | 14,264   | 0  | 116,257                 | (539,738)                     | (14)  | (539,752)          |
| Interest and investment income   | (255)                                     | 0  | 0  | 255  | 0                       | 0                             | (1,177)   | (1,177)            |
| Income from Council Tax  | 0   | 0  | 0  | 0  | 0                       | 0                             | (175,444)   | (175,444)          |
| Non Domestic Rates Distribution  | 0   | 0  | 0  | 0  | 0                       | 0                             | (98,756)  | (98,756)           |
| Government grants and contributions  | (317,267)                                 | (2,497)  | (7,202)  | 0  | 0                       | (326,966)                     | (319,078)   | (646,044)          |
| <b>Total Income</b>  | <b>(763,014)</b>                          | <b>(227,264)</b>                                 | <b>7,062</b>   | <b>255</b>   | <b>116,257</b>          | <b>(866,704)</b>              | <b>(594,469)</b>  | <b>(1,461,173)</b> |
| Employee expenses  | 226,786                                   | 174,186  | 10,151   | 0  | 0                       | 411,123                       | 0   | 411,123            |
| Other service expenses   | 503,896                                   | 54,956   | (108,491)  | 449,296  | 0                       | 899,657                       | 0   | 899,657            |
| Support service recharge   | 0   | 0  | 0  | 0  | (116,257)               | (116,257)                     | 0   | (116,257)          |
| Depreciation, amortisation, and impairment   | 17,500                                    | 0  | 97,804   | 0  | 0                       | 115,304                       | (20,327)  | 94,977             |
| Interest payments  | 14,384                                    | 0  | 0  | (14,384)   | 0                       | 0                             | 70,674  | 70,674             |
| Precepts and levies  | 493                                       | 0  | 0  | (493)  | 0                       | 0                             | 493   | 493                |
| Payment to housing capital receipt pool  | 0   | 0  | 0  | 0  | 0                       | 0                             | 3,405   | 3,405              |
| Gain or loss on disposal of fixed assets   | 0   | 0  | 0  | 0  | 0                       | 0                             | 44,623  | 44,623             |
| (Surplus) / deficit of trading undertakings or other operations                      | (606)                                     | 0  | (1,273)  | 1,879  | 0                       | 0                             | (1,661)   | (1,661)            |
| Pension interest cost, administration expenses and expected return on pension assets | 0   | 0  | 0  | 0  | 0                       | 0                             | 27,532  | 27,532             |
| <b>Total Expenditure</b>   | <b>762,453</b>                            | <b>229,142</b>                                   | <b>(1,809)</b>   | <b>436,298</b>   | <b>(116,257)</b>        | <b>1,309,827</b>              | <b>124,739</b>  | <b>1,434,566</b>   |
| <b>(Surplus) or deficit on the provision of services</b>                             | <b>(561)</b>                              | <b>1,878</b>                                     | <b>5,253</b>   | <b>436,553</b>   | <b>0</b>                | <b>443,123</b>                | <b>(469,730)</b>  | <b>(26,607)</b>    |

## Sheffield City Council – Statement of Accounts 2015/16

| 2014/15 – 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 Recharges | Cost of Services in the CI&ES | Amounts reported below the net expenditure of Continuing Operation in the CI&ES | Total              |
|  | £000                                      | £000   | £000   | £000   | £000                    | £000                          | £000  | £000               |
| Fees, charges and other service income   | (447,271)                                 | (237,781)  | 12,260   | 0  | 129,161                 | (543,631)                     | (75)  | (543,706)          |
| Interest and investment income   | (233)                                     | 0  | 0  | 233  | 0                       | 0                             | (1,076)   | (1,076)            |
| Income from Council Tax  | 0   | 0  | 0  | 0  | 0                       | 0                             | (169,704)   | (169,704)          |
| Non Domestic Rates Distribution  | 0   | 0  | 0  | 0  | 0                       | 0                             | (100,667)   | (100,667)          |
| Government grants and contributions  | (331,512)                                 | (2,535)  | (5,482)  | 0  | 0                       | (339,529)                     | (342,648)   | (682,177)          |
| <b>Total Income</b>  | <b>(779,016)</b>                          | <b>(240,316)</b>                                 | <b>6,778</b>   | <b>233</b>   | <b>129,161</b>          | <b>(883,160)</b>              | <b>(614,170)</b>  | <b>(1,497,330)</b> |
| Employee expenses  | 230,364                                   | 182,478  | (75,060)   | 0  | 0                       | 337,782                       | 0   | 337,782            |
| Other service expenses   | 515,774                                   | 57,748   | (103,812)  | 502,200  | 0                       | 971,910                       | 0   | 971,910            |
| Support service recharge   | 0   | 0  | 0  | 0  | (129,161)               | (129,161)                     | 0   | (129,161)          |
| Depreciation, amortisation, and impairment   | 17,218                                    | 0  | 66,189   | 0  | 0                       | 83,407                        | 0   | 83,407             |
| Interest payments  | 14,768                                    | 0  | 0  | (14,768)   | 0                       | 0                             | 68,492  | 68,492             |
| Precepts and levies  | 491                                       | 0  | 0  | (491)  | 0                       | 0                             | 491   | 491                |
| Payment to housing capital receipts pool   | 0   | 0  | 0  | 0  | 0                       | 0                             | 3,020   | 3,020              |
| Gain or loss on disposal of fixed assets   | 0   | 0  | 0  | 0  | 0                       | 0                             | 64,216  | 64,216             |
| (Surplus) / deficit of trading undertakings or other operations                      | (247)                                     | 0  | 2,211  | (1,964)  | 0                       | 0                             | 1,654   | 1,654              |
| Pension interest cost, administration expenses and expected return on pension assets | 0   | 0  | 0  | 0  | 0                       | 0                             | 28,923  | 28,923             |
| <b>Total Expenditure</b>   | <b>778,368</b>                            | <b>240,226</b>                                   | <b>(110,472)</b>   | <b>484,977</b>   | <b>(129,161)</b>        | <b>1,263,938</b>              | <b>166,796</b>  | <b>1,430,734</b>   |
| <b>(Surplus) or deficit on the provision of services</b>                             | <b>(648)</b>                              | <b>(90)</b>                                      | <b>(103,694)</b>   | <b>485,210</b>   | <b>0</b>                | <b>380,778</b>                | <b>(447,374)</b>  | <b>(66,596)</b>    |

## **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.

### **32. Trading Operations**

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

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

#### **Sheffield Markets Operation**

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

#### **Commercial Estate (Property)**

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

#### **Transport Services**

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

#### **Schools Traded Service**

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

#### **Capital Delivery Service (previously Design and Project Management)**

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

| <b>2015/16</b>                            |                |                    |                                     |                               |                                      |
|---|----------------|--------------------|-------------------------------------|-------------------------------|--------------------------------------|
|   | <b>Income</b>  | <b>Expenditure</b> | <b>Operating (Surplus)/ Deficit</b> | <b>Accounting Adjustments</b> | <b>Accounting (Surplus)/ Deficit</b> |
|   | <b>£000</b>    | <b>£000</b>        | <b>£000</b>                         | <b>£000</b>                   | <b>£000</b>                          |
| Sheffield Markets Operation               | (2,243)        | 3,357              | 1,114                               | (2,195)                       | (1,081)                              |
| Commercial Estates (Property)             | (1,548)        | 482                | (1,066)                             | 633                           | (433)                                |
| Transport Services                        | (1,056)        | 867                | (189)                               | 309                           | 120                                  |
| Schools Traded Services                   | (1,460)        | 1,012              | (448)                               | 0                             | (448)                                |
| Capital Delivery Service (previously DPM) | (405)          | 387                | (18)                                | 199                           | 181                                  |
|   | <b>(6,712)</b> | <b>6,105</b>       | <b>(607)</b>                        | <b>(1,054)</b>                | <b>(1,661)</b>                       |

| <b>2014/15 – Comparative Information</b>  |                |                    |                                     |                               |                                      |
|---|----------------|--------------------|-------------------------------------|-------------------------------|--------------------------------------|
|   | <b>Income</b>  | <b>Expenditure</b> | <b>Operating (Surplus)/ Deficit</b> | <b>Accounting Adjustments</b> | <b>Accounting (Surplus)/ Deficit</b> |
|   | <b>£000</b>    | <b>£000</b>        | <b>£000</b>                         | <b>£000</b>                   | <b>£000</b>                          |
| Sheffield Markets Operation               | (2,157)        | 3,718              | 1,561                               | 1,157                         | 2,718                                |
| Commercial Estates (Property)             | (1,705)        | 607                | (1,098)                             | 730                           | (368)                                |
| Transport Services                        | (1,063)        | 935                | (128)                               | 300                           | 172                                  |
| Schools Traded Services                   | (1,344)        | 990                | (354)                               | 0                             | (354)                                |
| Capital Delivery Service (previously DPM) | (319)          | 90                 | (229)                               | (285)                         | (514)                                |
|   | <b>(6,588)</b> | <b>6,340</b>       | <b>(248)</b>                        | <b>1,902</b>                  | <b>1,654</b>                         |

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

### **33. Pooled Budget Arrangements**

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

NHS Sheffield Clinical Commissioning Group and Sheffield City Council entered into a new Section 75 agreement covering the Better Care Fund with effect from 1 April 2015. The establishment of this pool which is hosted by Sheffield City Council incorporates the Learning Disabilities Accommodation and Services, and the Community Equipment and adaptation services that were reported last year under separate Section 75 agreements.

The Better Care Fund was announced by the Government in the June 2013 spending round, to ensure a transformation in integrated health and social care. It creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their wellbeing as the focus of health and care services, and shifting resources into social care and community services for the benefit of the people, communities and health and care systems. The Sheffield Better Care Fund pool was constructed around six themes focussed around the different areas of integration.

The following table summarises the contributions made by Sheffield City Council and the NHS Sheffield Clinical Commissioning Group into pooled budget arrangements, along with details of previous year's comparatives:

| Service Area                                     | 2015/16           |                        |                | 2014/15           |                        |              |
|--|-------------------|------------------------|----------------|-------------------|------------------------|--------------|
|  | NHS Sheffield CCG | Sheffield City Council | Total          | NHS Sheffield CCG | Sheffield City Council | Total        |
|  | £000              | £000                   | £000           | £000              | £000                   | £000         |
| The Better Care Fund                             | 180,478           | 102,065                | 282,543        | 0                 | 0                      | 0            |
| Learning Disabilities Accommodation and Services | 0                 | 0                      |                | 665               | 1,100                  | 1,765        |
| Community Equipment and Adaptations Services     | 0                 | 0                      |                | 2,133             | 861                    | 2,994        |
|  | <b>180,478</b>    | <b>102,065</b>         | <b>282,543</b> | <b>2,798</b>      | <b>1,961</b>           | <b>4,759</b> |

The memorandum account for the pooled budget is:

### The Better Care Fund

|  | 2015/16<br>£000  | 2014/15<br>£000 |
|--|------------------|-----------------|
| Income   |                  |                 |
| NHS Clinical Commissioning Group                       | 180,478          | 0               |
| Sheffield City Council                                 | 102,065          | 0               |
| Total  | 282,543          | 0               |
| Allocation of expenditure                              |                  |                 |
| Theme 1 - People Keeping Well in their Local Community | (8,454)          | 0               |
| Theme 2 - Active Support and Recovery                  | (53,358)         | 0               |
| Theme 3 - Independent Living Solutions                 | (4,380)          | 0               |
| Theme 4 - Ongoing Care                                 | (154,438)        | 0               |
| Theme 5 - Adult inpatient Medical Emergency Admissions | (59,385)         | 0               |
| Theme 6 - Capital Grants                               | (2,528)          | 0               |
| <b>Total</b>   | <b>(282,543)</b> | <b>0</b>        |

### Learning Disabilities Accommodation and Services

The pool was hosted by Sheffield City Council and the money was used to purchase accommodation and support provider services both in the independent sector and NHS and Community in-house services. This pool arrangement ended in 2014/15 and is now incorporated within the Better Care Fund Pool.

The memorandum account for the pooled budget is:

| <b>Income and Expenditure</b>                           | <b>2015/16</b> | <b>2014/15</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| NHS Sheffield Clinical Commissioning Group              | 0              | 665            |
| Sheffield City Council                                  | 0              | 1,100          |
| <b>Learning Disabilities Accommodation and Services</b> | <b>0</b>       | <b>1,765</b>   |

### Community Equipment and Adaptations Services

The pool was hosted by NHS Sheffield Clinical Commissioning Group and the money was used to purchase equipment for clients who have received an Occupational Therapy Assessment. This pool arrangement ended in 2014/15 and is now incorporated within the Better Care Fund Pool.

The memorandum account for the pooled budget is:

| <b>Income and Expenditure</b>                       | <b>2015/16</b> | <b>2014/15</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| NHS Sheffield Clinical Commissioning Group          | 0              | 2,133          |
| Sheffield City Council                              | 0              | 861            |
| <b>Community Equipment and Adaptations Services</b> | <b>0</b>       | <b>2,994</b>   |

### 34. Members' Allowances

The Council paid the following amounts to Council Members and Co-optees' during 2015/16:

| 2014/15<br>£000 |                                  | 2015/16<br>£000 |
|-----------------|----------------------------------|-----------------|
|                 | <b>Councillors:</b>              |                 |
| 985             | Basic Allowance                  | 982             |
| 226             | Special Responsibility Allowance | 236             |
| 29              | Expenses                         | 29              |
| <b>1,240</b>    |                                  | <b>1,247</b>    |
|                 | <b>Co-optees:</b>                |                 |
| 5               | Basic Allowance                  | 6               |
| <b>1,245</b>    | <b>Total</b>                     | <b>1,253</b>    |

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

### 35. Officers' Remuneration

Under the Accounts and Audit Regulations 2015, Local Authorities are required to disclose information on their employees' remuneration in two sections.

The first section must contain the details of those officers defined in the Regulations as senior employees whose salary is above £50,000 per annum. Senior employees are typically categorised as statutory chief officers (i.e. Chief Executive also known as the head of paid service, Director of Children's Services, Director of Adult Social Services, Section 151 Officer, etc.) or non-statutory chief officers. The latter category typically includes those officers who report directly to the Chief Executive (excluding those whose duties are solely secretarial). In addition, those senior officers whose salary is above £150,000 are required to be named in this section.

The second section must include a disclosure of the numbers of other staff whose total remuneration (i.e. salary plus overtime and allowances, etc.) is above £50,000.

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

The Chief Executive put in place an arrangement in March 2013 to forgo other fees due to him regarding elections. These fees foregone amount to £14,000 per year pro rata, having the effect of reducing the net salary cost by 7%.

Sheffield City Council – Statement of Accounts 2015/16

| <b>2015/16</b>  |   |   |                            |   |                              |   |
|---|---|---|----------------------------|---|------------------------------|---|
| <b>Post Holder Information</b>                          | <b>Note</b>   | <b>Salary - including Fees and Allowances</b> | <b>Expenses Allowances</b> | <b>Total Remuneration excluding Pension Contributions</b> | <b>Pension Contributions</b> | <b>Total Remuneration including Pension Contributions</b> |
|   |   | £   | £                          | £   | £                            | £   |
| Chief Executive - John Mothersole                       |   | 184,588                                       | 0                          | 184,588   | 34,701                       | 219,289   |
| Executive Director - Communities (Interim)              |   | 132,293                                       | 0                          | 132,293   | 24,846                       | 157,139   |
| Executive Director - Resources (Interim)                |   | 119,984                                       | 0                          | 119,984   | 22,008                       | 141,992   |
| Executive Director - Place                              |   | 126,142                                       | 598                        | 126,740   | 23,690                       | 150,430   |
| Executive Director - Children Young People and Families |   | 119,984                                       | 233                        | 120,217   | 22,534                       | 142,751   |
| Director of Public Health                               | 1   | 7,491   | 0                          | 7,491   | 1,071                        | 8,562   |
| Director of Public Health – (interim) Stephen Horsley   | 2   | 165,371                                       | 0                          | 165,371   | 0                            | 165,371   |
| Director of Public Health (2)                           | 3   | 11,216  | 0                          | 11,216  | 1,585                        | 12,801  |
| Director of Policy and Performance                      |   | 81,267  | 9                          | 81,276  | 15,263                       | 96,539  |
| <b>Total</b>  |   | <b>948,336</b>                                | <b>840</b>                 | <b>949,176</b>  | <b>145,698</b>               | <b>1,094,874</b>  |
| <b>Notes:</b>   |   |   |                            |   |                              |   |
| <b>1</b>  | The Director of Public Health left the position as of 20th April 2015.  |   |                            |   |                              |   |
| <b>2</b>  | Interim Director of Public Health was in post 29/04/2015-29/02/2016.    |   |                            |   |                              |   |
| <b>3</b>  | Director Public Health (2) took up position with effect from 22/02/2016 |   |                            |   |                              |   |

Sheffield City Council – Statement of Accounts 2015/16

| <b>2014/15</b>  |   |                            |   |                              |   |
|---|---|----------------------------|---|------------------------------|---|
| <b>Post Holder Information</b>                          | <b>Salary - including Fees and Allowances</b> | <b>Expenses Allowances</b> | <b>Total Remuneration excluding Pension Contributions</b> | <b>Pension Contributions</b> | <b>Total Remuneration including Pension Contributions</b> |
|   | <b>£</b>                                      | <b>£</b>                   | <b>£</b>  | <b>£</b>                     | <b>£</b>  |
| Chief Executive - John Mothersole                       | 184,588                                       | 0                          | 184,588   | 35,072                       | 219,660   |
| Executive Director – Communities (Interim)              | 129,217                                       | 0                          | 129,217   | 24,551                       | 153,768   |
| Executive Director - Resources (Interim)                | 116,902                                       | 0                          | 116,902   | 21,699                       | 138,601   |
| Executive Director - Place                              | 123,066                                       | 351                        | 123,417   | 23,383                       | 146,800   |
| Executive Director - Children Young People and Families | 116,902                                       | 481                        | 117,383   | 22,211                       | 139,594   |
| Director of Public Health - Jeremy Wight                | 159,057                                       | 80                         | 159,137   | 18,898                       | 178,035   |
| Director of Policy and Performance                      | 79,151  | 0                          | 79,151  | 15,039                       | 94,190  |
| <b>Total</b>  | <b>908,883</b>                                | <b>912</b>                 | <b>909,795</b>  | <b>160,853</b>               | <b>1,070,648</b>  |

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

| 2014/15    |            |            | Remuneration Band                   | 2015/16    |            |            |
|------------|------------|------------|-------------------------------------|------------|------------|------------|
| Teachers   | Other      | Total      |                                     | Teachers   | Other      | Total      |
| 60         | 38         | 98         | £50,000 - 54,999                    | 45         | 33         | 78         |
| 42         | 34         | 76         | £55,000 - 59,999                    | 51         | 48         | 99         |
| 32         | 9          | 41         | £60,000 - 64,999                    | 23         | 10         | 33         |
| 20         | 13         | 33         | £65,000 - 69,999                    | 23         | 12         | 35         |
| 13         | 3          | 16         | £70,000 - 74,999                    | 14         | 4          | 18         |
| 5          | 9          | 14         | £75,000 - 79,999                    | 8          | 3          | 11         |
| 2          | 5          | 7          | £80,000 - 84,999                    | 4          | 14         | 18         |
| 4          | 2          | 6          | £85,000 - 89,999                    | 2          | 4          | 6          |
| 2          | 1          | 3          | £90,000 - 94,999                    | 1          | 2          | 3          |
| 0          | 0          | 0          | £95,000 - 99,999                    | 1          | 2          | 3          |
| 0          | 0          | 0          | £100,000 - 104,999                  | 0          | 0          | 0          |
| 2          | 0          | 2          | £105,000 - 109,999                  | 3          | 0          | 3          |
| 1          | 0          | 1          | £110,000 - 114,999                  | 0          | 0          | 0          |
| 0          | 0          | 0          | £120,000 - 124,999                  | 1          | 1          | 2          |
| 1          | 1          | 2          | £125,000 - 129,999                  | 0          | 0          | 0          |
| 0          | 1          | 1          | £145,000 - 149,999                  | 0          | 0          | 0          |
| <b>184</b> | <b>116</b> | <b>300</b> | <b>Total</b>                        | <b>176</b> | <b>133</b> | <b>309</b> |
| <b>184</b> | <b>110</b> | <b>294</b> | <b>Total Excluding redundancies</b> | <b>176</b> | <b>114</b> | <b>290</b> |

### 36. Termination Benefits

The Council terminated the contracts of a number of employees in 2015/16 incurring liabilities of £6.3m (£7.3m in 2014/15). This includes redundancy and pension payments.

This amount was payable to 293 people (485 people in 2014/15) from across the Council, who were made redundant as part of its strategy to reduce the workforce in order to achieve budget savings. This included 53 people whose termination benefits were funded by the Housing Revenue Account.

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

| 2014/15                                    |  |   | 2015/16                                    |  |
|--|--|---|--|--|
| Total number of exit packages by cost band | Total cost of exit packages in each band<br>£000 | Exit package cost band (including special payments) | Total number of exit packages by cost band | Total cost of exit packages in each band<br>£000 |
| 366  | 2,696  | £0 - £20,000  | 189  | 1,439  |
| 78   | 2,107  | £20,001 - £40,000                                   | 55   | 1,521  |
| 25   | 1,264  | £40,001 - £60,000                                   | 25   | 1,205  |
| 11   | 724  | £60,001 - £80,000                                   | 11   | 745  |
| 2  | 168  | £80,001 - £100,000                                  | 3  | 249  |
| 3  | 385  | £100,001 - £160,000                                 | 10   | 1,169  |
| <b>485</b>                                 | <b>7,344</b>                                     | <b>Total</b>  | <b>293</b>                                 | <b>6,328</b>                                     |

The table above includes 12 people who were made compulsory redundant with a total value of £189k.

In 2015/16 no contributions for the termination costs under contract / partnership obligations were incurred. In 2014/15 the equivalent cost was £245k.

### 37. External Audit Fees

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

| 2014/15<br>£000 |  | 2015/16<br>£000 |
|-----------------|--|-----------------|
| 255             | Fees payable with regard to external audit services carried out by the appointed auditor | 186             |
| 21              | Fees payable for the certification of grant claims and returns                           | 31              |
| 76              | Fees payable in respect of any other services provided over and above those listed above | 6               |
| <b>352</b>      | <b>Total</b>   | <b>223</b>      |

### 38. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on a Council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

| 2015/16   |                                |   |                  |
|---|--------------------------------|---|------------------|
|   | Central<br>Expenditure<br>£000 | Individual<br>Schools<br>Budget<br>£000 | Total<br>£000    |
| Final DSG for 2015/16 before Academy recoupment     | 52,039                         | 331,269                                 | <b>383,308</b>   |
| Academy figure recouped for 2015/16                 | 0                              | (148,867)                               | <b>(148,867)</b> |
| Total DSG after Academy recoupment for 2015/16      | 52,039                         | 182,402                                 | <b>234,441</b>   |
| Brought forward from 2014/15                        | 5,678                          | 0                                       | <b>5,678</b>     |
| Carry forward to 2016/17 agreed in advance          | 0                              | 0                                       | <b>0</b>         |
| Agreed initial budgeted DSG distribution in 2015/16 | 57,717                         | 182,402                                 | <b>240,119</b>   |
| In year adjustments                                 | (23,039)                       | 21,816                                  | <b>(1,223)</b>   |
| Final budgeted distribution for 2015/16             | 34,678                         | 204,218                                 | <b>238,896</b>   |
| Less Actual central expenditure                     | (28,134)                       | 0                                       | <b>(28,134)</b>  |
| Less Actual ISB deployed to schools                 | 0                              | (204,218)                               | <b>(204,218)</b> |
| Plus Council contribution for 2015/16               | 0                              | 0                                       | <b>0</b>         |
| <b>Carry forward to 2016/17</b>                     | <b>6,544</b>                   | <b>0</b>                                | <b>6,544</b>     |

| <b>2014/15 – Comparative Information</b>            |                            |                                  |                  |
|---|----------------------------|----------------------------------|------------------|
|   | <b>Central Expenditure</b> | <b>Individual Schools Budget</b> | <b>Total</b>     |
|   | <b>£000</b>                | <b>£000</b>                      | <b>£000</b>      |
| Final DSG for 2014/15 before Academy recoupment     | 56,356                     | 315,605                          | <b>371,961</b>   |
| Academy figure recouped for 2014/15                 | 0                          | (126,712)                        | <b>(126,712)</b> |
| Total DSG after Academy recoupment for 2014/15      | 56,356                     | 188,893                          | <b>245,249</b>   |
| Brought forward from 2013/14                        | 4,028                      | 0                                | <b>4,028</b>     |
| Carry forward to 2015/16 agreed in advance          | 0                          | 0                                | <b>0</b>         |
| Agreed initial budgeted DSG distribution in 2014/15 | 60,384                     | 188,893                          | <b>249,277</b>   |
| In year adjustments                                 | (15,903)                   | 16,115                           | <b>212</b>       |
| Final budgeted distribution for 2014/15             | 44,481                     | 205,008                          | <b>249,489</b>   |
| Less Actual central expenditure                     | (38,803)                   | 0                                | <b>(38,803)</b>  |
| Less Actual ISB deployed to schools                 | 0                          | (205,008)                        | <b>(205,008)</b> |
| Plus Council contribution for 2014/15               | 0                          | 0                                | <b>0</b>         |
| <b>Carry forward to 2015/16</b>                     | <b>5,678</b>               | <b>0</b>                         | <b>5,678</b>     |

**39. Grant Income**

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

| <b>2014/15</b>   |  | <b>2015/16</b>   |
|------------------|--|------------------|
| <b>£000</b>      |  | <b>£000</b>      |
|                  | <b>Credited to Services:</b>                               |                  |
| (12,110)         | Clinical Commissioning Group                               | (8,829)          |
| (24,122)         | Department for Business Innovation and Skills              | (11,509)         |
| (6,781)          | Department for Communities and Local Government            | (10,439)         |
| 0                | Department for Culture, Media and Sport                    | (1,260)          |
| (282,294)        | Department for Education                                   | (271,784)        |
| 0                | Department for Environment, Food and Rural Affairs         | (1,053)          |
| (197,120)        | Department for Work and Pensions                           | (198,949)        |
| (33,776)         | Department of Health                                       | (34,054)         |
| (2,060)          | English Local Government                                   | (3,087)          |
| (1,348)          | Home Office  | (1,890)          |
| (1,113)          | Ministry of Justice  | (1,069)          |
| (4,776)          | Other  | (2,502)          |
| <b>(565,500)</b> | <b>Total</b>   | <b>(546,425)</b> |
|                  | <b>Credited to Taxation and Non Specific Grant Income:</b> |                  |
|                  | <i>Non-ring fenced Government Grants:</i>                  |                  |
| (201,565)        | Department for Communities and Local Government            | (163,016)        |
| (12,399)         | Clinical Commissioning Group                               | (16,399)         |
| (44,343)         | Department for Transport                                   | (46,669)         |
| (23,975)         | Education Funding Agency                                   | (23,975)         |
| (282,282)        |  | (250,059)        |
|                  | <i>Capital Grants and Contributions:</i>                   |                  |
| 0                | Department for Communities and Local Government            | (2,604)          |
| 0                | Department for Culture, Media and Sport                    | (6,579)          |
| (23,031)         | Department for Education                                   | (25,376)         |
| (6,115)          | Department for Environment, Food and Rural Affairs         | (4,550)          |
| (2,579)          | Department for Transport                                   | (1,030)          |
| 0                | English Local Government                                   | (11,868)         |
| (27,804)         | Sheffield City Region Combined Authority Group             | 0                |
| (837)            | Other  | (17,012)         |
| (60,366)         |  | (69,019)         |
| <b>(342,648)</b> | <b>Total</b>   | <b>(319,078)</b> |

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

| <b>31 March 2015</b> |  | <b>31 March 2016</b> |
|----------------------|--|----------------------|
| <b>£000</b>          |  | <b>£000</b>          |
|                      | <b>Revenue Grants Receipts in Advance:</b>         |                      |
| (8,545)              | Department for Business Innovation and Skills      | (5,245)              |
| (439)                | Department for Communities and Local Government    | (400)                |
| 0                    | Department for Education                           | (1,473)              |
| (4,917)              | Department for Works and Pensions                  | (3,370)              |
| (1,482)              | Department of Health                               | 0                    |
| (1,385)              | Other  | (1,307)              |
| <b>(16,768)</b>      | <b>Total</b>                                       | <b>(11,795)</b>      |
|                      | <b>Capital Grants Receipts in Advance:</b>         |                      |
| (59)                 | Department for Culture Media and Sport             | (3,572)              |
| (10,107)             | Department for Communities and Local Government    | (8,096)              |
| (16,408)             | Department for Education                           | (12,667)             |
| 0                    | Department for Environment, Food and Rural Affairs | (487)                |
| (736)                | Department for Transport                           | (354)                |
| 0                    | Department of Health                               | (1,506)              |
| (1,005)              | English Local Government                           | (677)                |
| (56)                 | Sheffield City Region Combined Authority           | 0                    |
| (14,090)             | Other  | (8,782)              |
| <b>(42,461)</b>      | <b>Total</b>                                       | <b>(36,141)</b>      |

#### **40. Related Party Transactions**

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

For Sheffield City Council, the main categories of related parties are other public bodies, or those organisations over which a Sheffield City Council Member or Chief Officer holds a position of general control or management. Sheffield City Council's material related party transactions in year amounted to net payments of £216m (£208m for 2014/15), with £4.2m (£26.4m for 2014/15) accrued. All such material related party transactions are disclosed either individually or in aggregate below.

#### **Council Members**

In respect of financial year 2015/16 a number of Council Members had a position of general control or management in organisations which generated related party transactions with the Council. Positions of general control or management can arise by way of ownership, or by acting as a director, trustee, board member, or partner of an organisation.

Significant transactions include:

| <b>2015/16</b>  |              |                 |                 |                     |                    |                 |                   |
|---|--------------|-----------------|-----------------|---------------------|--------------------|-----------------|-------------------|
|   | <b>Notes</b> | <b>Receipts</b> | <b>Payments</b> | <b>Net Payments</b> | <b>Receivables</b> | <b>Payables</b> | <b>Net Assets</b> |
|   |              | <b>£000</b>     | <b>£000</b>     | <b>£000</b>         | <b>£000</b>        | <b>£000</b>     | <b>£000</b>       |
| <b>Related Party</b>  |              |                 |                 |                     |                    |                 |                   |
| Sheffield City Trust  | <b>1</b>     | (26)            | 18,596          | <b>18,570</b>       | 3                  | 0               | <b>3</b>          |
| Building Schools for the Future   | <b>2</b>     | 0               | 11,533          | <b>11,533</b>       | 0                  | 0               | <b>0</b>          |
| DLA Piper   | <b>3</b>     | (7)             | 27,888          | <b>27,881</b>       | 0                  | 2               | <b>2</b>          |
| Kier  | <b>4</b>     | (85)            | 43,538          | <b>43,453</b>       | (42)               | 1               | <b>(41)</b>       |
| Sheffield Futures   | <b>5</b>     | (185)           | 5,245           | <b>5,060</b>        | 16                 | (2)             | <b>14</b>         |
| Sheffield Housing Company   | <b>6</b>     | (98)            | 12,132          | <b>12,034</b>       | 37                 | (136)           | <b>(99)</b>       |
| Sheffield Industrial Museums Trust  | <b>7</b>     | (28)            | 599             | <b>571</b>          | 0                  | 219             | <b>219</b>        |
| The Source (Meadowhall)   | <b>8</b>     | (1)             | 181             | <b>180</b>          | 1                  | 0               | <b>1</b>          |
| Sheffield Galleries and Museum Trust  | <b>9</b>     | (116)           | 2,050           | <b>1,934</b>        | 76                 | 436             | <b>512</b>        |
| Sheffield International Venues  | <b>10</b>    | (27)            | 6,544           | <b>6,517</b>        | (11)               | (7)             | <b>(18)</b>       |
| SOAR  | <b>11</b>    | (17)            | 653             | <b>636</b>          | 10                 | (10)            | <b>0</b>          |
| <p><b>1</b> £18.6m bond interest and principal.<br/> <b>2</b> £11.5m Investment in rebuilding, refurbishment, ICT and equipment in schools.<br/> <b>3</b> Purchase of buildings for SRQ via solicitors.<br/> <b>4</b> Early payment of Repairs and Maintenance contract.<br/> <b>5</b> £5.2m payments for targetted youth support - Community youth teams and youth work.<br/> <b>6</b> £11.2m works on roofing, £0.8m loan.<br/> <b>7</b> Operating grant.<br/> <b>8</b> Grants predominantly Skills Made Easy and Vocational Skills Programme.<br/> <b>9</b> £2m payment of the operating grant.<br/> <b>10</b> £3.0m grant, £3.5m loan.<br/> <b>11</b> Small projects.</p> |              |                 |                 |                     |                    |                 |                   |

| 2014/15                            |       |          |          |              |             |          |            |
|------------------------------------|-------|----------|----------|--------------|-------------|----------|------------|
|                                    | Notes | Receipts | Payments | Net Payments | Receivables | Payables | Net Assets |
|                                    |       | £000     | £000     | £000         | £000        | £000     | £000       |
| <b>Related Party</b>               |       |          |          |              |             |          |            |
| Sheffield City Trust               | 1     | (9,245)  | 19,270   | 10,025       | 9,240       | 0        | 9,240      |
| Building Schools for the Future    | 2     | (2)      | 11,356   | 11,354       | 0           | 0        | 0          |
| DLA Piper                          | 3     | 0        | 10,306   | 10,306       | 0           | 0        | 0          |
| Kier                               | 4     | (15,256) | 9,443    | (5,813)      | 15,229      | 0        | 15,229     |
| Digital Region Ltd                 | 5     | 0        | 4,903    | 4,903        | 0           | 0        | 0          |
| Sheffield Futures                  | 6     | (1,115)  | 4,694    | 3,579        | 18          | 0        | 18         |
| Sheffield Theatres Trust           | 7     | (227)    | 3,028    | 2,801        | 530         | 0        | 530        |
| Sheffield Housing Company          | 8     | (135)    | 2,679    | 2,544        | 2           | 0        | 2          |
| Autism Plus                        | 9     | (22)     | 1,993    | 1,971        | 0           | (6)      | (6)        |
| Sheffield Industrial Museums Trust | 10    | (29)     | 689      | 660          | 219         | 0        | 219        |
| The Source (Meadowhall)            | 11    | 0        | 347      | 347          | 0           | (15)     | (15)       |

1 £18.5m Bond Interest and Principal, £0.7m Capital Expenditure, £9.2m Grant Income.  
2 £11m investment in rebuilding, refurbishment, ICT and equipment in schools.  
3 £9.4m Compulsory Purchase Order costs – Barkers Pool and New Retail Quarter, £0.5m legal / consultant fees.  
4 £8.4m Kier Asset Partnership Services, £15.3m refund of contract charges in relation to pension contributions.  
5 £4.9m payments relating to winding down – ceased trading 14 August 2014.  
6 £4.7m payments for targeted your support – community youth teams and youth work, £0.85m transition support fund prepayment recovery.  
7 £2.3m Grants, £0.5m Lyceum refurbishment costs.  
8 £1.9m Interim payment in relation to flat and pitched roof projects and associated works.  
9 £2m payments to external provider of learning disability care services.  
10 £0.7m under service agreement and Vocational Skills Programme.  
11 £0.3m Grants predominantly for Skills Made Easy and Vocational Skills Programme.

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 Executive Directors and Director of Finance. The note also covers members of those officers' close families or households. None of the Council's chief officers declared a position of general control or management in a third party organisation during the financial year which was not disclosed elsewhere.

### Transactions with Other Public Bodies

The UK Government exerts significant influence over Sheffield City Council through legislation and grant funding. Transactions with central government and precepts and

levies raised on behalf of other public bodies are detailed in notes to the Consolidated Income and Expenditure Account and Collection Fund. However, the following table shows the significant transactions with public bodies in the area:

| <b>2015/16</b>                                 |              |                 |                 |                     |                    |                 |                     |
|--|--------------|-----------------|-----------------|---------------------|--------------------|-----------------|---------------------|
|  | <b>Notes</b> | <b>Receipts</b> | <b>Payments</b> | <b>Net Payments</b> | <b>Receivables</b> | <b>Payables</b> | <b>Net Accruals</b> |
| <b>Related Party</b>                           |              | <b>£000</b>     | <b>£000</b>     | <b>£000</b>         | <b>£000</b>        | <b>£000</b>     | <b>£000</b>         |
| South Yorkshire Pensions Authority             | <b>1</b>     | (16)            | 44,321          | <b>44,305</b>       | 0                  | 0               | <b>0</b>            |
| Sheffield City Region Combined Authority Group | <b>2</b>     | (23,000)        | 35,194          | <b>12,194</b>       | 5,184              | (23)            | <b>5,161</b>        |
| South Yorkshire Police and Crime Commissioner  | <b>3</b>     | (78)            | 20,535          | <b>20,457</b>       | 38                 | (43)            | <b>(5)</b>          |
| South Yorkshire Fire and Rescue Service        | <b>4</b>     | (23)            | 11,078          | <b>11,055</b>       | 0                  | (7)             | <b>(7)</b>          |
| NHS Bodies                                     | <b>5</b>     | (28,210)        | 28,769          | <b>559</b>          | 1,120              | (2,839)         | <b>(1,719)</b>      |
| Other Local Authorities                        |              | (2,091)         | 10,091          | <b>8,000</b>        | 286                | (161)           | <b>125</b>          |

**1** £38.1m superannuation payments, £6.0m annual funding requirement.

**2** Expenditure - £28.8m transport levy payment, Grant payments to PTE; Income Grants for capital transport projects, outstanding grant payments due for LSTF/LTP.

**3** £19.9m Council Tax precept payment.

**4** £8.9m Council Tax precept payment and £2.2m share of National Non-Domestic Rates.

**5** £23.2m from Clinical Commissioning Group.

| <b>2014/15</b>  |              |                 |                 |                     |                    |                 |                     |
|---|--------------|-----------------|-----------------|---------------------|--------------------|-----------------|---------------------|
|   | <b>Notes</b> | <b>Receipts</b> | <b>Payments</b> | <b>Net Payments</b> | <b>Receivables</b> | <b>Payables</b> | <b>Net Accruals</b> |
| <b>Related Party</b>  |              | <b>£000</b>     | <b>£000</b>     | <b>£000</b>         | <b>£000</b>        | <b>£000</b>     | <b>£000</b>         |
| South Yorkshire Pensions Authority                            | <b>1</b>     | (16)            | 110,870         | <b>110,854</b>      | 1                  | (388)           | <b>(387)</b>        |
| Sheffield City Region Combined Authority Group                | <b>2</b>     | (20,609)        | 32,264          | <b>11,655</b>       | 1,824              | (6)             | <b>1,818</b>        |
| NHS bodies within Sheffield and regional health organisations | <b>3</b>     | (20,548)        | 26,514          | <b>5,966</b>        | 797                | (1,080)         | <b>(283)</b>        |
| South Yorkshire Police and Crime Commissioner                 | <b>4</b>     | (144)           | 19,573          | <b>19,429</b>       | 108                | (241)           | <b>(133)</b>        |
| South Yorkshire Fire and Rescue Authority                     | <b>5</b>     | (34)            | 10,312          | <b>10,278</b>       | 5                  | (7)             | <b>(2)</b>          |
| Other Local Authorities                                       |              | (885)           | 8,490           | <b>7,605</b>        | 281                | (70)            | <b>211</b>          |

**1** £71m contribution towards the deficit and £35m superannuation payments, £4m Annual Funding requirement.

**2** £31.4m Transport Levy payments, £17.3m Grant Income, £3.3m Recharges.

**3** £16.9m from NHS Sheffield Clinical Commissioning Group.

**4** £18.6m Council Tax precept payment, £0.4m Grants, £0.3m Service Recharges.

**5** £8.2m Council Tax precept payment and £2.1m share of National Non-Domestic Rates.

**41. Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI / PPP contracts), together with the resources that have been used to finance it. Where capital expenditure cannot be paid for immediately and is to be financed in future years by charges to revenue as the assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

| <b>2014/15</b>   |  | <b>2015/16</b>   |
|------------------|--|------------------|
| <b>£000</b>      |  | <b>£000</b>      |
|                  | <b>Capital Investment</b>  |                  |
| 175,085          | Property, Plant and Equipment*                                     | 264,684          |
| 279              | Heritage Assets*   | 174              |
| 1,184            | Assets Held for Sale*  | 0                |
| 0                | Loans Advanced   | 0                |
| 8,281            | Revenue Expenditure Funded from Capital Under Statute              | 8,549            |
| <b>184,829</b>   |  | <b>273,407</b>   |
|                  | <b>Sources of Finance</b>  |                  |
| 67,649           | Government Grants and Other Contributions                          | 78,180           |
| 39,528           | PFI Lease Liability  | 47,206           |
| 25,788           | Major Repairs Reserve  | 60,582           |
| 8,490            | Capital Receipts Reserve   | 14,583           |
| 43,374           | Borrowing  | 72,856           |
| <b>184,829</b>   |  | <b>273,407</b>   |
|                  | <b>Capital Financing Requirement</b>                               |                  |
| 1,165,802        | Opening Balance  | 1,218,394        |
| 43,374           | Borrowing in Year  | 72,856           |
| (30,271)         | Statutory / Voluntary provision for repayment of debt (MRP / VMRP) | (30,474)         |
| 39,528           | PFI Liabilities recognised in year                                 | 47,206           |
| (39)             | Other Adjustments  | 5,475            |
| <b>1,218,394</b> | <b>Closing Balance</b>   | <b>1,313,457</b> |

\* These figures match to the additions lines in Notes 14, 15 and 22 detailing movements on the non-current assets balances.

**42. Leases and Lease Type Arrangements**

**Council as Lessee**

**Finance Leases**

The Council has not classified any leases as Finance Leases.

## Operating Leases

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

| 2014/15<br>£000 |   | 2015/16<br>£000 |
|-----------------|---|-----------------|
| 1,140           | Not later than one year                           | 403             |
| 1,165           | Later than one year and not later than five years | 778             |
| 2,778           | Later than five years                             | 2,682           |
| <b>5,083</b>    | <b>Total</b>                                      | <b>3,863</b>    |

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

## Council as Lessor

### Finance Leases

The Council has not classified any leases as Finance Leases.

### Operating Leases

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

| 2014/15<br>£000 |   | 2015/16<br>£000 |
|-----------------|---|-----------------|
| 1,465           | Not later than one year                           | 1,244           |
| 5,291           | Later than one year and not later than five years | 4,578           |
| 53,270          | Later than five years                             | 44,603          |
| <b>60,026</b>   | <b>Total</b>                                      | <b>50,425</b>   |

The above mainly consists of a large number of small value, long term leases, principally for the lease of land. Following a review, seven leases totalling £0.3m rental income per annum have been identified as no longer falling into this category.

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

### PFI and Similar Contracts

At 31 March 2016 the Council had seven long term contracts under Private Finance Initiative (PFI) arrangements. No new contracts were entered into in 2015/16. The financing models have the same methodology as set up in 2012/13.

The first PFI contract is for the provision of office accommodation at Howden House for a period of 30 years from February 2001. Payments to the contractor during the year amounted to £4.8m (£4.7m in 2014/15) and payments will continue for the duration of the contract, subject to availability and performance related deductions and to contractually agreed inflation adjustments.

Five other PFI contracts are for the provision of schools. Schools Phase One PFI contract is for the provision of two primary schools and four secondary schools that opened during

the financial year 2001/02. The contract is for 25 years and total payments to the contractor during the year were £10.4m (£10.4m in 2014/15). The Schools Phase Two PFI contract is for the provision of two secondary schools. The contract is for 25 years and became fully operational during the financial year 2005/06 with total payments to the contractor during the year amounting to £4.2m (£4.2m in 2014/15). The Schools Phase Three PFI contract, which is for 25 years, became operational during the financial year 2006/07 and total payments during the year were £7.6m (£7.4m in 2014/15). The Building Schools for the Future (BSF) Wave One contract is for 25 years. It became operational in January 2009 and total payments during the year were £9.3m (£9.3m in 2014/15). The Bradfield School PFI contract, which is for 25 years, became operational during the financial year 2012/13 and total payments during the year were £3.2m (£3.2m in 2014/15).

The seventh PFI is the Highways PFI which is for 25 years and became operational during the financial year 2012/13. It covers the improvement and on-going maintenance of the city's roads, footways, highway trees, traffic signals, street lights, street furniture and street name plates. It also covers street cleaning, winter gritting and landscape maintenance. Total payments during the year were £50.7m (£47m in 2014/15).

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 £28.5m (£27.9m in 2014/15). In general, future payments are projected to increase in line with inflation, expected waste tonnages and increases in Landfill Tax. In addition the contractor has introduced improved disposal facilities in order to meet statutory recycling and recovery targets, which resulted in peaks in the payments between 2005 and 2010 which have flattened out. The payments may be reduced by any shares in growth in the contractor's third party income and are subject always to any deductions for poor performance. This model has also been restated in year.

In accordance with the Accounting Policy for Private Finance Initiatives and Similar Contracts (Note 1 XX), the seven PFI contracts and the integrated waste management contract have been reviewed and accounted for in accordance with the provisions of IFRIC 12 – Service Concession Arrangements and other relevant CIPFA guidance. The fixed assets relating to these contracts and the liability for these fixed assets have been recognised on the Council's Balance Sheet.

### **PFI Assets**

The assets held under PFI and similar contracts are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant and Equipment balance in Note 14.

**PFI Finance Lease Liability**

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

| <b>2014/15</b>   |  | <b>2015/16</b>   |
|------------------|--|------------------|
| <b>£000</b>      |  | <b>£000</b>      |
| (335,605)        | Value of the liability as at 1 April     | (363,112)        |
| (39,527)         | Recognition of fixed assets              | (47,206)         |
| 12,020           | Finance lease rental                     | 15,089           |
| <b>(363,112)</b> | <b>Value of liability as at 31 March</b> | <b>(395,229)</b> |
|                  | <b>Comprising of:</b>                    |                  |
| (11,444)         | Short Term                               | (13,838)         |
| (351,668)        | Long Term                                | (381,391)        |
| <b>(363,112)</b> |  | <b>(395,229)</b> |

**PFI Payments Due to be Made**

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

| <b>2014/15</b>   |   |   |  |                            | <b>2015/16</b>            |                                   |                            |                  |
|------------------|---|---|--|----------------------------|---------------------------|-----------------------------------|----------------------------|------------------|
| <b>Total</b>     |   | <b>Repay-<br/>ment of<br/>Current<br/>Liability</b> | <b>Repay-<br/>ment of<br/>Future<br/>Liability</b> | <b>Interest<br/>Charge</b> | <b>Service<br/>Charge</b> | <b>Contin-<br/>gent<br/>Rents</b> | <b>Lifecycle<br/>Costs</b> | <b>Total</b>     |
| <b>£000</b>      |   | <b>£000</b>   | <b>£000</b>  | <b>£000</b>                | <b>£000</b>               | <b>£000</b>                       | <b>£000</b>                | <b>£000</b>      |
| 119,403          | Within one year                         | 13,838  | 2,294  | 40,477                     | 61,954                    | 5,476                             | 0                          | 124,039          |
| 529,566          | Between two and five years              | 43,248  | 2,419  | 170,326                    | 242,240                   | 27,142                            | 57,213                     | 542,588          |
| 733,084          | Between six and ten years               | 91,446  | 10,969   | 180,722                    | 339,299                   | 50,646                            | 69,655                     | 742,737          |
| 763,641          | Between eleven and fifteen years        | 101,711   | 12,053   | 130,645                    | 348,066                   | 55,081                            | 108,677                    | 756,233          |
| 718,097          | Within sixteen and twenty years         | 115,285   | 22,248   | 67,547                     | 332,919                   | 57,192                            | 105,204                    | 700,395          |
| 284,502          | Within twenty-one and twenty-five years | 29,701  | 8,190  | 4,596                      | 61,870                    | 8,625                             | 29,760                     | 142,742          |
| <b>3,148,293</b> | <b>Total</b>                            | <b>395,229</b>                                      | <b>58,173</b>                                      | <b>594,313</b>             | <b>1,386,348</b>          | <b>204,162</b>                    | <b>370,509</b>             | <b>3,008,734</b> |

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.

**44. Long Term Contracts**

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

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

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

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

As the end of the initial seven year period – January 2016 – was fast approaching, negotiations began in 2014/15 to explore the possibility of an extension.

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

Payments to Capita Business Services Limited under the contract in 2015/16 totalled £31.7m (£32.4m in 2014/15).

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. Following a detailed investigation into the future provision of the duties within the Kier Asset Partnership contract, a Cabinet decision was made not to extend the current contract with Kier beyond its end date on 30 June 2016.

From the 1 July 2016, rather than an “integrated property related contract” (as with the current Kier contract) the intention is to split the delivery areas into five key areas (Property Services, Cleaning, Catering, Security & Events and Facilities Management Delivery). These individual services will then be delivered by a mix of In-House and specialist contractors.

Payments to Kier Limited under the contract in 2015/16 totalled £8m (£8.4m in 2014/15).

In previous years the Council was in agreement with Sheffield City Trust (SCT) to meet the cost of arrangements that they had entered into with certain leasing banks in respect of the provision of funding for sporting facilities in the city. During 2013/14 the Council made prepayments of £101m to SCT in respect of this commitment with the objective of removing the bank from the revised arrangements. The revised arrangements comprise an annual payment of £18.5m from the Council to SCT which will continue for a further nine years. Payments to SCT in year are detailed in Note 40, Related Party Transactions.

## **45. Impairment Losses**

In 2015/16 there were no impairment charges for Non-Current Assets, however a gain of £69.4m credited the HRA for improvements in valuation of previously impaired assets.

## **46. Post-Employment Benefits**

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

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

### **Teachers' Pension Scheme**

In 2015/16 the City Council paid £12.3m (£11.9m 2014/15) to Department for Education (DfE) in respect of Teachers' pension costs, which represented 14.1% (14.1% 2014/15) 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 2015/16 these amounted to £4.4m (£4.5m 2014/15), representing 5.48% (4.47% 2014/15) 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.

### **NHS Pension Scheme**

During 2013/14 public health staff were transferred from Primary Care Trusts (PCTs) to Local Authorities. These staff have maintained their membership in the NHS pension scheme.

In 2015/16 the City Council paid £212k (£266k 2014/15) to NHS pensions in respect of NHS pension costs, which represented 14% (14% 2014/15) of NHS pensionable pay.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying scheme assets and liabilities with sufficient reliability. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

### **Local Government Pension Scheme**

#### **Transactions Relating to Post-Employment Benefits**

The Council recognises the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as

pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

| 2014/15<br>£000  |   | 2015/16<br>£000 |
|--|---|-----------------|
| <b>Comprehensive Income and Expenditure Statement</b>  |   |                 |
| <i>Cost of Services:</i>   |   |                 |
| 35,928   | Current service cost  | 45,937          |
| 236  | Past service costs  | 4               |
| (11,704)   | (Gains) and Losses on Settlements   | (4,609)         |
| 2,340  | Curtailments  | 1,532           |
| <b>26,800</b>  | <b>Charge to (Surplus) / Deficit on Continuing Operations</b>                                       | <b>42,864</b>   |
| <i>Other Operating Expenditure:</i>  |   |                 |
| 740  | Administration expenses   | 734             |
| 740  |   | 734             |
| <i>Financing and Investment Income and Expenditure:</i>  |   |                 |
| 94,456   | Interest cost on pension liabilities  | 81,472          |
| (66,274)   | Interest on plan assets   | (54,674)        |
| 28,182   |   | 26,798          |
| <b>28,922</b>  | <b>Charge to the (Surplus) / Deficit on the Provision of Services</b>                               | <b>27,532</b>   |
| <i>Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:</i> |   |                 |
| 204,881  | Re-measurements of the net defined benefit liability  | (99,469)        |
| 204,881  |   | (99,469)        |
| <b>260,603</b>   | <b>Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b> | <b>(29,073)</b> |

| 2014/15<br>£000   |  | 2015/16<br>£000 |
|---|--|-----------------|
| <b>Movement in Reserves Statement</b>   |  |                 |
| (55,722)  | Reversal of net charges made to the (Surplus) / Deficit for the Provision of Services for post-employment benefits in accordance with the Code | (70,396)        |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i> |  |                 |
| 101,754   | Employers contributions payable to scheme  | 31,352          |

The cumulative amount of actuarial (gains) and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2016 is a loss of £389.9m (£489.4m 2014/15).

The employers' contributions payable to the scheme has decreased from £102m in 2014/15 to £31m in 2015/16. During 2014/15 the Council made a significant early payment of the planned 2015/16 and 2016/17 pension deficit contributions. This payment has therefore reduced the pension contributions requirement during 2015/16.

**Assets and Liabilities in Relation to Post-Employment Benefits**

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

| <b>2014/15</b>     |                                      | <b>2015/16</b>     |
|--------------------|--------------------------------------|--------------------|
| <b>£000</b>        |                                      | <b>£000</b>        |
| (2,189,155)        | Opening Balance at 1 April           | (2,585,920)        |
| (35,928)           | Current service cost                 | (45,937)           |
| (94,456)           | Interest cost                        | (81,472)           |
| (11,947)           | Contributions by scheme participants | (11,846)           |
| (347,948)          | Re-measurements                      | 138,614            |
| 83,414             | Benefits Paid                        | 84,481             |
| (236)              | Past Service Costs                   | (4)                |
| (2,340)            | Curtailments                         | (1,532)            |
| 12,676             | Settlements                          | 5,032              |
| <b>(2,585,920)</b> | <b>Closing Balance at 31 March</b>   | <b>(2,498,584)</b> |

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

| <b>2014/15</b>   |   | <b>2015/16</b>   |
|------------------|---|------------------|
| <b>£000</b>      |   | <b>£000</b>      |
| 1,491,597        | Opening Balance at 1 April                  | 1,729,513        |
| 66,274           | Interest on plan assets                     | 54,674           |
| 143,067          | Re-measurements                             | (39,145)         |
| (740)            | Administration expenses                     | (734)            |
| 101,754          | Contributions by Employer                   | 31,352           |
| 11,947           | Contributions by scheme (plan) participants | 11,846           |
| (83,414)         | Benefits paid                               | (84,481)         |
| (972)            | Settlements                                 | (423)            |
| <b>1,729,513</b> | <b>Closing Balance at 31 March</b>          | <b>1,702,602</b> |

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 £16m (£209m 2014/15).

Local Government Pension Scheme assets comprised:

|                            | 31 March 2015<br>£000 | 31 March 2016<br>£000 |
|----------------------------|-----------------------|-----------------------|
| <b>Equities:</b>           |                       |                       |
| UK quoted                  | 333,796               | 306,977               |
| Overseas quoted            | 696,129               | 674,401               |
| <b>Bonds:</b>              |                       |                       |
| UK Government Fixed        | 13,317                | 681                   |
| UK Government indexed      | 207,542               | 203,972               |
| Overseas Government Fixed  | 44,103                | 46,311                |
| UK other                   | 89,070                | 84,109                |
| Overseas other             | 11,069                | 23,326                |
| <b>Property:</b>           |                       |                       |
| UK direct                  | 162,747               | 172,644               |
| Property Funds             | 25,943                | 26,390                |
| <b>Alternatives:</b>       |                       |                       |
| Pooled investment vehicles | 117,607               | 133,995               |
| <b>Cash:</b>               |                       |                       |
| Cash accounts              | 28,191                | 29,796                |

### Scheme History

|                                   | 2011/12<br>£000 | 2012/13<br>£000 | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Present value of liabilities      | (1,998,631)     | (2,300,867)     | (2,189,155)     | (2,585,920)     | (2,498,584)     |
| Fair value of scheme assets       | 1,339,705       | 1,503,035       | 1,491,597       | 1,729,513       | 1,702,602       |
| Surplus / (deficit) in the scheme | (658,926)       | (797,832)       | (697,558)       | (856,407)       | (795,982)       |

The liabilities show the underlying commitments that the Council has, in the long run, to pay post-employment benefits. The total liability of £796m (£856m 2014/15) has a substantial impact on the net worth of the Council as recorded on the Balance Sheet, reducing the balance from £1.6bn to £772m (£1.5bn to £612m 2014/15). 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 2017 is £30m.

### 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:

| 2014/15    |   | 2015/16    |
|------------|---|------------|
|            | <b>Mortality assumptions:</b>           |            |
|            | Longevity at 65 for current pensioners: |            |
| 23 years   | Men                                     | 23 years   |
| 25.6 years | Women                                   | 25.7 years |
|            | Longevity at 65 for future pensioners:  |            |
| 25.3 years | Men                                     | 25.4 years |
| 28.4 years | Women                                   | 28.5 years |
|            | <b>Financial assumptions:</b>           |            |
| 2.0%       | Rate of CPI inflation                   | 2.0%       |
| 3.75%      | Rate of increase in salaries            | 3.75%      |
| 2.0%       | Rate of increase in pensions            | 2.0%       |
| 3.2%       | Rate for discounting scheme liabilities | 3.5%       |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period. It also assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2014/15.

| Change in Assumptions at 31 March 2016        | £000     |
|---|----------|
| Increase in life expectancy (1 year increase) | 48,854   |
| Rate of inflation (0.1% increase)             | 45,170   |
| Rate of increase in salaries (0.1% increase)  | 9,615    |
| Rate of discount (0.1% increase)              | (44,368) |

### History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserves in 2015/16 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2016:

|  | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|--|---------|---------|---------|---------|---------|
|  | %       | %       | %       | %       | %       |
| Differences between the expected and actual return on assets | -2.1    | 7.1     | -3.7    | 8.3     | -2.3    |
| Experience gains and losses on liabilities                   | 3.4     | 10.8    | -7.6    | 13.5    | -5.5    |

## 47. Contingent Liabilities

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

### Guarantees

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

| Exposure<br>2014/15<br>£000 |                                | Exposure<br>2015/16<br>£000 |
|-----------------------------|--------------------------------|-----------------------------|
| 1,585                       | Sheffield City Trust City Hall | 1,241                       |
| 86                          | Sheffield Science Park Co Ltd  | 58                          |
| <b>1,671</b>                |                                | <b>1,299</b>                |

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.

### Museums Sheffield

The Council has given a guarantee to Museums Sheffield to underwrite their overdraft at the bank to the value of £250k. Furthermore, if Museums Sheffield validly served a determination notice, the Council would have to pick up all of its assets and liabilities.

### Academies

Before a school converts to an academy, its board of governors signs a Commercial Transfer Agreement with the Council. This agreement is intended to ensure that all information on the staff, assets and contracts that are transferring to the academy are recorded and transferred to the academy trust so that the appropriate arrangements for payment of salaries, pension contributions, etc. can be made. In relation to certain recent academy conversions, the Council has agreed to consider in good faith reasonable requests on an individual basis to indemnify the relevant academies against losses reasonably incurred in connection with various employment claims. At this stage, there is no indication that the Council is exposed to a specific liability.

### Equal Pay

The Council has embarked upon a process of settlement negotiations with individuals in relation to back dated Equal Pay claims. This process will continue through 2016/17 but it is not possible to state with certainty what the final costs will be.

### Grant Claw Back

The Council has 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 such projects not achieving their originally stated objectives, grants can be subject to ‘claw back’ by the funding organisations. These projects are subject to appropriate monitoring and in a situation where any liability of the Council is agreed, it will be disclosed and an appropriate provision made in the relevant year’s Accounts.

## **Pensions**

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

It is difficult to estimate the extent of the Council’s liability under these agreements due to actuarial revaluations only taking place on a triennial basis the last of which being in 2013. 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 (SHSCT) that subject to certain conditions it will guarantee the full amount of their deficit on the South Yorkshire Pension Fund.

## **Tax - Building Schools for the Future**

The Council has indemnified Notre Dame Academy against the potential for Her Majesty’s Revenue & Customs (HMRC) to challenge the basis under which the school issued a VAT zero-rate certificate to the Council in September 2013. As part of the Building Schools for the Future (BSF) programme the Council, via a contractor, supplied new-build construction works to the school. These works can be supplied by the Council at the zero-rate for VAT purposes if the recipient of the works agrees to only use the new-build elements of the work for educational or charitable purposes for at least ten years. In issuing the certificate the school agreed to these provisions.

By issuing the certificate the school was able to mitigate paying £900k to HMRC in VAT costs. Had the certificate not been issued, the Council would have been obliged to fund this cost on the school’s behalf during the financial year 2013/14. HMRC have agreed the process by which the certificate was issued.

The contingent risk for the Council lies in the school’s continued commitment to only use the newly constructed buildings for charitable or educational purposes over the next ten years. Should the school not fulfil these commitments HMRC would seek to recover some of these VAT costs from the school. The indemnity passes this risk onto the Council. The Council’s contingent liability will decrease by 10% for every year the conditions of the certificate are complied with. At March 2016 this risk could be valued at £729k.

## **Termination Benefits**

A provision has been recognised in the 2015/16 accounts for individuals whom the Chief Officer Panel have approved to leave the Council, via voluntary early retirement and voluntary redundancy, but as at 31 March 2016 have not yet left the Council (see Note 36). There will be further redundancies during 2016/17 which have not yet been confirmed. The Council holds a budget of £8.2m to cover such costs.

## **Business Rates Appeals**

The Council is required to provide an estimate of how much business rates income it will collect and therefore how much it will rely upon in setting the budget every year. This involves the Council's own assumptions about the levels of refunds that may be given and the levels of outstanding appeals. Both of these carry significant risk and will involve assumptions about performance in 2016/17 that will be based on experience of recent years and the use of the most up to date information available.

The provision for losses due to appeals that was established in 2014/15 amounted to £13.7m and was based on information relating to the level of outstanding appeals, assumptions about the likely level of "success" for the claimant and potential further claims lodged. In 2015/16 the provision was adjusted to take account of known appeals according to the latest information available from the Valuation Office Agency (VOA) at the beginning of March. The provision has risen to £23.9m based on an increased number of appeals and specific threats such as GP surgeries, Virgin Media and ATM appeals.

It is extremely difficult to predict how many other appeals were lodged since then, and what the likely level of success would be. Furthermore, the Council is affected by decisions taken at a national level due to case law, for instance the potential for significant further retrospective refunds in respect of health centres, a potential ruling as well as the transfer of a major telecommunications provider's properties from local ratings lists to a central ratings list. It is not possible to estimate with certainty what the probable cost of these issues will be.

**Housing Revenue Account (HRA)**

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

| <b>Housing Revenue Account Income and Expenditure Statement</b> |   |             |                  |
|---|---|-------------|------------------|
| <b>2014/15</b>  |   | <b>Note</b> | <b>2015/16</b>   |
| <b>£000</b>   |   |             | <b>£000</b>      |
|   | <b>Expenditure:</b>   |             |                  |
| 35,766  | Repairs and maintenance   |             | 33,366           |
| 50,976  | Supervision and management  |             | 52,189           |
| 1,048   | Rents, rates, taxes and other charges   |             | 1,534            |
| (21,839)  | Depreciation and impairment / losses of non-current assets  | 8 / 9       | 49,151           |
| 236   | Debt management costs   |             | 204              |
| 1,667   | Movement in the allowance for Bad or Doubtful Debts   |             | 1,147            |
| <b>67,854</b>   | <b>Total Expenditure</b>  |             | <b>137,591</b>   |
|   | <b>Income:</b>  |             |                  |
| (148,956)   | Dwelling rents  | 11          | (150,987)        |
| (1,517)   | Non-dwelling rents - garages, garage sites, shops   | 11          | (1,494)          |
| (8,283)   | Charges for services and facilities   |             | (7,551)          |
| (920)   | Contributions towards expenditure   |             | (1,039)          |
| 0   | HRA subsidy receivable  |             | 0                |
| <b>(159,676)</b>  | <b>Total Income</b>   |             | <b>(161,071)</b> |
| (91,822)  | Net Income / Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement |             | (23,480)         |
| 470   | HRA share of Corporate and Democratic Core  |             | 535              |
| <b>(91,352)</b>   | <b>Net Income / Cost of HRA Services</b>  |             | <b>(22,945)</b>  |
|   | <b>HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:</b>  |             |                  |
| (289)   | (Gain) or loss on sale of HRA non-current assets  |             | (1,469)          |
| 13,786  | Interest payable and similar charges  |             | 13,430           |
| (233)   | Interest and investment income  |             | (255)            |
| 0   | Capital grants and contributions receivable   |             | 0                |
| <b>(78,088)</b>   | <b>(Surplus) / Deficit for the year on HRA services</b>   |             | <b>(11,239)</b>  |

| <b>Movement on the Housing Revenue Account Statement</b> |   |             |                 |
|--|---|-------------|-----------------|
| <b>2014/15</b>   |   |             | <b>2015/16</b>  |
| <b>£000</b>  |   | <b>Note</b> | <b>£000</b>     |
| <b>(13,043)</b>  | <b>Balance as at 1 April</b>  |             | <b>(12,841)</b> |
| (78,088)   | (Surplus) / Deficit on the HRA Income and Expenditure Statement         |             | (11,239)        |
| 0  | Other Comprehensive Income and Expenditure                              | 1           | 690             |
| 76,718   | Adjustments between accounting basis and funding basis under regulation | 2           | (7,613)         |
| <b>(1,370)</b>   | <b>Net (increase) / decrease before transfers to reserves</b>           |             | <b>(18,162)</b> |
| 1,572  | Transfer to / from reserves   | 3           | 22,827          |
| <b>202</b>   | <b>(Increase) / decrease in year on the HRA</b>                         |             | <b>4,665</b>    |
| <b>(12,841)</b>  | <b>Balance as at 31 March</b>   |             | <b>(8,176)</b>  |

**Notes to the Housing Revenue Account**

**01. Other Comprehensive Income and Expenditure**

**2015/2016**

The 2015/16 figure represents a draw down from reserves.

**02. Adjustments Between Accounting Basis and Funding Basis Under Regulation**

| <b>2014/15</b> |   | <b>2015/16</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| 39,059         | Impairment / revaluation losses on HRA non-current assets   | (31,365)       |
| 0              | Capital Grants and Contributions credited to the HRA  | 0              |
| 289            | Net gain / (loss) on sale of HRA non-current assets   | 1,469          |
| 954            | Difference between interest payable and similar charges<br>(including amortisation of premiums and discounts determined in<br>accordance with Statute)                      | 954            |
| 36,389         | Revenue Contribution to Major Repairs Reserve   | 21,302         |
| 27             | Difference between any other item of income and expenditure<br>determined in accordance with the Code and those determined in<br>accordance with statutory HRA requirements | 27             |
| <b>76,718</b>  | <b>Total</b>  | <b>(7,613)</b> |

**03. Transfer to / (from) Reserves**

This note sets out the amounts set aside from the HRA balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to the HRA to meet expenditure in 2015/16.

| <b>2014/15</b> |  | <b>2015/16</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| 202            | Transfer to / (from) the Major Repairs Reserve | 21,756         |
| 1,370          | Transfer to / (from) the HRA Earmarked Reserve | 1,071          |
| <b>1,572</b>   | <b>Total</b>                                   | <b>22,827</b>  |

**04. Housing Stock**

The Council was responsible for managing, on average 40,290 dwellings during 2015/16 (40,558 for 2014/15). The movement in stock can be summarised as follows:

| <b>2014/15</b> |  | <b>2015/16</b> |
|----------------|--|----------------|
| 40,732         | Housing Stock as at 1 April            | 40,383         |
| (288)          | Less: Sales                            | (300)          |
| (108)          | Less: Demolitions and other deductions | (70)           |
| 47             | Add: New build and acquisitions        | 184            |
| <b>40,383</b>  | <b>Housing Stock as at 31 March</b>    | <b>40,197</b>  |

The housing stock can be analysed by type as follows:

| <b>2015/16</b>     |                                  |                                 |               |
|--------------------|----------------------------------|---------------------------------|---------------|
|                    | <b>Flats and<br/>Maisonettes</b> | <b>Houses and<br/>Bungalows</b> | <b>Total</b>  |
| 1 Bedroom          | 12,001                           | 1,692                           | 13,693        |
| 2 Bedrooms         | 5,664                            | 8,743                           | 14,407        |
| 3 Bedrooms         | 896                              | 10,474                          | 11,370        |
| 4 Bedrooms         | 15                               | 344                             | 359           |
| 5 Bedrooms         | 1                                | 18                              | 19            |
| 6 Bedrooms or more | 1                                | 4                               | 5             |
| Bedsits            | 342                              | 2                               | 344           |
| Multi Occupied     | 0                                | 0                               | 0             |
| <b>Total</b>       | <b>18,920</b>                    | <b>21,277</b>                   | <b>40,197</b> |

| <b>2014/15 – Comparative Information</b> |                                  |                                 |               |
|--|----------------------------------|---------------------------------|---------------|
|  | <b>Flats and<br/>Maisonettes</b> | <b>Houses and<br/>Bungalows</b> | <b>Total</b>  |
| 1 Bedroom                                | 12,004                           | 1,692                           | 13,696        |
| 2 Bedrooms                               | 5,685                            | 8,852                           | 14,537        |
| 3 Bedrooms                               | 900                              | 10,541                          | 11,441        |
| 4 Bedrooms                               | 14                               | 333                             | 347           |
| 5 Bedrooms                               | 1                                | 12                              | 13            |
| 6 Bedrooms or more                       | 1                                | 4                               | 5             |
| Bedsits                                  | 342                              | 2                               | 344           |
| Multi Occupied                           | 0                                | 0                               | 0             |
| <b>Total</b>                             | <b>18,947</b>                    | <b>21,436</b>                   | <b>40,383</b> |

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

| <b>2014/15</b>                       |                                       |                          | <b>2015/16</b>                       |                                       |
|--------------------------------------|---------------------------------------|--------------------------|--------------------------------------|---------------------------------------|
| <b>Value at<br/>1 April<br/>£000</b> | <b>Value at<br/>31 March<br/>£000</b> |                          | <b>Value at<br/>1 April<br/>£000</b> | <b>Value at<br/>31 March<br/>£000</b> |
| 864,529                              | 904,586                               | Council Dwellings        | 904,586                              | 913,987                               |
| 9,032                                | 8,874                                 | Other Land and Buildings | 8,874                                | 8,365                                 |
| 34,609                               | 34,479                                | Surplus Assets           | 34,479                               | 32,019                                |
| 3,593                                | 4,278                                 | Assets Held for Sale     | 4,278                                | 6,079                                 |
| <b>911,763</b>                       | <b>952,217</b>                        | <b>Total</b>             | <b>952,217</b>                       | <b>960,450</b>                        |

## **05. Vacant Possession**

The vacant possession value of Council dwellings as at 1 April 2015 was £2.92bn (£2.79bn at 1 April 2014).

The difference between the vacant possession value of dwellings and the Balance Sheet value represents the economic cost to government of providing council housing at less than open market rents.

## 06. Major Repairs Reserve

The Major Repairs Reserve was created on 1 April 2002 in accordance with the statutory provision (Section 3 Local Authorities Capital Finance and Accounts England Regulations 2000). This reserve is held to provide funding for the substantial future planned HRA Capital Investment Programme.

The table below shows the movement on the reserve:

| 2014/15<br>£000 |  | 2015/16<br>£000 |
|-----------------|--|-----------------|
| (43,831)        | Balance at 1 April   | (71,851)        |
| (17,218)        | Transfers from the Capital Adjustment Account (re. Depreciation) | (17,500)        |
| (20,753)        | Transfers from the HRA (re. Revenue Contribution)                | (21,302)        |
| (15,837)        | Transfers from the HRA (re. Additional Revenue Contribution)     | (21,756)        |
| 25,788          | Expenditure on capital assets                                    | 60,582          |
| <b>(71,851)</b> | <b>Balance at 31 March</b>                                       | <b>(71,827)</b> |

## 07. Capital Expenditure

During the financial year total capital expenditure was £67.9m (£28.6m in 2014/15) split between houses £67.8m (£26.4m in 2014/15) and other property and land within the Housing Revenue Account £0.3m (£2.2m in 2014/15).

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

| 2014/15<br>£000 |  | 2015/16<br>£000 |
|-----------------|--|-----------------|
| 25,788          | Major Repairs Reserve                  | 60,582          |
| 2,746           | Usable Capital Receipts Reserve        | 6,179           |
| 63              | Capital Grants and Other Contributions | 1,136           |
| <b>28,597</b>   | <b>Total</b>                           | <b>67,897</b>   |

Capital receipts amounting to £13.3m (£11.5m in 2014/15) were generated in the financial year from the disposal of land, houses and other property within the Council's HRA.

## 08. Depreciation

A depreciation charge of £17.5m (£17.2m 2014/15) was made to the HRA during the financial year. The split of the depreciation charge is detailed below:

| 2014/15<br>£000 |                          | 2015/16<br>£000 |
|-----------------|--------------------------|-----------------|
| 16,884          | Council Dwellings        | 17,117          |
| 327             | Other Land and Buildings | 328             |
| 7               | Surplus Assets           | 55              |
| <b>17,218</b>   | <b>Total</b>             | <b>17,500</b>   |

**09. Impairment**

There were no impairment charges in 2015/16 or 2014/15. However, there are reversals of impairments of £69.4m (£39m in 2014/15) representing an improvement to a previous impairment value for Council Dwellings.

**10. Rent Arrears**

Rent arrears (excluding amounts collectable on behalf of other agencies) as at 31 March 2016 amounted to £8.8m (£9m as at 31 March 2015).

The provision for doubtful debts in respect of these rent arrears is £6.2m (£6.2m as at 31 March 2015).

**11. Rent Income**

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

| Dwellings        | 2014/15        |                       | Total                                     |                  | 2015/16        |                   | Total |
|------------------|----------------|-----------------------|---|------------------|----------------|-------------------|-------|
|                  | £000           | Non-Dwellings<br>£000 |   |                  | £000           | Dwellings<br>£000 |       |
| (151,300)        | (2,520)        | (153,820)             | Gross rent income before allowances       | (154,610)        | (2,524)        | (157,134)         |       |
| 2,344            | 1,003          | 3,347                 | Less vacant properties                    | 3,623            | 1,030          | 4,653             |       |
| <b>(148,956)</b> | <b>(1,517)</b> | <b>(150,473)</b>      | <b>Gross rent income after allowances</b> | <b>(150,987)</b> | <b>(1,494)</b> | <b>(152,481)</b>  |       |

**12. Dwellings Rents**

This represents rent income due from tenants. The average rent per week at 31 March 2016 was £76.47 (50 week basis) compared with £74.74 per week at 31 March 2015, an increase of £1.73 or 2.31%.

**13. Rebates**

Rent rebates are available through the Housing Benefits scheme. As at 31 March 2016, 66% (69% as at 31 March 2015) of Council tenants were receiving assistance from the scheme.

**Collection Fund**

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

| 2014/15  |                     |                  |       | 2015/16                    |                     |                  |
|--|---------------------|------------------|-------|----------------------------|---------------------|------------------|
| Non-domestic Rates<br>£000                       | Council Tax<br>£000 | Total<br>£000    | Notes | Non-domestic Rates<br>£000 | Council Tax<br>£000 | Total<br>£000    |
| <b>Income</b>                                    |                     |                  |       |                            |                     |                  |
| 0  | (202,215)           | <b>(202,215)</b> |       | 0                          | (209,295)           | <b>(209,295)</b> |
| 0  | (202,215)           | <b>(202,215)</b> | 1     | 0                          | (209,295)           | <b>(209,295)</b> |
| (209,795)  | 0                   | <b>(209,795)</b> |       | (213,882)                  | 0                   | <b>(213,882)</b> |
|  |                     |                  | 2     |                            |                     |                  |
| 0  | 0                   | <b>0</b>         |       | 0                          | 0                   | <b>0</b>         |
| (209,795)  | 0                   | <b>(209,795)</b> |       | (213,882)                  | 0                   | <b>(213,882)</b> |
| <b>(209,795)</b>                                 | <b>(202,215)</b>    | <b>(412,010)</b> |       | <b>(213,882)</b>           | <b>(209,295)</b>    | <b>(423,177)</b> |
| <b>Total Income</b>                              |                     |                  |       |                            |                     |                  |
| <b>Expenditure</b>                               |                     |                  |       |                            |                     |                  |
| Precepts and Demands:                            |                     |                  |       |                            |                     |                  |
| 100,898  | 164,820             | <b>265,718</b>   |       | 104,661                    | 170,837             | <b>275,498</b>   |
| 0  | 18,623              | <b>18,623</b>    |       | 0                          | 19,295              | <b>19,295</b>    |
| 2,058  | 8,334               | <b>10,392</b>    |       | 2,136                      | 8,637               | <b>10,773</b>    |
| 102,846  | 0                   | <b>102,846</b>   |       | 106,797                    | 0                   | <b>106,797</b>   |
| 205,802  | 191,777             | <b>397,579</b>   |       | 213,594                    | 198,769             | <b>412,363</b>   |
| <b>Apportionment of Previous Years' Surplus:</b> |                     |                  |       |                            |                     |                  |
| 0  | 171                 | <b>171</b>       |       | 1,320                      | 1,980               | <b>3,300</b>     |
| 0  | 19                  | <b>19</b>        |       | 27                         | 219                 | <b>246</b>       |
| 0  | 8                   | <b>8</b>         |       | 1,347                      | 98                  | <b>1,445</b>     |
| 0  | 198                 | <b>198</b>       |       | 2,694                      | 2,297               | <b>4,991</b>     |
| 1,660  | 0                   | <b>1,660</b>     |       | 665                        | 0                   | <b>665</b>       |
| 5,838  | 1,617               | <b>7,455</b>     |       | 2,044                      | 5,172               | <b>7,216</b>     |
| (2,394)  | 3,132               | <b>738</b>       | 1     | (636)                      | 0                   | <b>(636)</b>     |
| 100  | 0                   | <b>100</b>       |       | 10,196                     | 0                   | <b>10,196</b>    |
| 778  | 0                   | <b>778</b>       |       | 788                        | 0                   | <b>788</b>       |
| 313  | 0                   | <b>313</b>       |       | 292                        | 0                   | <b>292</b>       |
| 55   | 0                   | <b>55</b>        |       | 55                         | 0                   | <b>55</b>        |
| 0  | 0                   | <b>0</b>         |       | 1,806                      | 0                   | <b>1,806</b>     |
| <b>212,152</b>                                   | <b>196,724</b>      | <b>408,876</b>   |       | <b>231,498</b>             | <b>206,238</b>      | <b>437,736</b>   |
| <b>2,357</b>                                     | <b>(5,491)</b>      | <b>(3,134)</b>   |       | <b>17,616</b>              | <b>(3,057)</b>      | <b>14,559</b>    |
| <b>(2,694)</b>                                   | <b>(2,296)</b>      | <b>(4,990)</b>   |       | <b>(337)</b>               | <b>(7,787)</b>      | <b>(8,124)</b>   |
| <b>(337)</b>                                     | <b>(7,787)</b>      | <b>(8,124)</b>   |       | <b>17,279</b>              | <b>(10,844)</b>     | <b>6,435</b>     |

|                                     |
|-------------------------------------|
| <b>Notes to the Collection Fund</b> |
|-------------------------------------|

|                        |
|------------------------|
| <b>01. Council Tax</b> |
|------------------------|

There are an estimated 240,672 (240,083 for 2014/15) 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 130,231.44 for 2015/16 (128,144.18 for 2014/15). 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 £1,522.76 for 2015/16 (£1,493.11 for 2014/15). 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:

| 2015/16  |                              |                        |                      |                               |                          |                             |
|--|------------------------------|------------------------|----------------------|-------------------------------|--------------------------|-----------------------------|
| Band   | Number of Properties in Band | Exemptions and Reliefs | Chargeable Dwellings | Adjusted Chargeable Dwellings | Proportion of Band D Tax | Band D Equivalent Dwellings |
| Disabled Band A  |                              | 295                    | 295                  | 259.43                        | 5:9                      | 144.13                      |
| A  | 140,733                      | (37,623)               | 103,110              | 86,995.02                     | 6:9                      | 57,996.68                   |
| B  | 38,260                       | (5,681)                | 32,579               | 29,761.92                     | 7:9                      | 23,148.16                   |
| C  | 30,498                       | (3,539)                | 26,959               | 25,098.76                     | 8:9                      | 22,310.00                   |
| D  | 15,417                       | (1,569)                | 13,848               | 12,991.87                     | 9:9                      | 12,991.87                   |
| E  | 8,804                        | (423)                  | 8,381                | 7,954.79                      | 11:9                     | 9,722.52                    |
| F  | 4,092                        | (28)                   | 4,064                | 3,880.03                      | 13:9                     | 5,604.49                    |
| G  | 2,691                        | (53)                   | 2,638                | 2,524.33                      | 15:9                     | 4,207.22                    |
| H  | 177                          | (51)                   | 126                  | 119.75                        | 18:9                     | 239.50                      |
|  | 240,672                      | (48,672)               | 192,000              | 169,585.90                    |                          | 136,364.57                  |
| Less: Allowance for non-collection                         |                              |                        |                      |                               |                          | (6,136.41)                  |
| Add: Defence-exempt properties                             |                              |                        |                      |                               |                          | 3.28                        |
| <b>Tax Base for the calculation of 2015/16 Council Tax</b> |                              |                        |                      |                               |                          | <b>130,231.44</b>           |

Those properties qualifying for Council Tax support are no longer included in the tax base figures from 2014/15.

| <b>2014/15</b>   |                                     |                               |                             |                                      |                                 |                                    |
|--|-------------------------------------|-------------------------------|-----------------------------|--------------------------------------|---------------------------------|------------------------------------|
| <b>Band</b>  | <b>Number of Properties in Band</b> | <b>Exemptions and Reliefs</b> | <b>Chargeable Dwellings</b> | <b>Adjusted Chargeable Dwellings</b> | <b>Proportion of Band D Tax</b> | <b>Band D Equivalent Dwellings</b> |
| Disabled Band A  |                                     | 397                           | 397                         | 357.25                               | 5:9                             | 198.47                             |
| A  | 140,609                             | (41,220)                      | 99,389                      | 83,116.00                            | 6:9                             | 55,410.66                          |
| B  | 38,115                              | (4,791)                       | 33,324                      | 30,559.06                            | 7:9                             | 23,768.15                          |
| C  | 30,356                              | (3,548)                       | 26,808                      | 24,945.72                            | 8:9                             | 22,173.98                          |
| D  | 15,299                              | (1,473)                       | 13,826                      | 12,984.48                            | 9:9                             | 12,984.48                          |
| E  | 8,787                               | (431)                         | 8,356                       | 7,934.66                             | 11:9                            | 9,697.92                           |
| F  | 4,065                               | (44)                          | 4,021                       | 3,833.19                             | 13:9                            | 5,536.83                           |
| G  | 2,676                               | (59)                          | 2,617                       | 2,502.24                             | 15:9                            | 4,170.41                           |
| H  | 176                                 | (52)                          | 124                         | 117.55                               | 18:9                            | 235.10                             |
|  | <u>240,083</u>                      | <u>(51,221)</u>               | <u>188,862</u>              | <u>166,350.15</u>                    |                                 | <u>134,176.00</u>                  |
| Less: Allowance for non-collection                         |                                     |                               |                             |                                      |                                 | (6,037.92)                         |
| Add: Defence-exempt properties                             |                                     |                               |                             |                                      |                                 | 6.10                               |
| <b>Tax Base for the calculation of 2014/15 Council Tax</b> |                                     |                               |                             |                                      |                                 | <b>128,144.18</b>                  |

The income of £204.1m for 2015/16 (£200.6m 2014/15), which is net of write offs, is receivable from the following sources:

| <b>2014/15</b>   |                              | <b>2015/16</b>   |
|------------------|------------------------------|------------------|
| <b>£000</b>      |                              | <b>£000</b>      |
| (202,215)        | Billed to Council Tax Payers | (209,295)        |
| 1,617            | Write Offs                   | 5,172            |
| <b>(200,598)</b> | <b>Total</b>                 | <b>(204,123)</b> |

## **02. National Non-Domestic Rates (NNDR)**

NNDR is organised on a national basis. The Government specify an amount of 49.3p in 2015/16 (48.2p 2014/15) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays 50% to Government and 1% to South Yorkshire Fire and Rescue Authority.

The NNDR income of £213.9m for 2015/16 (£209.8m 2014/15) was based on a total rateable value for the Council's area of £534.7m for the year (£532.2m for 2014/15).

| <b>Glossary</b>                      |  |
|--------------------------------------|--|
| <b>Term</b>                          | <b>Definition</b>  |
| <b>Abbreviations</b>                 | The symbol 'k' following a figure represents £thousand.<br>The symbol 'm' following a figure represents £million.<br>The symbol 'bn' following a figure represents £billion.   |
| <b>Accounting Period</b>             | The period of time covered by the Council's accounts. Normally 12 months, beginning on 1 April. Also known as the Financial Year.  |
| <b>Accounting Policies</b>           | These are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.  |
| <b>Accruals Concept</b>              | Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.  |
| <b>Added Years</b>                   | 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.   |
| <b>Amortisation</b>                  | An accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement over a period of years rather than when the initial payment is made. Its purpose is to charge / credit the cost / income over the accounting periods that gain benefit for the respective item.                                      |
| <b>Beacon</b>                        | A group of Council dwellings / properties with similar characteristics, such as design, age, type and construction. A sample property, "the beacon" is selected, which is representative of the group, and a detailed inspection and valuation carried out.  |
| <b>Capital Expenditure</b>           | Expenditure that is incurred to acquire, create or add value to a non-current asset.   |
| <b>Capital Financing Requirement</b> | It measures an authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose.<br><br>It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend or over the longer term. Alternatively, it means capital expenditure incurred but not yet paid for. |
| <b>Capital Receipts</b>              | The proceeds from the sale of capital assets which, subject to various limitations (e.g. Pooling Arrangements introduced in the Local Government Act 2003) can be used to finance capital expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing.   |

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| <b>Cash</b>                        | Comprises cash on hand and demand deposits.   |
| <b>Cash Equivalents</b>            | 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.   |
| <b>Co-optees</b>                   | Individuals appointed to serve as members of committees of the Council, but who are not Members of the Council (i.e. not Councillors).  |
| <b>Collection Fund</b>             | A fund administered by the Council recording receipts from Council Tax, National Non-Domestic Rates and payments to the General Fund.   |
| <b>Community Assets</b>            | Non-current assets that the Council intends to hold forever and which may have some restrictions on their disposal, e.g. parks and historic buildings.  |
| <b>Consistency Concept</b>         | 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.  |
| <b>Contingency</b>                 | 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.  |
| <b>Council Tax</b>                 | A banded property tax that is levied on domestic properties. The banding is based on assessed property values at 1 April 1991.  |
| <b>Credit Risk</b>                 | The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.  |
| <b>Creditors</b>                   | Amounts owed by the Council for work done, goods received or services rendered, for which no payment has been made at the date of the Balance Sheet.  |
| <b>Debtors</b>                     | Amounts owed to the Council for work done, goods received or services rendered, for which no payment has been received at the date of the Balance Sheet.  |
| <b>Defined Benefit Scheme</b>      | A pension or other retirement benefit scheme, other than a Defined Contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).     |
| <b>Defined Contribution Scheme</b> | 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 |

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|   | the current and prior periods.   |
| <b>Depreciation</b>                                       | 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.   |
| <b>Fair Value</b>   | Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.   |
| <b>Finance Lease</b>                                      | A lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.  |
| <b>Financial Instrument</b>                               | A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term “financial instrument” covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivable (debtors) and trade payables (creditors) and the most complex ones such as derivatives. |
| <b>General Fund</b>                                       | 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.  |
| <b>Goodwill</b>   | 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.   |
| <b>Heritage Asset</b>                                     | A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.   |
| <b>Impairment</b>   | <p>A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.</p> <p>Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset’s market value and evidence of obsolescence or physical damage to the asset.</p>   |
| <b>Intangible Assets</b>                                  | 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.  |
| <b>International Financial Reporting Standards (IFRS)</b> | 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.  |

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| <b>Inventories</b>                        | <p>Inventories are assets:</p> <ul style="list-style-type: none"> <li>• in the form of materials or supplies to be consumed in the production process or consumed or distributed in the rendering of services</li> <li>• held for sale or distribution in the ordinary course of operations</li> <li>• in the process of production for sale or distribution</li> </ul>  |
| <b>Investment Property</b>                | 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.  |
| <b>Materiality</b>                        | 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.  |
| <b>Minimum Revenue Provision (MRP)</b>    | The minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.  |
| <b>Net Book Value</b>                     | The amount at which non-current assets are included on the Balance Sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.  |
| <b>Net Current Replacement Cost</b>       | The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current position of the existing asset.  |
| <b>Net Realisable Value</b>               | 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.  |
| <b>National Non-Domestic Rates (NNDR)</b> | These are often referred to as Business Rates, and are a levy on business properties based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines the national rate multiplier and the Valuation Office Agency determine the rateable value of each business property. Business Rates are collected by the Local Authority and paid into their collection fund, this amount is then distributed 49% to the Local Authorities general fund, 1% to the South Yorkshire Fire and Rescue Authority and 50% to Central Government. The Central Government share is then redistributed nationally, partly back to Local Authorities through Revenue Support Grant. |
| <b>Operating Lease</b>                    | A lease other than a Finance Lease. An agreement in which the Council derives the use of an asset in exchange for rental   |

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|   | payments, though the risks and rewards of ownership of the asset are not substantially transferred to the Council.  |
| <b>Precepts</b>                         | The amount levied by another body such as the South Yorkshire Police Authority that is collected by the Council on their behalf.  |
| <b>Private Finance Initiative (PFI)</b> | 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.   |
| <b>Property, Plant and Equipment</b>    | 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.   |
| <b>Provisions</b>                       | Amounts charged to revenue during the year for costs with uncertain timing, though a reliable estimate of the cost involved can be made.  |
| <b>Prudence Concept</b>                 | 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.   |
| <b>Public Works Loan Board (PWLB)</b>   | A government agency, which provides loans to authorities at favourable rates.   |
| <b>Related Party</b>                    | The definition of a related party is dependent upon the situation, though key indicators of related parties are if: <ul style="list-style-type: none"> <li>• One party has direct or indirect control of the other party</li> <li>• 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.</li> </ul> |
| <b>Remuneration</b>                     | 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.   |
| <b>Reserves</b>                         | 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.   |
| <b>Revenue Expenditure</b>              | Expenditure incurred on the day-to-day running of the Council, for example, staffing costs, supplies and transport.   |
| <b>Revenue Support Grant (RSG)</b>      | This is a Government grant paid to the Council to finance the Council's general expenditure. It is based on the Government's  |

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|   | assessment of how much a Council needs to spend in order to provide a standard level of service.   |
| <b>Specific Government Grants</b>         | 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. |
| <b>Termination Benefits</b>               | 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.                |
| <b>Unsupported (Prudential) Borrowing</b> | Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.  |

## **Independent Auditor's Report**

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

We have audited the financial statements of Sheffield City Council for the year ended 31 March 2016 on pages 25 to 159. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Executive Director of Resources and auditor**

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

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Resources; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 14 to 23 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

#### **Authority's responsibilities**

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

#### **Auditor's responsibilities**

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether Sheffield City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Sheffield City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

### **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Sheffield City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

### **Certificate**

We certify that we have completed the audit of the financial statements of Sheffield City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

**Trevor Rees**

**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

1 St Peter's Square, Manchester, M2 3AE

15<sup>th</sup> September 2016