

SHEFFIELD CITY COUNCIL
STATEMENT OF ACCOUNTS
2007/08

Contents

	<u>Page</u>
Introduction by the Leader of the City Council	2
Foreword by the Director of Corporate Resources	3
Statement of Responsibilities for the Statement of Accounts	9
Annual Governance Statement	10
Statement of Accounting Policies	22
Income and Expenditure Account	32
Statement of Movement on General Fund Balance	33
Statement of Total Recognised Gains and Losses	33
Balance Sheet	34
Cash Flow Statement	36
Notes to the Main Financial Statements	38
Housing Revenue Account (HRA) Income and Expenditure Account	82
Statement of Movement on Housing Revenue Account Balance	83
Notes to the Housing Revenue Account	84
Collection Fund	88
Notes to the Collection Fund	89
Glossary	91
Auditor's Report	94

Introduction by the Leader of the City Council

I am pleased to be able to introduce the accounts for the financial year 2007/8 for Sheffield City Council. The Council continues to focus on sound financial management and improved financial stability. This is demonstrated by the fact that, despite a tight financial settlement from the Government and the adverse financial effects of the floods in June, the Council has managed to continue to deliver vital frontline services.

We want to be a Council that is valued by all local residents. For future years we will set ourselves the highest targets, with a vision of being a Council that delivers on local people's priorities. We are determined to move this Council forward, with the key aims of delivering the best possible local services whilst providing excellent value for money.

Key strategies such as the 'Organisational Transformation Programme' and the 'World Class Financial Management' project continue to examine the way in which we carry out our business, driving us towards our goals. The Council has also sought to adopt a flexible approach to the way in which we provide our services and as such a major tendering exercise for the provision of some of our corporate services, entitled 'Outstanding Sheffield', has commenced to ensure we provide maximum value-for-money. The Council also continues to adopt an innovative approach for raising money, and this year saw Sheffield awarded with a £664m PFI scheme to improve all of the city's roads and street lighting from 2012.

During the financial year 2008/9 the Council increased council tax by 2.5%. It is our aim to deliver a lower council tax increase in the future as we know that local people are feeling the effects of the downturn in our economy.

Sheffield is a city with a bright future. As a Council we will do everything we can to see Sheffield reach its full potential so that local people can enjoy the full benefits.

Cllr Paul Scriven

Leader, Sheffield City Council, 24 September 2008

Foreword by the Director of Corporate Resources

INTRODUCTION

The purpose of this foreword is to provide a guide to the main contents of these Accounts and to comment on and summarise the Council's financial performance for 2007/08. The publication includes all the financial statements and disclosure notes required by statute and a brief financial review of 2007/08. A glossary is provided at the end of the Statement of Accounts to assist the reader. This foreword provides a summary of the overall position and at the end of the section gives a general guide to the main statements that make up the Accounts.

FINANCIAL REVIEW 2007/08

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

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

Revenue Expenditure and Services Provided

Revenue spending concerns the day-to-day running costs of the Council's services, including areas like schools, social services and leisure facilities. This spending is financed primarily from government grants, Council Tax and other income. On 2 March 2007 the Council approved a revenue budget for 2007/08 at a net expenditure level of £432m. This was based on an approved Council Tax increase of 3.9%.

The budgeted gross revenue expenditure and how the expenditure was funded are illustrated in charts below.

The following table shows the final out-turn position for 2007/08. The analysis of the outturn reflects the way the Council's finances are managed. This does not match exactly with the breakdown required in the Income and Expenditure Account, as the figures in the Income and Expenditure Account have been subject to accounting adjustments including FRS17 'Accounting for Retirement Benefits' and other accounting adjustments required by the Statement of Recommended Practice (SORP). The final out-turn position for 2007/08 shows a net underspend of £4.435m.

	2007/08
	Outturn
	£000
Children and Young People's Services	1,027
Neighbourhoods and Community Care	1,724
Development, Environment & Leisure (DEL)	281
Chief Executive's	(167)
Sub-total	2,865
Capital Financing costs	(7,600)
Continuing Care repayment from PCT	(2,400)
Other Corporate Items	(1,203)
Sub-total	(8,338)
Agreed transfers to reserves:	
Corporate (future years budget support)	3,500
Kier super profit	403
Total	(4,435)

GROSS REVENUE EXPENDITURE 2007/08		
	£m	%
Education	485	36
Social Services	240	18
Highways, transport and planning	87	7
Leisure and Tourism	43	3
Environmental Health	13	1
Housing	196	15
Refuse collection and disposal	26	2
Other Services	232	17
Planning & Economic development	10	1
Total	1,332	100

FINANCING OF THE GROSS REVENUE EXPENDITURE 2007/08		
	£m	%
Specific government grants	614	46
Council House rents	113	8
Fees, charges and other income	173	13
Central Government Grants	250	19
Council Tax	182	14
Total	1,332	100

Capital Expenditure

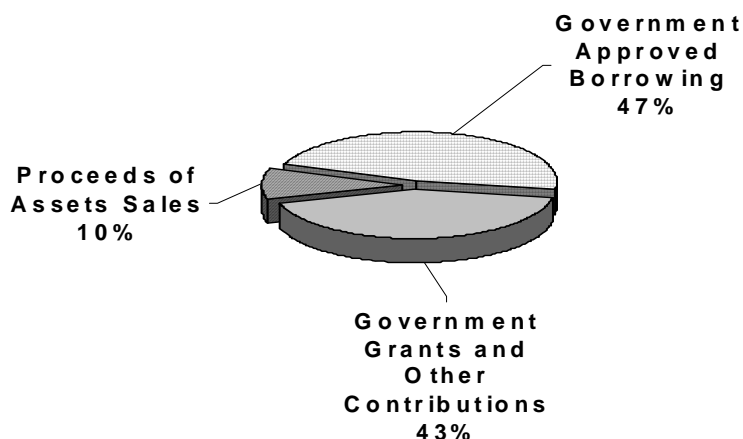
Capital spending can generally be defined as that spending which generates assets that have a life of more than one year. In 2007/08 the Council spent, on a cash basis, £250m on capital projects.

The areas of capital expenditure were:

- Enhancements and improvements to Council and other dwellings £165m;
- New and refurbished schools £35m;
- Works on roads, bridges and footpaths £35m;
- Leisure services £5m; and
- Other £10m.

The chart below shows how the capital programme was funded. The major sources of funding were Government grants of £106m and loans of £118m, through government approved borrowing.

FINANCING OF CAPITAL EXPENDITURE



The total accumulated long-term loans outstanding with external lenders amounted to £1,009m, though this sum should be viewed in relation to the Council's assets, which have a net book value of £2,780m as at 31 March 2008.

Pension Scheme

The Accounts are required to disclose the assets and liabilities for the Council's share of the pension fund. Sheffield City Council is a member of the South Yorkshire Pension Fund. The pension fund's actuaries have estimated for accounting purposes that the pension fund is currently in a deficit position and the Council's share of this deficit is £561m as at 31 March 2008.

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

A strategy to achieve a 100% funding level has now been agreed, with a target of achieving this level over the next 21 years. The revised rates for Sheffield for the next 3 years from 1st April 2008 have been assessed at 12.2% of pensionable pay plus £16.82m per year, subject to inflation increases for 09/10 and 10/11.

Financial and Service Strategy objectives

- **Maintaining a sufficient level of reserves to cover a prudent estimate of the financial risk carried by the authority:** this has been achieved through the risk based reserves strategy and we have established an invest to save fund.
- **Avoiding overspends:** a balanced budget outturn position has been achieved for the past five years and also in 2007/08.
- **Maintaining a balanced capital programme and targeted priority investment from the Corporate Resource pool:** a balanced programme is anticipated from 2008/09 to 2010/11 and a Corporate Resource Pool with investment of £26m over three years has been approved.
- **Integrating financial and service planning, performance management and risk management:** closer relationships between Budget Implementation Plans and Service Plans have been established and this will be built on further in future years
- **To set the lowest Council Tax consistent with maintaining priority services:** the Council set the lowest ever Council Tax increase for 2007/8 and has below inflation increases incorporated in long term planning assumptions.
- **Keeping capital debt increases to a minimum:** a local prudential indicator has been introduced to maintain the percentage of gross general fund capital financing costs to net revenue expenditure to below 10%. The prudent asset value to debt ratio of at least 2:1 will continue to be maintained, this is currently 3:1.

- **Improving Council Tax and Rent Collection rates:** the targets for 2007/08 were 97% and 97.7% respectively. Actual collection rates for 2007/08 were slightly below these targets at 95.8% and 95.4%. A plan is in place to address this and improve future collection rates.
- **Identifying areas for improved efficiency:** three-year efficiency target of £37m achieved by the end of 2007/08. Organisational Transformation Programme and Service and Finance reviews will help achieve future savings.
- **Getting best value for money on the Council's property assets:** targets for annual capital receipts totals are set and monitored.
- **Aiming to achieve a positive report from external audit, achieving at least 3 on Use of Resources and sustaining an overall score of 4 in the CPA assessment:** a score of 3 on Use of Resources was achieved as part of the Council's 4 star rating in 2007.

Organisational Transformation Programme

As an already high performing council we recognise the need to continually improve and develop. We have significant ambitions for the coming three to five years, particularly regarding the improvement of our service provision and the need to enhance our services in a changing world.

The Council's Organisational Transformation Programme is being carried out to build on our success to date, and to help us improve the effectiveness of our services, whilst creating financial savings that will allow us to fund our service improvement plans.

The vision for the Organisational Transformation Programme is to deliver:

- Leading edge support services
- Customers at the heart of service delivery
- Significant contribution to efficiency savings to invest back into services
- An organisation that is fit for the future, characterised by partnership working
- A platform to lead shared services in the region
- A sourcing strategy that makes best use of 3rd party providers for support and customer services
- Efficient and effective processes, standardised across the council and consistently applied

MAIN STATEMENTS INCLUDED IN THE ACCOUNTS

STATEMENT OF RESPONSIBILITIES

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

ANNUAL GOVERNANCE STATEMENT

This sets out the position regarding the framework of governance.

STATEMENT OF ACCOUNTING POLICIES

This explains the policies adopted in preparing the Accounts.

INCOME AND EXPENDITURE ACCOUNT

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

BALANCE SHEET

The Balance Sheet includes information on the Council's fixed and current assets. It also shows the Council's long-term liabilities and the balances at its disposal at 31 March 2007.

MOVEMENT ON GENERAL FUND BALANCE

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

CASH FLOW STATEMENT

This statement provides a summary of the flow of cash into and out of the Council for revenue and capital purposes.

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT

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

COLLECTION FUND

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

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

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

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice on Local Authority Accounting in the United Kingdom.

The Director of Corporate 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 10-93 present fairly the financial position of the Authority at 31 March 2008 and its income and expenditure for the year ended 31 March 2008.

Laraine Manley
Director of Corporate Resources

I can confirm that the Authority approved the Statement of Accounts on 26 June 2008.

Cllr Michael Davis
Chair of Audit Committee
26/06/2008

The accounts were readopted at the Audit Committee of 24 September 2008

Laraine Manley
Director of Corporate Resources

Cllr Michael Davis
Chair of Audit Committee

THE POSITION FOR THE FINANCIAL YEAR 2007/08 INCLUDING PLANS FOR THE FINANCIAL YEAR 2008/09

Scope of responsibility

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

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

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

Sheffield City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website. This statement explains how Sheffield City Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

The governance framework has been in place at Sheffield City Council for the year ended 31 March 2008 and up to the date of approval of the Sheffield City Council annual report and statement of accounts.

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 March 2008 and up to the date of approval of the annual report and accounts.

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

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

Establishing and monitoring the achievement of the Council's business

The Council has set out its vision and Corporate priorities in its Corporate plan. The Council has a service planning process that is designed to align service activity and objectives to the Corporate priorities. The output from these service priorities is monitored on an appropriate basis.

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

The Cabinet considers quarterly progress reports for the revenue budget and capital programme.

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

The Corporate plan and minutes of the Council meetings are available to any interested parties through the Council's Internet site.

The facilitation of policy and decision-making

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

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

There is a scheme of delegation in place that should allow the decisions of the Council to be undertaken at an appropriate level to allow the functions of the Council to be undertaken.

Ensuring compliance with established policies, procedures, laws and regulations

Procedures are covered by the Council's Constitution, backed up by Standing Orders, the Financial Framework 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 and her staff work closely with Directorates, including a requirement to review and log all Band A delegations.

The Council has set out policies and procedures for people management in the manager's section of the Council's intranet. These set down the procedures to be used in relation to management of employees. There is a formal induction process in place that is designed to ensure that employees

are made aware of their responsibilities. The Director of Corporate Resources carries overall responsibility for financial issues and her staff work closely with services to ensure that all reports are cleared for financial implications prior to submission to a Member forum.

The Council has in place a Risk Management Strategy that has been agreed by Cabinet. There is also a Corporate Risk Management Group in place that includes senior officers from across the Council. The group's prime functions are to review the processes in place and to examine mitigation strategies for the key risks identified. It should be noted that these processes are currently being revised and updated to ensure that they meet the current requirements of the Council. All Council reports include a section dealing with risk management.

The Council has a Standards Committee which oversees the Council's Code of Conduct for Members. This Committee operates outside the main Council structures and the Chair and Deputy Chair are independent from the Council. There are agreed terms of reference and the Committee meets at least annually.

As part of the Council's commitment to the highest possible standards of openness, probity and accountability, the Council encourages employees and others with genuine concerns about any of the Council's work, to come forward and voice those concerns. A revised Whistle Blowing Policy is in place that is intended to encourage and enable employees to raise such concerns within the Council rather than overlooking a problem. This policy document makes it clear that employees can do so without fear of reprisals. The procedure accords with the requirements of the Public Interest Disclosure Act 1998 and is compatible with the conventions contained in the Human Rights Act. Reviews are undertaken on a periodic basis by Internal Audit and agencies including the Commission for Social Care Inspection (CSCI), the Audit Commission and the Office for Standards in Education (OFSTED).

Ensuring the economical, effective and efficient use of resources

The Council has instigated an Organisational Transformation Programme (OTP) which is focused on delivering:-

- Improved services to customers.
- Consistent standards and efficiency in the delivery of support services across the Council.
- Financial savings.

The programme has a number of activities that it is coordinating to achieve these aims, these include the following:

- Reviewing the Council's assets to ensure that these are being used in the most efficient way and to identify assets that are no longer required.
- Reviewing the way that services are procured and the Council's partnering arrangements with the objective of delivering savings and developing a new operating model for buying goods and services. The model is designed to enable the Council to ensure that it obtains value for money on the goods and services that it procures.
- The programme is also leading on the improvement to the Council's financial management systems so that they can meet the challenges of the Council as it moves forward.
- The Council is currently retendering for its business processes, benefits service and IT services. This process also forms part of the programme.

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

The financial management of the Council

The Council was assessed by its external auditors under the new “Harder Test” Comprehensive Performance Assessment (CPA) with a score of ‘3’ for use of resources.

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

- The Council’s integrated financial information system OneWorld which provides financial information on all of the Council’s activity. This system is to be significantly upgraded within 2008/09 and work is advanced in developing the new procedures, processes and training to support the introduction.
- A comprehensive budgeting system.

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

- The work of Internal Audit.
- The External Auditors, Audit and Inspection letter and other reports.
- The role carried out by Directorate Heads of Resources in relation to S151 Local Government Act 1972 responsibilities.
- The work of the Contracts Administration team in monitoring the work undertaken by Liberata (the Council’s contractor for financial business processes).

Performance management and its reporting

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

The Audit Commission carries out a Comprehensive Performance Assessment (CPA) of all Councils. Sheffield City Council is currently rated under the new “Harder Test” as the top band with overall assessment of “performing strongly”. In all of the 5 categories tested, the Council was found to be at least “performing well”.

The Council has in place a Local Area Agreement with the Government which allows the Council certain flexibilities in allocating grants in order to achieve agreed Council objectives. This is monitored throughout the year and the outcomes are formally reported at the year end.

The Council also has a service planning process in place, which requires objectives to be set and processes to be followed to monitor the progress made. These are all linked to the Council’s Corporate and Directorate objectives.

The Council has in place an appraisal process that is designed to evaluate the individual performance of its workforce and highlight any training requirements.

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

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

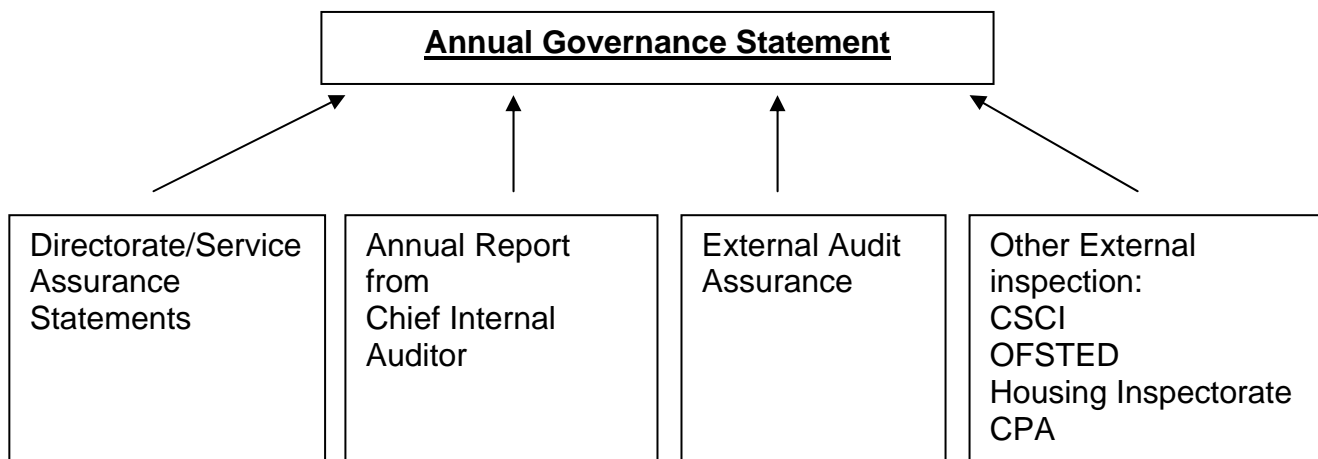
All of Sheffield City Council's services have achieved "Charter Mark" recognition.

Review of Effectiveness

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

The review of the effectiveness of the Council's governance framework is informed by the work of the Internal Auditors and the senior managers within the Council. Senior Officers have responsibility for the development and maintenance of the internal control environment. The process is also informed by comments made by the external auditors and other review agencies and inspectorates.

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



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

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

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

The Monitoring Officer has responsibility to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are working in practice. Such a review has taken place during the year. The Assistant Chief Executive, 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 Authority and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the year 2007/08 all these duties have been performed.

A significant amount of the Children's and Young People's Directorate's activity is undertaken within schools. The Directorate has in place a number of inspection regimes which monitor the various aspects of performance. The Directorate has provided assurance that overall they are satisfied that schools are operating within the expected policies and procedures in terms of their local governance, accountability and management.

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

During the financial year 2007/08 the Council has been inspected by a number of external agencies and a summary of their findings is noted in the following paragraphs. The reports of external inspection agencies are scrutinised to ensure that for any issues raised, the most appropriate senior officer within the Council has been given the responsibility to implement suitable corrective action. A summary of their findings have been highlighted below.

- The Council's External Auditors, the Audit Commission, were able to issue an unqualified opinion on the Council's Accounts in their Annual Audit and Inspection letter for 2006-07.
- There was a partial qualification on the Value for Money Audit (due to failure of internal control criteria). The letter highlighted several areas where the Council needs to take action. The Council has undertaken or is in the process of addressing these points. The Audit Commission were able to place reliance upon the work of the Council's Internal Audit section for final accounting purposes.
- The Council was the subject of a new 'Harder Test' Comprehensive Performance Assessment (CPA) by the Audit Commission. The Council achieved the highest overall rating of four stars. The report noted some areas where improvements could be made. The Council is taking action on these issues.
- The Investors in People award has been externally assessed and has been confirmed until 2010.
- The whole of the Council has now been examined and all services have been awarded the 'Chartermark' status.

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

- Culture – Leisure Services were re-examined, and maintained their award – ‘The Quality Award in Leisure’ by Quest (PMP).
- Environment and Regulatory Service – were adjudged to have met the Statutory Standards when inspected by the Ministry of Justice/ Federation of British Cremation Authorities.
- Building Standards and Trading Standards have retained their ISO 9001 accreditation.
- Internal Audit Service – retained its BS EN 9001 2000 registration following a BSI inspection in December 2007.
- Corporate Resources - The Council's insurers reviewed the insurance and claims handling processes and the service was rated as ‘Excellent’ with a very high rating for technical proficiency.
- Corporate Resources Benefits Fraud Inspectorate - The inspection raised a number of recommendations for improvement, all of which have now been addressed.
- The Outstanding Sheffield project has been the subject of a Gateway review and all of the issues raised have been addressed.
- The Audit Commission has reported on the Council's overall data quality processes. A number of weaknesses were identified and the Council is developing processes to correct these.
- Children's Specialist Services have had an OFSTED inspection of Serious Case Reviews and this resulted in a ‘good’ report.

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

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

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

The Council has established an Audit Committee made up of Councillors. The terms of reference include the need to consider the Council's arrangements for Corporate Governance and any necessary actions to ensure compliance with best practice. They also consider the Council's compliance with its own and other published standards and controls. The Audit Committee has been set up to meet the best practice guidelines.

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

Development of the Governance Framework

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

- The Council is to upgrade its current financial information system. As part of the process, the Council is currently reviewing and revising all of the financial policies and procedures to ensure that these are all adequate and consistent with the new system.
- The Council has in place an Organisational Transformation project that is looking in detail at the way that our services are organised and delivered to make sure that these are done in the most efficient and effective ways possible, for the benefit of our customers. This will undoubtedly have a significant impact on the operations of the Council and will impact upon the control environment.
- The Council is developing its governance arrangements to cover all of its partnerships and external relationships. This will help to develop consistency in the approach to partnership working.

Significant Governance Issues

- In a large and complex organisation such as Sheffield City Council, there will always be opportunities to improve services. In the financial year 2007/08, recommendations have been made by Internal Audit and agreed with relevant managers to address weaknesses identified in the internal controls of financial and other systems.
- A number of control weakness identified in the 2006/07 statement have now been resolved, or the risks have been reduced to a level where they no longer constitute an issue in relation to this statement.

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

Description of the Control Weaknesses	Officer Action
<p>Asset Register</p> <p>As part of the work being undertaken to harmonise the Council's financial and business processing arrangements, the current systems in place for the identification and management of the Council's fixed assets have been identified as fragmented and are inconsistent.</p>	<p>The Council is aiming to consolidate its current asset recording systems and to have a single comprehensive and robust system to record its assets and to develop a strategic Property Client to efficiently and effectively manage its portfolio of assets:</p> <ul style="list-style-type: none"> • As part of the World Class Financial Management programme, the development of a consistent and complete register of assets has been identified and included within the relevant business case. • As part of the Outstanding Sheffield programme, the Council is currently examining all of the options available to ensure that it has a Strategic Property Client that manage its property assets in the most effective way. <p>Timetables for action are in place for each programme and these are constantly under review.</p>
<p>Partnerships</p> <p>The Council's external relationships/ partnerships have not always been set up and managed in a consistent manner. Although the majority of the external relationships are delivering benefits to the City, there is a realisation that they need to be managed to a consistently high standard of governance. This issue was raised previously and additional work has been initiated to identify the scale of the work that needs to be undertaken.</p>	<p>The Council intends to have a consistent approach to the setting up and management of each category of external relationship.</p> <p>A partnerships register is currently being populated concentrating initially on the high value/high risk external partnerships.</p> <p>Three broad categories are being used: contractual partnerships e.g. Kier, funding partnerships e.g. Creative Sheffield and other external relationships e.g. Sheffield First.</p> <p>A Senior appointment to the post of Commercial Director has been made whose remit will be to develop commercial contracts and relationships.</p>

	<p>Work is close to completion on proposals regarding the Council's intelligent client approach to major service contracts.</p> <p>It is acknowledged that further work in this area is still required and additional work will be initiated throughout the year. This will be undertaken on a risk based approach. The governance arrangements for the major relationships will be analysed and action prioritised for the most significant relationships to ensure consistent and appropriate governance arrangements are in place.</p>
<p>Business Continuity Arrangements</p> <p>As part of the Annual Governance Statement process, it has been acknowledged that there is a difference of approach across the Council in developing and implementing Business Continuity arrangements.</p> <p>Business Continuity and Emergency Planning processes were fully tested as part of last years flooding. The plans have been reviewed in light of lessons learned.</p> <p>As part of the Annual Governance Statement process, Council officers raised a number of issues in relation to business continuity arrangements which when taken together, have identified that the current business continuity arrangements within the Council have not, as yet, been fully embedded and tested.</p>	<p>The Council will move to a Corporate approach to the management of Business Continuity arrangements.</p> <p>Areas that are identified as being of Corporate importance following a risk evaluation will be managed centrally.</p> <p>Where there is a requirement for services to manage certain aspects of their own business continuity arrangements, this will be in line with a Corporate process and appropriate challenge and support will be provided.</p> <p>Updated guidance and template documents have been circulated requesting service level plans be updated. This will enable service level plans to feed into the Directorate level and Corporate level planning process.</p>
<p>Information Management</p> <p>As part of the Annual Governance Statement process, Officers have identified that not all of the information policies have been fully developed and mandated. This includes Corporate Information Security Policy.</p> <p>There are also inconsistencies in Council arrangements for the management of various types of</p>	<p>The Council is aiming to have effective and consistent processes and policies for the management of information.</p> <p>An information management programme is to be piloted across the Council.</p> <p>A Risk Based Approach will be used when implementing the information management requirements to ensure that data security is maintained and enhanced</p>

<p>information.</p> <p>This can obviously lead to a lack of effectiveness in the way that information is collected, recorded and reported.</p>	<p>as a priority.</p> <p>As part of the Outstanding Sheffield programme for the re-tendering of IT services, consistent protocols and processes are being developed.</p> <p>A key element of the process is to ensure that critical partners who manage key elements of the Council's data network, have robust processes in place.</p> <p>The time frame for the implementation of certain aspects of this work is dependant upon the re-tendering process.</p>
<p>Risk Management Arrangements</p> <p>The Council has identified that although it has risk management arrangements in place, these are now five years old and there is a need to regain impetus and to refocus its arrangements. Furthermore, this issue had also been highlighted as part of the Council's CPA inspection and the Council's 2008 Audit and Inspection Letter. In general, risk management has not been viewed across the Council as integral to the operational and performance management processes but rather an additional activity.</p>	<p>The Corporate Risk Management Group with responsibility for risk management are currently finalising a revised risk management framework which will be linked to performance and operational management systems.</p> <p>This will incorporate the risk management process that has been developed and is currently in use for programmes/ projects. A strategic level Corporate Risk Register is also being developed. This process will be the subject of an audit review in the autumn.</p> <p>The risk management framework will be reported to and monitored by the Council's Audit Committee.</p>
<p>Burngreave New Deal for Communities</p> <p>This issue has been raised previously as a consequence of issues raised by External Audit in relation to Sheffield City Council's responsibility as accountable body and supporting evidence for grant claims. In the current financial year, Internal Audit has undertaken a review relating to the governance issues within Burngreave New Deal for Communities and a review of the Council's accountable body arrangements. At the end of the year, although officers had agreed to</p>	<p>Council Officers have agreed to implement the necessary actions in relation to the Council's accountability arrangements and have been requested to report back to the Council's Audit Committee on progress.</p> <p>Additional work was requested by the Council into the governance arrangements of BNDfC. A number of recommendations have been made to BNDfC Management.</p> <p>A report has been provided to Council</p>

<p>undertake work to strengthen the control framework, sufficient time had not elapsed to ensure that these control arrangements had been fully embedded and were operating satisfactorily.</p>	<p>which highlights the action to be taken in relation to a number of the governance issues.</p> <p>This item is interlinked with the work on partnerships and accountable body status.</p>
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We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the relevant Officers and a plan to address weaknesses and ensure continuous improvement of the system is in place. Quarterly updates on progress will be made available to the Council Leader.

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

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

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

I assumed the post of Leader after the end of the financial year 2007/8. I have been advised by the Chief Executive and Director of Corporate Resources of the control issues in the above statement. I will ensure during the financial year 2008/9 that monitoring arrangements are in place to satisfy myself on the follow up action required.

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

Statement of Accounting Policies

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2007 (the SORP)' as published by the CIPFA. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets. The Code incorporates the requirements of the Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs) and the Best Value Accounting Code of Practice (BVACOP).

2. TANGIBLE FIXED ASSETS

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

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

The basis for the asset values recorded in the accounts is in accordance with the CIPFA and Royal Institute of Chartered Surveyors (RICS) guidance notes; further details are set out in Note 1 to the main accounts.

Impairment

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

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

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

Revaluation

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

Properties are valued on the basis of open market value for existing use or, where this could not be assessed because there is no market value for the asset, on the depreciated replacement cost basis. The Council values all of its infrastructure, vehicles, plant, furniture and equipment and community assets at historical cost.

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

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

Depreciation charge

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

- Intangible assets up to 20 years.
- Other buildings are based upon individual asset lives assessed as part of the rolling programme of revaluations. Buildings with a useful life of 50 years or more that are indeterminate have not been depreciated.
- Infrastructure assets between 20 and 40 years.
- Vehicles, plant, furniture and equipment between 5 and 10 years.
- No depreciation is charged on land included in the valuation of operational assets. Likewise no depreciation is charged on other non-operational assets (except for investment properties held on a lease where the unexpired term is 20 years or less).
- No depreciation is charged on assets under construction until they are brought into operation.

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

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

The Housing Revenue Account (HRA) has been charged with an amount of depreciation equivalent to the Major Repairs Allowance received from central government. This amount has been calculated as that required to maintain the housing stock in its current condition and central government allows this to be used as a proxy for depreciation.

Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and included in the accounting statements when the conditions for their receipt have been complied with and there is a reasonable expectation that the grant or contribution will be received.

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

Disposal

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

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

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

3. CHARGES TO REVENUE FOR FIXED ASSETS

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

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

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

4. INTANGIBLE FIXED ASSETS

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

Expenditure on intangible assets is amortised to revenue over the estimated life of the asset on a straight-line basis.

5. DEFERRED CHARGES

Deferred charges represent expenditure that may be capitalised but does not result in the creation of an asset. Deferred charges are written off to revenue over an appropriate period consistent with the consumption of the economic benefits; within the Council this is the year in which the charges are recognised. A transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

6. LONG TERM INVESTMENTS

Long Term Investments are shown at cost plus the expenses of acquisition.

7. CAPITAL RECEIPTS

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

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

8. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

9. LEASES

Finance Leases

Rental Payments under finance leases and hire purchase are apportioned between the finance charge (interest element) and the principal element. The interest is charged to the Income and Expenditure Account and the outstanding payments are shown as Deferred Liabilities in the Balance Sheet matched by a fixed asset.

Operating Leases

Rentals payable under operating leases are charged to the Income and Expenditure Account over the term of the lease.

10. REDEMPTION OF DEBT

The Council is required to set aside from revenue each year a minimum amount for the redemption of debt. This sum is referred to as the Minimum Revenue Provision (MRP) and represents 4% of outstanding loans on General Fund assets. In addition, the Council is also required to repay loans outstanding on those assets transferred from the former South Yorkshire County Council, which are repaid on the basis of a sinking fund rate of 10%.

Interest on external loans is charged direct to the Income and Expenditure Account.

11. FINANCIAL LIABILITIES

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

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

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

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

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

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

Available for Sale Assets

The council does not hold any available-for-sale assets.

Instruments Entered Into Before 1 April 2006

The council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in policy 15.

13. STOCKS AND WORK IN PROGRESS

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

14. ACCRUALS

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

- weekly wages are charged on the basis of full weeks;
- payments for utilities such as gas and electricity are charged at the date of the meter reading rather than being apportioned between years, therefore this policy is applied consistently each year;

- materiality levels were set to determine the accruals to be taken at the end of the financial year for certain low-value revenue transactions. In these instances, the change from year to year is recurring in nature and the sums involved have been deemed not to be material compared with total income and expenditure;
- car parking penalty charges notices – A prudent approach is taken and the income is recognised at the point of actual receipt rather than when the invoice is raised.

15. PROVISIONS

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

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

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

16. RESERVES

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

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

The Pension Reserve is a specific accounting mechanism used to reconcile the payments made to the pension scheme outlined in note 18 below and the net change in the authority's recognised liability under FRS 17. An appropriation is made to or from the pensions reserve to ensure that the bottom line in the Income and Expenditure Account reflects the amount required to be raised in taxation.

17. COST OF SUPPORT SERVICES (OVERHEADS)

Support Services provide the essential backup and support to the Council's front-line Services. The costs of these overheads are charged to the services mainly on the basis of staff time and units of output.

18. RETIREMENT BENEFITS

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

Teachers:

Pension costs relating to the National Teachers' Pension Scheme, which is administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF) have been treated as defined contribution scheme costs. The pension cost is equal to the pension contributions payable for the year and no assets and liabilities are required to be recognised other than accruals relating to these contributions.

Other employees:

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

Pension fund assets are accounted for at fair value (at market value for investments and properties). Pension liabilities attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This requires the use of various assumptions about future events. Details of the assumptions are included in note 20 to the main financial statements.

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

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

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

19. PRIVATE FINANCE INITIATIVES

Private Finance Initiative (PFI) contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the council under a contract are generally charged to revenue to reflect the value of services received in the financial year.

PFI and similarly constituted public/private partnership arrangements are accounted for in accordance with the provisions of Application Note F to FRS 5, and also by reference to guidance published by CIPFA. This requires the Council to consider whether it has an asset of any of the properties used or created during the duration of the contract, with the private sector partner. It is

considered that the Council does not have an asset of any of the properties under such arrangements.

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

20. GOODWILL

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

21. VALUE ADDED TAX (VAT)

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

22. GROUP ACCOUNTS

The 2007 SORP requires the Council to produce group accounts to reflect significant activities provided to Council taxpayers by other organisations in which the Council has an interest. We have complied with the SORP and identified our group, which comprises of the City Council, its arm's length management organisation for housing, Sheffield Homes Limited, and Creative Sheffield Limited, a company established for the purpose of city-wide regeneration. However, we have concluded that upon consolidation the value of these entities is not material and therefore the production of all the required statements would not assist the reader. This has been agreed with the External Auditor and will be reviewed in future years.

23. PRIOR YEAR ADJUSTMENTS

Government Grants Deferred

In accordance with the LAAP 73 Bulletin, the Council has this year, undertaken a detailed review of its Government Grants Deferred account. The aim of the review was to determine that the balance of the Government Grants Deferred account could be directly linked to individual assets held by the Council.

The review has resulted in the need to make a prior year adjustment of £85.2m to reduce the carrying value shown within the 2006/07 accounts for Government Grant Deferred, the opposite entry being made to the Capital Adjustment Account.

Borrowings

Following the introduction of new reporting requirements for Financial Instruments in the 2007 SORP, the Council has reviewed its total borrowings balance. Included within the borrowings amount was a balance relating to debt transferred from South Yorkshire County Council, this is not actually a financial instrument of Sheffield City Council, therefore, a prior year adjustment has

been made to reclassify this debt from borrowings to deferred liabilities. This has resulted in a reduction of borrowing repayable within one year of £1.3m and an increase in other creditors of £1.3m and a reduction in long-term borrowing of £35m and an increase in deferred liabilities of the same amount.

Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 2). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £680m on the FARA at 31 March 2007 has been written off to the Capital Financing Account to form the new Capital Adjustment Account with a balance of £1,412m. The Revaluation Reserve has been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

Income and Expenditure Account					
2006/07			2007/08		
Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
86,047	Children's & Education Services		548,124	(435,341)	112,783
118,883	Adult Social Care		179,967	(60,769)	119,198
22,215	Highways, Roads & Transport Services		35,692	(11,231)	24,461
96,340	Cultural, Environmental & Planning Services		141,762	(28,058)	113,704
(34,377)	Local Authority Housing		250,513	(148,687)	101,826
15,815	Other Housing Services		191,329	(179,304)	12,025
43,738	Central Services		111,520	(62,717)	48,803
10,919	Corporate & Democratic Core		14,095	(2,151)	11,944
993	Non-Distributed Costs		12,590	0	12,590
8,943	Unapportionable Central Overheads		9,420	(197)	9,223
788	Court Services		852	(401)	451
(34,164)	Exceptional Item	31	0	(24,550)	(24,550)
336,140	Net Cost of Services		1,495,864	(953,406)	542,458
				Notes	
(9,333)	(Gain) or loss on disposal of fixed assets				5,655
16,034	Amounts payable into the Housing Capital Receipts Pool				11,898
425	Precepts paid to Parish Councils				433
773	(Surplus) or deficit of trading undertakings or other operations			23	(3,080)
63,596	Interest payable and similar charges				65,939
(4,442)	Interest and investment income				(7,048)
12,910	Pensions interest cost and expected return in pension assets				10,135
416,103	Net Operating Expenditure				626,390
(173,722)	Council Tax			24	(181,599)
(1,429)	Income from Collection Fund including transfer to/from the Collection Fund				(1,134)
(51,532)	Revenue Support Grant and Neighbourhood Renewal Grant				(44,341)
(204,795)	Distribution from non-domestic rate pool			24	(214,451)
(2,741)	PFI Grant Support				0
(18,116)	(Surplus)/Deficit for the Year				184,865

Statement of Movement on the General Fund Balance		
2006/07		2007/08
	Increase or decrease in the General Fund Balance for the year analysed between:	
(18,116)	(Surplus) / Deficit for year on the Income and Expenditure Account	184,865
52,225	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (Note 22)	(188,576)
34,109		(3,711)
(66,871)	General Fund Balance brought forward	(32,762)
(32,762)	General Fund Balance carried forward	(36,473)

Statement of Total Recognised Gains and Losses (STRGL)		
2006/07		2007/08
(18,116)	(Surplus) / Deficit on the Income and Expenditure Account for the year	184,865
75,347	(Surplus)/deficit arising on revaluation of fixed assets	(249,403)
(83,894)	Actuarial (gain) and losses on pension fund assets and liabilities Note 17	119,570
(8,068)	Any other (gains) and losses required to be included in the STRGL	604
(34,731)	Total recognised gains and losses for the year	55,636
0	Cumulative effect on reserves for prior period adjustments	31,250
(34,731)	Total recognised (gains) and losses	86,886

Balance Sheet				
Restated As at 31 March 2007		As at 31 March 2008		
£000	<u>Fixed Assets</u>	Notes	£000	£000
0	Intangible Fixed Assets	18		0
	Tangible Fixed Assets			
1,509,590	Council Dwellings		1,564,966	
578,752	Other Land and Buildings		678,340	
326,597	Infrastructure		350,761	
12,581	Vehicles, Plant, Furniture and Equipment		15,592	
15,020	Community Assets		22,980	
2,442,540	Operational Fixed Assets	2		2,632,639
26,601	Fixed assets under construction		8,349	
98,670	Surplus assets held for disposal		87,042	
48,139	Investment properties		52,154	
173,410	Non-Operational Assets	2		147,545
2,615,950	Total Fixed Assets			2,780,184
46	Long-term investments	6	15	
41,345	Long-term Debtors	7	26,252	
2,657,341	Total Long-term Assets			2,806,451
	Current Assets			
665	Stock and Work in Progress		824	
196,617	Debtors	8	207,824	
(41,320)	Less: Bad Debt Provision		(36,689)	
47,300	Investments	10	85,014	
2,702	Cash at Bank		187	
205,964			257,160	
2,863,305	Total Assets			3,063,611
	Current Liabilities			
(15)	Borrowing repayable within 1 year	10	(16)	
(179,665)	Creditors	9	(173,562)	
0	Cash Overdrawn		0	
(29,226)	Grants & Contributions Unapplied		(39,345)	
(208,906)			(212,923)	
2,654,399	Total Assets Less Current Liabilities			2,850,688
(854,505)	Long-term Borrowing	10	(974,385)	
(35,039)	Deferred Liabilities	11	(33,616)	
(21,612)	Provisions	12	(23,952)	
(218,229)	Government Grants Deferred		(254,086)	
(7,066)	Goodwill deferred Account	13	(6,422)	
(434,274)	Liability related to defined pension scheme	20	(561,439)	
(1,570,725)			(1,853,900)	
1,083,674	Total Assets Less Liabilities			996,788

Financed By			
0	Revaluation Reserve		240,352
1,412,155	Capital Adjustment Account		1,226,080
	Financial Instruments Adjustment		
0	Account		(32,525)
22,412	Usable Capital Receipts Reserve		26,530
204	Deferred Capital Receipts	14	170
40,164	Specific Reserves & Other Balances	15	51,125
(434,274)	Pensions Reserve	20	(561,439)
32,762	Balance - General Fund	16	36,473
9,152	Balance - Housing Revenue Account		9,835
1,099	Balance – Collection Fund		187
1,083,674	Total Net Worth		996,788

The accounts were authorised for issue by Laraine Manley, Director of Corporate Resources, on the 19th September 2008.

Cash Flow Statement				
2006/07			2007/08	
£000		Notes	£000	£000
	Revenue Activities			
	<u>Cash Outflows</u>			
456,371	Employee Costs		469,955	
616,209	Other Operating Costs		636,773	
43,063	Housing Benefits		51,816	
168,779	Non-Domestic Rates to National Pool		173,487	
24,887	Precepts		26,283	
16,034	Payments to Capital Receipts Pool		11,898	
1,325,343				1,370,212
	<u>Cash Inflows</u>			
(59,248)	Rents (after rebates)		(59,311)	
(162,137)	Council Tax		(165,287)	
(204,795)	Non-Domestic Rates from National Pool		(214,451)	
(168,437)	Non-Domestic Rates Collected		(169,637)	
(68,887)	Revenue Support Grant & PFI Grant		(44,341)	
(42,269)	DWP Grants for Benefits		(52,321)	
(595,064)	Other Government Grants	45	(641,394)	
(178,326)	Receipts for Goods and Services		(136,149)	
(1,479,163)				(1,482,891)
	Servicing of Finance and Returns on Investments			
	<u>Cash Outflows</u>			
69,234	Interest Paid		60,245	
	<u>Cash Inflows</u>			
(5,546)	Interest Received		(7,578)	
63,688				52,667
(90,132)	Net Cash Flow from Revenue Activities	45		(60,012)
	Capital Activities			
	<u>Cash Outflows</u>			
237,322	Purchase of Fixed Assets		211,693	
26,085	Other Capital Payments		38,410	
263,407				250,103
	<u>Cash Inflows</u>			
(49,225)	Sale of Assets		(42,601)	
(75,883)	Grants and Contributions		(84,783)	
(125,108)				(127,384)
48,167	Net Cash Flow Before Financing	45		62,707
	Management of Liquid Resources			
11,400	Net Increase/(Decrease) in liquid resources *		37,714	

Financing		
<u>Cash Outflows</u>		
36,041	Repayments of amounts borrowed	81,232
<u>Cash Inflows</u>		
(100,000)	Loans raised	(179,138)
(4,392)	Net (Increase)/Decrease in Cash	2,515

* Liquid resources, in this instance, comprise funds invested with various financial institutions for fixed time periods of up to 365 days.

Notes to the Main Financial Statements

1. VALUATION POLICIES

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

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

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

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

Vehicles, Plant, Furniture and Equipment - Non-property assets (furniture and equipment) are included at historical cost net of depreciation.

Plant and machinery is included in the valuation of the buildings where it is considered to form part of the building service installation.

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

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

Valuations of fixed assets carried at current value

Assets have been valued in accordance with the principles of the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards (5th Edition). M Mahroof MRICS, Head of Corporate Property, supervised the property valuations.

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

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

	Council Dwellings	Other Land & Buildings	Surplus Assets Held for Disposal	Investment Properties
	£000	£000	£000	£000
Current value movement in:				
2004/05	1,291,853	598,600	68,736	50,992
2005/06	193,718	(10,079)	32,896	(1,484)
2006/07	24,019	1,236	(2,962)	(1,291)
2007/08	55,376	88,583	(11,628)	3,937
TOTAL CURRENT VALUE	1,564,966	678,340	87,042	52,154

2. FIXED ASSETS

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

	OPERATIONAL ASSETS						NON-OPERATIONAL ASSETS			
	Council Dwellings £000	Other Land & Buildings £000	Infra-structure £000	Vehicles, plant, furniture & equipment £000	Community Assets £000	Total Operational Assets £000	Assets Under Construction £000	Surplus Assets Held For Disposal £000	Investment Properties £000	Total Non-Operational Assets £000
Value at 31/3/2007	1,679,384	668,248	384,927	26,087	19,860	2,778,506	4,736	98,670	48,217	151,623
Accumulated Depreciation & Impairment	(169,794)	(78,491)	(57,724)	(12,215)	0	(318,224)	0	0		0
Net book value of assets at 31/3/2007	1,509,590	589,757	327,203	13,872	19,860	2,460,282	4,736	98,670	48,217	151,623
<u>Movement in 2007/08</u>										
Additions	126,482	35,194	34,589	5,459	3,187	204,911	3,613	0	2,186	5,799
Disposals	(19,363)	(11,364)	0	0	0	(30,727)	0	(13,121)	(3,740)	(16,861)
Revaluations	115,499	124,859	0	0	0	240,358	0	2,508	6,451	8,959
Depreciation	(25,330)	(15,491)	(11,031)	(3,739)	0	(55,591)	0	0	0	0
Impairments	(141,912)	(44,615)	0	0	(67)	(186,594)	0	(1,015)	(960)	(1,975)
Net book value of assets at 31/3/2008	1,564,966	678,340	350,761	15,592	22,980	2,632,639	8,349	87,042	52,154	147,545

NB - Please note that a review of the net book value of assets as at 31 March 2007 has been undertaken during the course of this year. The review resulted in a need to reduce the above figures by £4,045k. This reduction has been incorporated within the current year and as such no prior year amendment has been made to the 2006/07 balance sheet.

3. ANALYSIS OF FIXED ASSETS

The following list is a summary of the Council's main assets used in the provision of services as at 31 March 2008:

	2006/07	2007/08	
Education	3	3	Outdoor Education Centres
	3	2	Training Centres
	157	156	Schools
	52	15	Youth and Community Centres
	14	19	Children's Centres
	1	2	Office
	9	10	Children's Homes
Waste Management	3	3	Cleansing Depots
	1	1	Incinerator Plant
	5	5	Recycling Sites
Environment & Regulatory Services	3	3	Offices/Laboratories/Advice Centres
	2	2	Crematoria
	16	16	Cemeteries
	3	3	Travellers' Sites
Social Services	11	5	Homes for the Elderly
	6	6	Other Residential Establishments
	16	14	Day Centres
	0	0	Community & Advice Centres
	0	0	Neighbourhood Support Units
	3	2	Training Centre
	8	9	Office Buildings
	1	4	Other (Resource Centres)
Housing Services	44,827	42,447	Dwellings
	6,485	6,299	Garages/Garage Plots
	52	52	Community Centres and Halls
	0	37	Youth and Community Centres
	21	21	Office Buildings
Leisure Services	2	2	Swimming Pools
	3	3	Sports Centres
	1	1	Outdoor Sports Stadium
	3	3	Golf Courses
	1	1	City Hall
	1	2	Art Galleries
	1	1	Museum/Art Gallery
	3	3	Museum Sites
	1	1	Central Library
	27	27	Community Library Buildings
	4	4	Other Leisure Buildings
Parks, Woodlands & Countryside	1	1	Office
	42	40	Public and community facilities
	8	7	Depots, Stores and machine stores
	3,252	3,258	Allotments
	3,240	3,240	Acres of Land
	3	3	Other parks Buildings
Planning, Transport & Highway Services	3	3	Industrial Properties
	8	11	Off-Street Car Parks
Chief Executive's Directorate	2	1	Town Hall and Area Offices
Streetforce	30	28	Public Toilets
	6	6	Depots & Workshops
Markets	7	7	Markets
	2	2	Car Parks
	1	1	Messroom
	1	1	Office
Heart of the City	1	1	Peace Gardens
Strategic & City Centre Services	1	1	Office

4. CAPITAL EXPENDITURE AND FINANCE

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

2006/07 £000		2007/08 £000
	Capital Investment	
224,474	Operational Assets	204,911
4	Intangible Assets	0
9,336	Non-operational Assets	5,799
4,072	Deferred Liabilities	0
25,707	Deferred Charges	38,410
263,593		249,120
	Sources of Finance	
129,858	Borrowings (Prudential Borrowings)	117,895
73,438	Government grants and other contributions	79,217
29,234	Major Repairs Allowance	25,330
0	Reserves	0
31,063	Capital receipts	25,307
0	Revenue contributions	1,371
263,593		249,120

£000	Capital Financing Requirement	£000
937,847	Opening balance 1 April	985,408
129,858	Plus unfinanced capital expenditure (borrowing)	117,895
(82,297)	Less MRP/VRP/Other adjustments *	(43,791)
985,408	Closing balance 31 March	1,059,512

*Includes deferred purchase and finance lease repayments.

5. CAPITAL COMMITMENTS

Planned expenditure over the life of the current Capital Programme (2008-2012) is in the region of £627m. As at 31 March 2008, a number of commitments had been made under which payments will become due in future years as the work is carried out. Significant commitments (£1m or over) under capital contracts as at the balance sheet date are listed below:

	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m
Neighbourhoods:				
Decent Homes/ALMO Investment	125.2	0	0	0
Housing Market Renewal	21.1	16.0	11.2	0
Regional Housing Board	5.8	0	0	0
Regeneration	4.0	3.5	3.5	3.5
Children & Young People's:				
School Refurbishment	51.2	35.1	7.1	0
Development, Environment & Leisure:				
Flood Recovery	2.0	0	0	0
Sheffield Theatres	1.0	0	0	0

6. LONG-TERM INVESTMENTS

The following is an analysis of Long-term Investments:

2006/07 £000		2007/08 £000
46	Other Investments	15
46		15

The Council's £31,250 holding of ordinary shares in Hallamshire Investments Limited were sold during the year for £36,934.

7. LONG-TERM DEBTORS

The following is an analysis of Long-term Debtors:

2006/07 £000		2007/08 £000
5,665	Goodwill	5,022
27,063	Premature Redemption of Debt Premiums	-
8,617	Other Long-term Debtors	21,230
<u>41,345</u>		<u>26,252</u>

Included in long-term debtors is an amount of £5.0m (£5.6m in 2006/07) representing the proportion of the consideration for goodwill on the 2003/04 disposal of the Council's building services and maintenance activities that is receivable more than one year after the date of the balance sheet.

Before the introduction of the 2007 SORP, premiums and discounts were carried on the Balance Sheet in the premature redemption of debt premiums account (£27,063k 2006/07). This treatment is no longer allowed under the 2007 SORP following the introduction of the financial instrument provisions. The 2007 SORP requires over-hanging premiums and discounts to be recognised (written out of the Balance Sheet) and the opening 2007/08 General Fund Balance adjusted accordingly for the gain or loss. The gain or loss is then reversed out, as per the regulations or statutory guidance, and transferred to the Financial Instrument Adjustment Account.

Where premiums and discounts arising before 1 April 2006 are not classified as over-hanging, they would need to be included in the opening 2007/08 balance sheet as a component of the associated loan debts' carrying amounts. All of the Council's premiums and discounts as at 31 March 2007 were classified as over-hanging.

8. DEBTORS

The following is an analysis of Debtors:

2006/07 £000		2007/08 £000
37,502	Local Taxpayers & NNDR	37,217
9,002	Housing Tenants	8,719
28,469	Government Departments	22,559
94,240	Sundry debtors	105,649
27,404	Capital project related debtors	33,680
<u>196,617</u>	Total	<u>207,824</u>

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

9. CREDITORS

The following is an analysis of Creditors:

2006/07		2007/08
£000		£000
(34,875)	Government Departments	(48,260)
(14,894)	Interest and Loan Repayments	(510)
(4,969)	Local Taxpayers & NNDR	(4,653)
(2,094)	Housing Tenants	(2,294)
(122,833)	Sundry Creditors	(117,845)
(179,665)	Total	(173,562)

Included within sundry creditors are amounts owed by the Council to suppliers. This also includes creditors relating to capital projects of £14.9m.

10. FINANCIAL INSTRUMENT BALANCES

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

	Long term		Current	
	31 March 2007 £000	31 March 2008 £000	31 March 2007 £000	31 March 2008 £000
Financial liabilities at amortised cost	854,505	974,385	15	16
Financial liabilities at fair value through the I&E	0	0	0	0
	854,505	974,385	15	16
Loans and receivables	0	0	47,300	85,014
Available for sale financial assets	0	0	0	0
Financial assets at fair value through the I&E	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Total investment	0	0	47,300	85,014

Financial Instrument Gain/losses

	Financial Liabilities	Financial Assets			Total £000
	Liabilities measures at amortised cost £000	Loans and receivables £000	Available for sale assets £000	Fair Value through the I&E £000	
Interest expense	(57,075)	0	0	0	(57,075)
Losses on de- recognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable & similar charges	(57,075)	0	0	0	(57,075)
Interest income	0	7,065	0	0	7,065
Gain on de- recognition	0	0	0	0	0
Interest & investment income	0	7,065	0	0	7,065
Gain on revaluation	0	0	0	0	
Losses on revaluation	0	0	0	0	
Amounts recycled to the I&E account after impairment	0	0	0	0	
Surplus arising on revaluation of financial assets	0	0	0	0	
Net gain / (loss) for the year	(57,075)	7,065	0	0	

Fair Value of Assets and Liabilities Carried at Amortised Cost

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

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

The fair values calculated are:

	* 31 March 2007		31 March 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
PWLB debt	606,235	606,235	706,110	845,342
Non-PWLB debt	248,000	248,000	268,019	276,946
Annuities	285	285	272	299
	854,520	854,520	974,401	1,122,587

* No fair values calculations required or produced for 2006/07 and therefore Fair Value figures same as carrying amount.

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

	* 31 March 2007		31 March 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	47,300	47,300	85,014	84,901
Total Loans and receivables	47,300	47,300	85,014	84,901

The fair value is lower than the carrying amount because the authority's portfolio of investment includes a number of fixed rate investments where the interest rate receivable is lower than the rates applicable to similar investments at the Balance Sheet date. To receive interest below the current applicable market rates decreases the amount that the Council would receive (in terms of discounts etc.) if it agreed to early repayment of the investments. The table above reflects the aggregate position of Sheffield City Council's investment portfolio.

Disclosure of the Nature and Extent of Risk Arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the "Local Government Act 2003" and the associated regulations. These require the Council to comply with the "CIPFA

Prudential Code”, the “CIPFA Treasury Management in the Public Services Code of Practice” and investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

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

These are required to be reported and approved at or before the Council’s annual Council Tax setting budget. 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 annually to Members.

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

Credit Risk

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

The Council does not give credit to any of its customers (i.e. trade debtors).

The following analysis summarises the Authority’s potential maximum exposure to credit risk, based on experience of default assessed by the rating agencies and the Council’s past experience, adjusted to reflect current market conditions.

	Amount at 31 March 2008	Historical Experience of Default	Adjustment for conditions at 31 March 2008	Estimated Maximum Exposure to Default
	£000	£000	£000	£000
Deposits with banks and financial institutions				
AAA rates counterparties	0	0.001%	0.001%	0
AA rates counterparties	34,050	0.027%	0.027%	9
A rates counterparties	50,750	0.627%	0.627%	318
Other counterparties	0	0.627%	0.627%	0
	84,800			327

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

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

Liquidity Risk

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

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

Refinancing And Maturity Risk

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

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

risks and the Treasury Management and Banking team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt.
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is:

2006/07 £000		2007/08 £000
15	Less than one year	16
16	Between one and two years	19
49,697	Between two and five years	83,563
175,864	Between five and ten years	131,749
628,928	More than ten years	759,054
854,520		974,401

The maturity analysis of financial assets is:

2006/07 £000		2007/08 £000
47,300	Less than one year	85,014
0	Between one and two years	0
0	Between two and five years	0
0	Between five and ten years	0
0	More than ten years	0
47,300		85,014

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

Market Risk

Interest Rate Risk

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

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account (I&E) or the Statement of Total Recognised Gains and Losses (STRGL). Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the I&E and affect the General Fund Balance, subject to influences from Government grants (mainly HRA subsidy). Movements in the fair value of fixed rate investments will be reflected in the STRGL unless the investments have been designated as Fair Value through the I&E Account.

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

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

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

	£000
Increase in interest payable on variable rate borrowings *	0
Increase in interest receivable on variable rate investments **	1,197
Increase in government grant receivable for financing costs *	0
Impact on Income and Expenditure Account	1,197
Share of overall impact debited to the HRA ***	745
Decrease in fair value of fixed rate investment assets	202
Impact on STRGL ****	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the I&E account or STRGL)	120,105
<p>* Note: All borrowings (PWLB and Market) were at fixed rate in 2007/08 and as a result a change in interest rate would have no actual effect on the interest actually payable, the amount of government grant received and on the I&E account or HRA.</p> <p>** Based on a 1% increase on the weighted average interest rate and investment balance for 2007/08.</p> <p>*** HRA share is 62.25%</p> <p>**** All Sheffield City Council assets are classed as loans and receivables and therefore this figure is zero as there is no impact on the STRGL.</p>	

Foreign Exchange Risk

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

11. DEFERRED LIABILITIES

The Authority has a proportionate share in the interests of the former South Yorkshire Council Debt. As at 31 March 2008 the deferred liabilities of Sheffield City Council amounted to £35.045m, comprising £1.429m maturing within one year and £33.616m after that date.

12. PROVISIONS

The Council maintains the following provisions:

	Balance At 1 April 2007 £000	Increases In year £000	Decreases in year £000	Balance at 31 March 2008 £000
Other	6,018	7,694	2,053	11,659
Insurance	15,594	-	3,301	12,293
	21,612	7,694	5,354	23,952

Insurance

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

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

During the financial year 1992/93 Municipal Mutual Insurance Limited (MMI) ceased accepting new business. The Council has a number of outstanding claims totalling £3.8m with MMI and arrangements are in place to try to ensure an orderly settlement of the sums due. As part of the orderly wind-down of its affairs, MMI is settling claims with its policyholders under the terms of a Scheme of Arrangement. Under these terms, Sheffield City Council, along with other policyholders, is liable to a clawback of settlement payments in the event that MMI proves to be insolvent at the end of its run-off period. The Authority has evaluated the risk and believes that the current level of the Internal Insurance Account is sufficient to cover any losses that may materialise from MMI.

13. GOODWILL DEFERRED ACCOUNT

An amount of £6.4m (£7.1m in 2006/07) is included in the Goodwill Deferred Account representing the amount of goodwill consideration on the disposal of the Council's building services and maintenance activities that is payable after the Balance Sheet date. The proportion of the consideration that is receivable more than one year after the balance sheet date has been discounted at the PWLB borrowing rate appropriate to the period between the balance sheet date and the date that the goodwill consideration is receivable.

14. DEFERRED CAPITAL RECEIPTS

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

15. SPECIFIC RESERVES & OTHER BALANCES

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

	Balance Brought forward £000s	Movement £000s	Balance Carried Forward £000s
Local Authority Business Growth Initiative (LABGI)	(3,753)	(1,089)	(4,842)
Landfill Allowances Trading Schemes (LATS)	(2,746)	1,541	(1,205)
Local Public Service Agreement (LPSA)	0	(2,524)	(2,524)
Future years budget contribution	0	(3,500)	(3,500)
Schools Reserves	(12,846)	(6,846)	(19,692)
Service area reserves	(12,862)	4,476	(8,386)
Other earmarked reserves	(7,957)	(3,019)	(10,976)
	(40,164)	(10,961)	(51,125)

Within this figure is £19.7m (£12.8m 2006/07), which is the Schools' Earmarked Reserve. This consists of money, that has been allocated under Local Management of Schools legislation, and which remains unspent at the year-end.

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

16. GENERAL FUND BALANCE

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

	2007/08 £000	2006/07 £000
General Balances Available	13,522	9,087
Major Sporting Facilities	11,829	5,811
Invest to Save	(2,626)	3,938
PFI future expenditure	13,748	13,926
Total GF Balances:	36,473	32,762

17. MOVEMENTS ON RESERVES

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

	Restated Balance Brought Forward £000	(Gains)/Losses For The Year £000	Transfers Between Reserves £000	Balance Carried Forward £000
Revaluation Reserve	0	(249,403)	9,051	(240,352)
Capital Adjustment Account Financial Instrument Adjustment Account	(1,412,155)	(253)	186,328	(1,226,080)
Usable Capital Receipts Reserve	0	31,250	1,275	32,525
Specific Reserves & Other Balances	(22,412)	(89)	(4,118)	(26,530)
Pensions Reserve	(40,164)		(10,872)	(51,125)
Deferred Capital Receipts	434,274	119,570	7,595	561,439
Balance - General Fund	(204)	34	0	(170)
Balance - Housing Revenue Account	(32,762)	184,865	(188,576)	(36,473)
Balance – Collection Fund	(9,152)	0	(683)	(9,835)
	(1,099)	912	0	(187)
Total Reserves	(1,083,674)	86,886	0	(996,788)

18. MOVEMENT IN INTANGIBLE FIXED ASSETS

There were no movements in intangible fixed assets during 2007/08.

19. LEASING AND HIRE PURCHASE

Leasing and Hire Purchase rentals paid during 2007/08 were as follows:-

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total £000
Operating Leases	3,062	2,125	5,187
Finance Leases	0	43	43
	3,062	2,168	5,230

For comparison purposes the figures for 2006/07 were as follows:-

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total £000
Operating Leases	2,433	2,800	5,233
Finance Leases	0	47	47
	2,433	2,847	5,280

The payments that the authority is committed to during 2008/09 are £4.2m. These are broken down in the following table:

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total £000
Leases expiring in 2008/2009	239	376	615
Leases expiring between 2009/10 and 2012/13	1,081	618	1,699
Leases expiring after 2012/13	1,849	0	1,849
Total	3,169	994	4,163

20. RETIREMENT BENEFITS

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

As outlined in the Statement of Accounting Policies (Note 18), the City Council makes contributions to two pension schemes in respect of its employees.

Teachers

In 2007/08 the City Council paid £18.1m (£17.4m 2006/07) to Department for Education and Skills (DfES) in respect of Teachers' pension costs, which represented 14% (13.65% 2006/07) 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 2007/08 these amounted to £4.6m (£4.5m 2006/07), representing 3.62% (3.56% 2006/07) 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 DfES, supported by a five-year actuarial review. It is not possible to identify liabilities consistently and reliably between participant authorities.

Other employees

In 2007/08 the City Council paid an employer's normal contribution of £38.8m (£37m 2006/07) into the Pension Fund, representing 17.5% (9.5% for Sheffield Homes) of pensionable pay. An actuarial review every three years determines the level of this contribution. The review is currently being undertaken this year and will take effect from April 2008.

In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. In 2007/08 these amounted to £6.2m (£6.1m 2006/07).

From 1 April 1993, local authority employer's contribution rates were set to enable the pension fund to meet 100% of its liabilities compared with 75% previously. This restoration to 100% funding has required increases in contribution rates. In 2007/08, this rate was 17.5% (17.2% 2006/07). The rates are established by the Fund's actuary, following the actuarial review referred to previously.

In addition to payments made under the pension scheme currently operating, the Council also pays gratuities to employees who were excluded from membership of the scheme, or were employed prior to the scheme's introduction. These payments to retired employees amounted to £1.3m in 2007/08 (£1.4m 2006/07).

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reflected within the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year:

	Local Government Pension Scheme £000	
	2007/08	2006/07
Net Cost of Services:		
• Current Service Cost	(35,022)	(39,505)
• Past service costs	(10,580)	0
• Gains and Losses on Settlements	0	0
• Gains and Losses on Curtailments	(2,010)	(993)
Net expenditure:		
• Interest cost	(81,652)	(74,288)
• Expected return on assets in the scheme	71,517	61,378
Statement of Movement on the General Fund Balance		
• Movement on pensions reserve	7,595	7,896
Actual amount charged against Council Tax for pensions in the year:		
• Employer's contribution payable to scheme	43,923	39,404
• Pension payments for Added Years benefits	6,229	6,108

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows: -

	2007/08 £000	2006/07 £000
Estimated assets in the scheme	1,069,616	1,082,674
Estimated liabilities in the scheme	(1,631,055)	(1,516,948)
Net pension liability	(561,439)	(434,274)

The liabilities show the underlying commitments that the authority has, in the long run, to pay for retirement benefits. The net liability of £561m (£434m 2006/07) has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, reducing the balance from £1.6bn to £1.0bn (£1.4bn to £1.0bn 2006/07). 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 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:

	2007/08	2006/07
	%	%
Rate of inflation	3.6	3.1
Rate of increase in salaries	5.1	4.85
Rate of increase in pensions	3.6	3.1
Proportion of employees opting to take a commuted lump sum	50	50
Rate for discounting scheme liabilities	6.1	5.4

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% (50% 2006/07) of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. This had a negligible effect in both 2007/08 and 2006/07.

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

	Expected rate of return on assets	Split of assets between investment categories	
	2007/08	2007/08	2006/07
	%	%	%
Equities	7.5	62.9	65.9
Government Bonds	4.6	15.2	14.9
Other Bonds	6.1	7.4	6.8
Property	6.5	11.5	11.7
Other Assets	5.25	3.0	0.7
Total		100	100

21. MOVEMENTS ON THE PENSIONS RESERVE

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008.

	2007/08 £000	2007/08 %	2006/07 £000	2006/07 %	2005/06 £000	2005/06 %	2004/05 £000	2004/05 %	2003/04 £000	2003/04 %
Differences between the expected and actual return on assets	(83,566)	7.8	9,179	0.8	140,676	14.0	46,124	5.7	97,696	12.1
Differences between actuarial assumptions about liabilities and actual experience	(831)	0.1	0	0	(13,562)	0.9	(51,721)	3.9	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	(35,173)	2.2	74,715	4.9	(117,795)	7.8	(217,937)	16.3	0	0

22. NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE
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The Income and Expenditure account on page 32 shows the Council's actual performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being due to the way we treat items such as capital investment, retirement benefits and housing pooled capital receipts. The General Fund Balance therefore compares the Council's spending against council tax that it raised for the year taking into account the use of, and contributions to and from reserves.

Included in the primary statements on page 33 is a Statement of Movement on the General Fund Balance, which summarises the differences between the outturn on the Income and Expenditure Account, and the General Fund Balance. The net additional amount required by statute and non-statutory proper practices to be debited or credited to the general fund balance of £188.6m in 2007/08 is set out in more detail in the table below.

Analysis of additional items required by statute and non-statutory proper practice to be taken into account in determining the General Fund (surplus)/deficit for the year			
2006/07		2007/08	
£000		£000	£000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the General Fund (surplus)/deficit for the year		
(38,984)	Depreciation and impairment of fixed assets	(218,231)	
0	Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	0	
53,520	Government Grants Deferred amortisation matching depreciation and impairments	37,645	
(9,244)	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital by Statute	(7,524)	
9,333	Net gain or loss on sale of fixed assets	(5,467)	
0	Differences between amounts debited/credited to the Income & Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt.	(1,275)	
(53,408)	Net charge made for FRS17 costs	(57,747)	
(38,783)			(252,599)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining Movement on the General Fund Balance for the year		
15,460	Statutory provision for repayment of debt	14,600	
(16,034)	Transfer from Usable Capital Receipts equal to the amount payable in to the Housing Capital Receipts Pool	(11,898)	
45,512	Employer's contribution payable to the South Yorkshire Pension Fund and retirement benefits payable direct to pensioners	50,152	
44,938			52,854
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
3,897	Statutorily required transfer of the surplus/(deficit) for the year on the Housing Revenue Account calculated in accordance with statute to the HRA Balance	683	
28,959	Write off of non- cash PCL reserve	0	
13,214	Net transfer to or (from) earmarked reserves	10,486	
46,070			11,169
52,225	Net additional amount required to be debited/(credited) to the General Fund balance for the year		(188,576)

23. TRADING OPERATIONS

On 2 January 2000 Section 21 of the Local Government Act 1999 repealed the compulsory competitive tendering provisions requiring DSO accounts and replaced them with the provision of trading accounts under the BVACOP. The performance of the main trading organisations is outlined below:

	Expenditure £000	Income £000	2007/08 (Surplus)/ Deficit £000	2006/07 (Surplus)/ Deficit £000
Street Force	2,790	(3,915)	(1,125)	(1,666)
Sheffield Design & Project Mgt.	222	(595)	(373)	(631)
Cleaning, Catering & Transport	2,716	(2,419)	297	387
Markets	3,858	(3,433)	425	2,683
	9,586	(10,362)	(776)	773

The surpluses and deficits were transferred to the General Fund as at 31 March 2008.

Also included in Trading Operations are payments received from Kier LLP of £2.3m, resulting in total income of £3.1m reflected in the Income and Expenditure Account.

24. COUNCIL TAX AND NON-DOMESTIC RATES

Further details of these sources of income are covered in the Statement of and Notes to the Collection Fund (see pages 88 to 90).

25. MINIMUM REVENUE PROVISION

The Minimum Revenue Provision (MRP) is the sum the Council is required to set aside each year to repay debt incurred in financing capital expenditure. The amount required to be set aside is 4% of General Fund debt. The sum replaces the amount charged to services in the form of depreciation, which is transferred from the Capital Financing Account. The purpose of the adjustments is to reduce the charge to council tax payers to the statutory minimum requirement. This requirement, and method of calculating the provision, are defined by statute and amounts have been charged to Revenue as follows:

	2007/08 £000	2006/07 £000
Housing Revenue Account	0	0
General Fund - Depreciation charge	29,875	30,159
General Fund – Impairment charge	45,436	0
	75,311	30,159
Reduction in charge made to the Income and Expenditure Account	(62,010)	(15,880)
	13,301	14,279

26. DEFERRED CHARGES

The major transactions included are grants and payments to third parties amounting to £7.5m (£9.2m 2006/07).

27. DISCRETIONARY EXPENDITURE

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds and not-for-profit bodies providing a public service in the UK. The Council's expenditure under this power was £47,609 in 2007/08 (£63,917 2006/07).

28. PUBLICITY EXPENDITURE

Section 5 of the Local Government Act 1986 requires local authorities to separately identify their expenditure on publicity. Publicity covers all forms of communications to the wider public, from job vacancy advertisements to press notes, periodical publications and more. The Council's spending on publicity was:

	2007/08	2006/07
	£000	£000
Recruitment advertising	1,675	1,763
Other advertising	2,247	2,055
Other publicity	579	377
	4,501	4,195

29. CITY COUNCIL MANAGEMENT STRUCTURE

The CIPFA Code of Practice for the preparation of the Statement of Accounts requires that expenditure on Council Services should be presented in the Income and Expenditure Account in line with that recommended in the BVACOP. The table below provides an analysis of service expenditure in accordance with the City Council's management structure.

2006/07	Service	2007/08		
Restated Net Expenditure £000		Expenditure £000	(Income) £000	Net Expenditure £000
86,459	Children and Young People's	553,109	(435,907)	117,202
144,278	Development, Environment & Leisure	201,959	(34,230)	167,729
114,067	Neighbourhoods and Community Care	508,773	(264,804)	243,969
25,500	Chief Executive's	232,023	(193,915)	38,108
(34,164)	Exceptional Item Note 31	0	(24,550)	(24,550)
336,140	Net Cost of Services	1,495,864	(953,406)	542,458

30. INCOME AND RELATED EXPENDITURE FROM BODIES UNDER THE LOCAL AUTHORITIES (GOODS AND SERVICES ACT) 1970

The Council is empowered by the Goods and Services 1970 Act, to provide goods and services to other public bodies. The financial implications in respect of these activities are included in the Income and Expenditure Account. The Council has set itself a de-minimis level of £500,000 for both income and expenditure. Details of services supplied in excess of this level are detailed below:

Public Body	Purpose under the 1970 Act	Income 2007/08 £000	Expenditure 2007/08 £000	Income 2006/07 £000	Expenditure 2006/07 £000
Water Authority	Provision of Administrative Services	824	620	882	527
South Yorkshire Passenger Transport Executive	Provision of Services	705	709	1,267	651

31. EXCEPTIONAL ITEMS

The table below sets out specific exceptional items disclosed in the accounts:

	2007/08 £000	2006/07 £000
Social Housing Grant	(24,550)	(34,164)

The exceptional item for Social Housing Grant in 2006/07 and 2007/08 represents capital grants applied to offset the debt relating to housing stock transfers.

32. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory activities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	2007/08			2006/07
	Chargeable £000	Non- Chargeable £000	Total Building Control £000	Total Building Control £000
<u>Expenditure</u>				
Employee Expenses	1,238	356	1,594	1,607
Premises	18	5	23	22
Transport	25	11	36	32
Supplies and Services	99	30	129	150
Central and Support Services	209	111	320	411
Total Expenditure	1,589	513	2,102	2,222
<u>Income</u>				
Building Regulation Charges	(1,564)	0	(1,564)	(1,810)
Miscellaneous Income	(25)	(70)	(95)	(73)
Total Income	(1,589)	(70)	(1,659)	(1,883)
(Surplus)/Deficit for Year	0	443	443	339

33. RELATED PARTY TRANSACTIONS

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

All such material related party transactions are disclosed either individually or in aggregate below.

Authority members:

In respect of financial year 2007/08 a large number of authority members had a position of general control or management in organisations which generated related party transactions with the Council. Positions of general control or management can arise by way of ownership, or by acting as a director, trustee, board member, or partner of an organisation. The material transactions in year amounted to net payments of £81m, with £1m owed to the Council at 31st March.

Significant net transactions include:

Related Party	£000
Sheffield Homes	41,494
Burngreave New Deal for Communities*	10,645
Sheffield Futures*	10,580
South Yorkshire Housing Association	3,457
Sheffield Galleries and Museums Trust	2,349
Sheffield Industrial Museums Trust	1,827
Sheffield Theatres Trust	1,814
Sheffield Lyceum Theatre Trust	1,403
Manor & Castle Development Trust	1,230
Southey & Owlerton Regeneration Ltd	1,115
Roundabout Ltd	1,035

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, the Assistant Chief Executive (Legal & Governance) and the Director and Deputy Director of Corporate Resources. The note also covers members of those officers' close families or households. The asterisk by those organisations disclosed above denotes where a chief officer holds a position of general control or management, whilst further material net transactions with organisations under this heading amounted to £0.6m.

Transactions with other public bodies:

Transactions with central government and other public bodies are detailed in notes to Income and Expenditure account and Collection Fund. However, the Council also paid £36m to South Yorkshire Passenger Transport Authority during 2007/08.

Other material transactions:

During 2007/08 the Council made net payments of £105m to Kier Sheffield LLP. This includes £3.7m accrued at 31st March. The Council also made net payments to Sheffield City Trust and its subsidiaries totalling £21.5m during the year.

34. OFFICERS' EMOLUMENTS AND MEMBERS' ALLOWANCES

Local Authorities are required to provide an analysis of the number of their employees whose remuneration in the year, excluding pension contributions, was £50,000 or more.

Remuneration Band	2007/08 Teachers	2007/08 Other	2007/08 Total	2006/07 Total
£50,000 - £59,999	129	71	200	178
£60,000 - £69,999	18	14	32	26
£70,000 - £79,999	11	17	28	33
£80,000 - £89,999	10	9	19	7
£90,000 - £99,999	1	5	6	3
£100,000 - £109,999	0	1	1	2
£110,000 - £119,999	0	1	1	0
£120,000 - £129,999	0	0	0	0
£130,000 - £139,999	0	2	2	3
£140,000 - £149,999	0	0	0	0
£150,000 - £159,999	0	0	0	0
£160,000 - £169,999	0	0	0	0
£170,000 - £179,999	0	1	1	1
Total	169	121	290	253

The 2006/07 figures have been updated to include pension costs, to ensure that these are presented on a consistent basis with the 2007/08 figures.

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

The allowances paid to Members of the Council in 2007/08 totalled £1.3 m (£1.2m 2006/07). Details of this, including the amount paid to each Member, will be published separately as required by Government Regulations.

35. INTERESTS IN COMPANIES

Sheffield Homes Ltd is a company limited by guarantee with the City Council as sole Member, guaranteed to £1. Its principal activity is to act as the managing agent of the City Council's housing stock as well as managing the repairs and improvements to tenants homes. The company's net assets were £3.7m at 31/03/08 (£4.1m at 31/03/07). The result for the year excluding FRS 17 adjustments was a surplus of £0.3m. Copies of the accounts can be obtained from: Sheffield Homes Ltd, PO Box 1918, Sheffield, S1 2XX.

Creative Sheffield Ltd is a company limited by guarantee whose objectives are to secure, co-ordinate and oversee the economic regeneration of the City. It is expected that the company will be operated in partnership with English Partnerships and the Yorkshire and Humber Regional Development Agency. At 31/03/08 the company's net assets were nil and it made neither profit nor loss. The Council has no obligation to meet any accumulated deficits or losses of the company. No dividends were received during the year. Copies of the company's accounts can be obtained from Companies House, or from the Company Secretary, Town Hall, Pinstone Street, Sheffield S1 2HH.

36. LONG-TERM CONTRACTS

At 31st March 2008 the Council had four long-term contracts under Private Finance Initiative (PFI) arrangements and one other similar long-term contract that is not PFI-funded.

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 £4.4m (£4.4m in 2006/07) and payments will continue for the duration of the contract, subject to availability and performance-related deductions and to contractually agreed inflation adjustments.

The other PFI contracts are for the provision of schools. Schools Phase One PFI contract is for the provision of two primary schools and four secondary schools that opened during the financial year 2001/02. The contract is for 25 years and total payments to the contractor during the year were £7.9m (£7.7m in 2006/07). The Schools Phase Two PFI contract, which is for the provision of two secondary schools, became fully operational during the financial year 2005/06 with total payments to the contractor during the year amounting to £3.6m (£3.5m in 2006/07). The Schools Phase Three PFI contract became operational during the financial year 2006/07 and total payments during the year were £6.7m (£2.3m in 2006/07).

The long-term arrangement that is not PFI-funded is a contract for the collection and disposal of municipal waste which was entered into in August 2001, originally for 30 years but extended during 2004/05 to 35 years. Payments to the contractor during the year totalled £21m (£21m in 2006/07). In general, future payments are projected to increase in line with inflation, expected waste tonnages and increases in Landfill Tax. In addition the contractor has introduced improved disposal facilities in order to meet statutory recycling and recovery targets, which result in peaks in the payments between 2005 and 2010 which will then flatten out until the expiry of the contract. The payments may be reduced by any shares in growth in the contractor's third party income and are subject always to any deductions for poor performance.

The Council has also agreed to meet the cost of arrangements that Sheffield City Trust has entered into with certain leasing banks in respect of the provision of funding for sporting facilities in the city. The cost of this commitment during the year was £22m (£15.5m in 2006/07). The agreement will end in 2024 when the amount of capital owing to the leasing banks will be met from the proceeds of the £140m Sheffield Investment Bond which was issued by the Trust in 2000. The Bond, which is guaranteed by the Council, is under an interest-only arrangement till 2014, whereupon it will be repaid by equal instalments of interest and capital over a ten-year period. The current cost of servicing the Bond is met from interest received from fixed-rate deposits of the Bond proceeds.

37. POOLED BUDGETS

Section 31 of the Health Act 1999 allows partnership arrangements between NHS bodies, local authorities and other agencies in order to improve and co-ordinate services. Generally each partner makes a contribution to a pooled budget, with the aim of focusing services and activities for a client group. Funds contributed are those normally used for the services represented in the pooled budget and allow the organisations involved to act in a more cohesive way. The following table shows the Partner bodies disclosed, along with the contributions to and from the pool and details of 2006/07 comparatives:

Service Area	Contribution to the Pool		Contribution from the Pool	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Intermediate Care	104	102	827	814
Teenage Pregnancy	161	298	0	0
Learning Disabilities Accommodation	1,936	1,870	2,356	2,591
Equipment and adaptations	839	382	758	712

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

Intermediate Care

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

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Sheffield PCT	1,515	1,488	561	552
Sheffield City Council	104	102	827	814
Sheffield Teaching Hospitals	0	0	210	204
Sheffield Care Trust	0	0	21	20
Total	1,619	1,590	1,619	1,590

Teenage Pregnancy

The pool is hosted by Sheffield PCT and the money is used to reduce the number of teenage pregnancies in Sheffield.

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Sheffield PCT	0	0	161	298
Sheffield City Council	161	298	0	0
Total	161	298	161	298

Learning Disabilities Accommodation

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

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Sheffield PCT	12,654	10,856	10,474	9,991
Sheffield City Council	1,936	1,870	2,356	2,591
Carried Forward	0	0	1,760	144
Total	14,590	12,726	14,590	12,726

Equipment and Adaptations

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

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Sheffield PCT	1,201	792	1,214	792
Sheffield City Council	839	382	758	712
Health Schemes	0	0	0	0
Carried Forward	0	370	68	40
Total	2,040	1,544	2,040	1,544

38. AUDIT COSTS

In 2007/08, Sheffield City Council incurred the following fees relating to external audit and inspection:

	2007/08 £000	2006/07 £000
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor.	398	384
Fees payable to the External Auditors in respect of statutory inspection.	126	18
Fees payable to the External Auditors for the certification of grant claims and returns.	180	180
Fees payable in respect of other services provided by the appointed auditor.	0	0
Total	704	582

During 2007/08 the Audit Commission completed the triennial Corporate Inspection of the Council which is reflected in the significant variance between the inspection fee in 2006/07 (£18k) and 2007/08 (£126k).

39. DEDICATED SCHOOLS GRANTS (DSG)

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

Details of the deployment of DSG receivable for 2007/08 are as follows:

Schools Budget Funded by Dedicated Schools Grant			
	Central Expenditure £000	Individual Schools Budget £000	Total £000
Original grant allocation to Schools Budget for the current year in the authority's budget	40,547	224,212	264,759
Adjustment to finalised grant allocation	0	0	0
DSG receivable for the year	40,547	224,212	264,759
Actual expenditure for the year	38,499	219,553	258,052
(Over)/underspend for the year	2,048	4,659	6,707
Planned top-up funding of ISB from Council resources	0	0	0
Use of Schools' balances brought forward	(1,228)	0	(1,228)
(Over)/Underspend from all prior years	4,354	8,613	12,967
(Over)/Underspend carried forward	5,174	13,272	18,446

40. LOCAL AREA AGREEMENT

The Local Area Agreement is a three year written agreement between central Government and Sheffield, signed in March 2005. It sets out what the Council and its partners are trying to achieve for Sheffield and how they will do it. It includes the targets by which progress is measured, and the way in which public money will be spent. The Sheffield First Agreement (SFA) is increasingly the way in which the ambitions of the City Strategy will be delivered.

The City Strategy has five generic aspirations for Sheffield:

- A strong economy
- Successful neighbourhoods
- Inclusive, healthy communities
- A great place to grow up
- Environmental excellence.

There are many agencies and groups contributing to the delivery of the City Strategy, and the SFA allows them to work cooperatively and flexibly in achieving the ambitions in the City Strategy. The SFA gives greater independence as to how the Council and its partners can spend money from Central Government to best meet local needs.

Partner bodies involved in the design of the SFA include:

Local government bodies – Sheffield City Council, Barnsley MBC, Rotherham MBC, Doncaster MBC

Community protection authorities – South Yorkshire Police Force, South Yorkshire Fire & Rescue

Health bodies – Sheffield City PCT

Learning bodies – Sheffield University, Sheffield Hallam University, Learning Skills Council

Other statutory bodies – South Yorkshire Passenger Transport Authority, Peak District National Park Authority, Probation Board, Yorkshire Forward, Job Centre Plus, Highways Agency, Environment Agency, English Heritage, Museums Libraries and Archives Council

Other bodies – Sheffield Chamber of Commerce, Voluntary Action Sheffield, Burngreave New Deal for Communities, Living Sheffield, Groundwork Sheffield, Scoop Aid, Sheffield Galleries & Museums Trust, Sheffield Futures, Heeley City Farm, Beighton Villages Development Trust, South Yorkshire Community Foundation, OFFER, South Yorkshire Housing Association, Manor & Castle Development Trust, Sheffield Community Care Network, Sheffield Homes, Creative Sheffield, Youth Action Network, Living Sheffield, South East Sheffield Community Forum

Sheffield City Council acts as the accountable body for the LAA. This means that we are responsible for managing the LAA grant paid by government, and for ensuring there are robust performance management measures in place. The Council acts as the principal of the relationship, recognising the full amount of LAA grant in its financial statements.

The total amount of LAA grant received by the Council, as accountable body, in 2007/08 was £45.7m.

As accountable body, the Council is potentially responsible for repaying to the Government any element of grant that is found to have been misused by its partners. Systems in place for distributing grant are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

41. AGENCY INCOME

Under various statutory powers, the Council acts as an agent to several agreements where money from governmental bodies is passported through the Council to third parties. The Council is reimbursed by the responsible body for any expenditure incurred.

Income and expenditure, including funding for third parties, related to this role is as follows:

Role	Income £000	Expenditure £000
Agent for funding distribution on behalf of Department for Children, Schools and Families.	3,231	3,231
Agent for funding distribution on behalf of the European Union	1,306	1,306

42. CONTINGENT LIABILITIES

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 2007/08 £000	Exposure 2006/07 £000
Sheffield City Trust/Sheffield International Venues Ltd	5,653	5,879
Sheffield Lyceum Theatre Trust Ltd	13,500	13,713
Clearfuture Ltd	1,963	1,963
Sheffield Science Park Co Ltd	250	0
	21,366	21,555

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

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

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

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

To satisfy the auditors of Sheffield Homes Limited that the company is a going concern, the Council has issued a letter of support to Sheffield Homes that subject to certain conditions it will guarantee the full amount of their deficit on the South Yorkshire Pension Fund. Under FRS 17 this deficit is £11.1m for 2007/08 (£4.4m 2006/07).

43. TRUST FUNDS

The Council administers trust funds which principally relate to legacies left by various individuals, groups etc. There are 27 such accounts with a total value of £1.682m being:

Trust	2007/08 Income	2007/08 Expenditure	Trust Value as at 31st March 2008	Trust Value as at 31st March 2007
	£000	£000	£000	£000
Beet Street Nursery Charitable Account	15	0	285	270
Norfolk Park Trust	14	4	260	250
Chelsea Park	12	1	220	209
Earl Marshal Street Recreation Ground Trust	9	4	170	165
Wincobank Wood Recreation Ground Trust	9	1	172	164
Sutherland Road Recreation Trust	6	0	120	114
Comfort Funds	9	5	51	47
William Scholarship Fund	6	0	103	97
Hillsborough Park Trust Fund	3	3	46	46
Land at Fulwood/Whirlow	23	28	69	74
Sir George Franklin Trust Fund (Scholarships)	4	2	61	59
Other	9	11	141	123
	119	59	1,698	1,618

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

44. THE EURO

No commitments have been entered into as at 31 March 2008 in respect of costs likely to be incurred with the introduction of the single European currency, nor has an assessment been made at this time of the financial implications arising from the introduction of the Euro.

45. NOTES TO CASH FLOW STATEMENT

RECONCILIATION OF NET CASHFLOW TO THE MOVEMENT IN DEBT

	£000	£000 (restated)
Net Debt at 1 April 2007		(839,557)
<u>Changes in Net Debt</u>		
Increase/(Decrease) in cash in the period	35,199	
Cash inflow from increase in debt	(97,906)	
		(62,707)
NET DEBT AS AT 31 MARCH 2008		(902,264)

ANALYSIS OF CHANGES IN NET DEBT

	Balance at 1 April 2007	Balance at 31 March 2008	Movement In year
	£000	£000	£000
Cash at Bank/(Overdrawn)	2,702	187	(2,515)
Short Term Investments	47,300	85,014	37,714
Movement in cash and cash Equivalents	50,002	85,201	35,199
Debt due within one year	(15)	(16)	(1)
Debt due after one year	(889,544)	(987,449)	(97,905)
Increase/(Decrease) in debt	(889,559)	(987,465)	(97,906)
Total Movement	(839,557)	(902,264)	(62,707)

CASH FLOW – REVENUE ACTIVITIES

RECONCILIATION BETWEEN THE NET SURPLUS OR DEFFICIT ON THE INCOME AND EXPENDITURE ACCOUNT AND THE NET REVENUE ACTIVITIES NET CASH FLOW

2006/07 £		2007/08 £
(18,116)	Income and Expenditure Account (Surplus)/Deficit for the Year	184,865
	Cash flow Adjustments for:	
2,166	Collection Fund	2,173
(16,034)	Housing Capital Receipts Pool	(11,898)
(9,244)	Deferred Charges	(7,525)
(7,896)	Movement on pension reserve	(7,595)
(66,037)	Depreciation & Impairments	(243,956)
53,520	Amortisation of Government Grants	17,651
9,333	Gain or (loss) on Disposal of Fixed Assets	(5,655)
(19,701)	Other	4,003
	Cash Movements	
(7,224)	Increase/(Decrease) in Debtors	(605)
(62)	Increase/(Decrease) in Stock and WiP	159
(1,498)	(Increase)/Decrease in Bad Debt Provision	4,631
(13,361)	(Increase)/Decrease in Creditors	3,740
4,022	(Increase)/Decrease in Deferred Liabilities	0
(90,132)	(Increase)/Decrease in Cash and Borrowings	(60,012)

OTHER GOVERNMENT GRANTS

		2007/08 £000	2006/07 £000
Children and Young People	Standards Funds	61,228	56,704
	School Standards grant	14,473	11,419
	Threshold grant – Teachers' pay	0	0
	European grants	6,652	7,960
	Learning and Skills Council	16,435	15,905
	Dedicated Schools Grant	264,759	252,981
	Surestart	6,198	3,537
	Local Area Agreement	31,948	20,615
	Other Grants	11,100	8,466
Housing	Asylum Seekers	2,499	2,158
	HRA Subsidy	29,211	25,632
	Rent Rebates	71,421	76,140
	Supporting People	25,227	24,852
	Housing Market Renewal	25,660	17,367
	Other Grants	30,916	24,938
Chief Executive's	SRB	0	0
	PES	105	123
	Magistrate's Court Revenue	100	87
	Other Grants	3,688	1,880
Development, Environment & Leisure (DEL)	Sheaf Square/Station Gateway	165	2,998
	SY-ITS	549	307
	Yorkshire Forward	0	200
	SRB	463	638
	Other	21,560	21,090
Neighbourhoods and Community Care	Access Systems Capacity	6,867	7,057
	Preserved Rights	2,529	2,708
	Delayed Discharges	1,226	1,258
	Mental Health Grants	1,625	1,665
	Sheffield Carers' Grant	1,534	1,744
	Residential Allowance	0	0
	Other Social Services Grants	3,256	4,634
		641,394	595,064

Housing Revenue Account Income and Expenditure Account

2006/07	Income	2007/08
£000		£000
(115,535)	Dwelling rents (gross)	(109,247)
	Non-dwelling rents (gross) – garages, garage sites	(1,544)
(1,514)	and shops	
(6,894)	Charges for services and facilities	(7,513)
(2,573)	Contributions towards expenditure	(1,866)
(27,005)	Housing Revenue Account subsidy receivable	(27,703)
(813)	Contributions from General Fund: Shared Amenities	(814)
	Sums directed by the Secretary of State that are	
(3,236)	income in accordance with UK GAAP	0
(157,570)	Total Income	(148,687)
	Expenditure	
31,982	Repairs & maintenance	30,585
31,950	Supervision and management	29,887
1,482	Rents, rates, taxes & other charges	1,149
20,700	Special services – including management	18,857
858	Increase in provision for doubtful debts	1,056
35,877	Depreciation and impairment of fixed assets	168,636
343	Debt management costs	343
	Sums directed by the Secretary of State that are	
0	expenditure in accordance with UK GAAP	0
123,192	Total Expenditure	250,513
	Net Cost of HRA Services as included in the whole	
	authority Income and Expenditure Account	101,826
	HRA service share of Corporate and Democratic Core	573
(34,378)	Net Cost of HRA Services	102,399
	HRA share of operating income and expenditure	
	included in the whole authority Income and	
	Expenditure Account	
(1,656)	(Gain) or loss on sale of HRA fixed assets	(1,812)
36,098	Interest payable and similar charges	37,203
3,921	Amortisation of premiums and discounts	3,580
(341)	Interest and investment income	(560)
	Pensions interest cost and expected return on	
0	pensions assets	0
3,644	(Surplus) / deficit for the year on HRA services	140,810

Statement of Movement on the Housing Revenue Account Balance			
2006/07		2007/08	
£000		£000	£000
3,644	(Surplus)/deficit for the year on the HRA Income and Expenditure Account	140,810	
(7,541)	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(141,493)	
(3,897)	Increase in the Housing Revenue Account		(683)
(5,255)	Housing Revenue Account Balance brought forward		(9,152)
(9,152)	Housing Revenue Account Balance carried forward		(9,835)

Note to Statement of Movement on the Housing Revenue Account Balance			
2006/07		2007/08	
£000		£000	
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year.		
(8,825)	Impairments		(142,919)
1,656	Gain or (Loss) on sale of fixed assets		1,812
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA balance for the year		
-	Capital Expenditure financed from HRA		0
(373)	Transfers from the Major Repairs reserve		(386)
(7,541)			(141,493)

HOUSING REVENUE ACCOUNT NOTES

1. HOUSING STOCK

The Council was responsible for managing, on average, 43,637 dwellings during 2007/08. The movement in stock can be summarised as follows:

	2007/08	2006/07
Housing Stock as at 1 April	44,827	48,434
Less: Sales	(376)	(581)
Less: Transfer to Housing Associations	(1,702)	(2,610)
Less: Demolitions & other deductions	(315)	(422)
Add: New build & acquisitions	13	6
Housing stock as at 31 March	42,447	44,827

The housing stock can be analysed by type as follows:

	Flats & Maisonettes	Houses & Bungalows	Total
1 Bedroom	12,143	1,708	13,851
2 Bedrooms	5,872	9,308	15,180
3 Bedrooms	988	11,393	12,381
4 Bedrooms	16	351	367
5 Bedrooms	3	12	15
6 Bedrooms or more	0	3	3
Bedsits	647	2	649
Multi Occupied	0	1	1
Total	19,669	22,778	42,447

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

	Value at 31 March 2008 £000	Value at 1 April 2007 £000
Operational Assets:		
Council Dwellings	1,564,716	1,509,590
Other Land & Buildings	14,043	14,175
Non Operational Assets	58,191	65,165
Total	1,636,950	1,588,930

2. VACANT POSSESSION

The vacant possession value of Council dwellings as at 1 April 2007 was £3.2bn.

The difference between the vacant possession value of dwellings and the Balance Sheet value as at 1 April 2007 and 31 March 2008 represents the economic cost of providing Council housing at less than open market rents.

3. MAJOR REPAIRS RESERVE

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

The table below shows the movement on the reserve:

2006/07		2007/08
£000		£000
2,555	Balance at 1 April	0
26,680	Transfers to the reserve	25,330
(29,235)	Expenditure on capital assets	(25,330)
0	Balance at 31 March	0

4. CAPITAL EXPENDITURE

During the financial year total capital expenditure was £126.7m, (£144m 2006/07) split between houses £125.7m (£138m in 2006/07) and other property within the Housing Revenue Account of £1m (£6m 2006/07).

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

2006/07		2007/08
£000		£000
29,235	Major Repairs Reserve	25,330
97,114	Borrowing	98,038
0	Grants & other	1,163
14,878	Usable Capital Receipts	1,560
2,884	Capital Contributions	677
144,111	Total	126,768

Capital receipts amounting to £25.8 m (£29.5m 2006/07) were generated in the financial year from the disposal of land, houses and other property.

5. DEPRECIATION

A depreciation charge of £25.7m (£27.1m 2006/07) was made to the HRA during the financial year. Of this £25.3m represents the cost of maintaining the HRA operational assets at current values and is equal to the amount of the Major Repairs Allowance.

The depreciation charge is made up as follows:

	Depreciation 31 March 2008 £000	Depreciation 1 April 2007 £000
Operational Assets:		
Council Dwellings	25,330	26,680
Other Land & Buildings	386	373
Non-Operational Assets	0	0
Total	25,716	27,053

6. HRA SUBSIDY

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

2006/07 £000	Analysis of HRA Subsidy	2007/08 £000
43,567	Charges for Capital	43,959
46,604	Allowance for Maintenance	43,663
26,679	Allowance for Major Repairs	25,330
23,447	Allowance for Management	22,424
581	Rent Constraints Allowance	1,203
-	Housing Subsidy in respect of previous years	411
105	Other Expenditure	47
(113,972)	Guideline Rent Income	(109,327)
(16)	Interest on Receipts	(12)
26,995	TOTAL	27,698

7. RENT ARREARS

Rent arrears as at 31 March 2008 amounted to £8.7m (£9.0m as at 31 March 2007). The provision for doubtful debts in respect of these rent arrears is £7.0m (£7.3m as at 31 March 2007).

8. DWELLING RENTS

This represents rent income due from tenants. The average rent per week at 31 March 2008 was £52.23 compared with £49.75 per week at 31 March 2007, an increase of £2.47 or 5%.

9. REBATES

Rent rebates are available through the Housing Benefits scheme. As at 31 March 2008, 63% (64% as at 31 March 2007) of Council tenants were receiving assistance from the scheme.

10. RENT INCOME

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

	Dwellings	Non-Dwellings	Total	2006/07
	£000	£000	£000	£000
Gross rent income before allowances	111,586	1,993	113,579	119,972
Less vacant properties	(2,339)	(449)	(2,788)	(2,923)
Gross rent income after allowances	109,247	1,544	110,791	117,049

11. IMPAIRMENT

During the year an impairment charge of £142.9m was made, relating to dwellings that were demolished, dwellings transferred to a housing association and a downward revaluation of a number of existing dwellings.

Collection Fund				
2006/07			2007/08	
			£000	£000
	Income	<u>Notes</u>		
(162,988)	Council Tax	1		(168,315)
(38,739)	Council Tax Benefits			(39,416)
(162,717)	National Non-Domestic Rates	2		(164,457)
	Adjustment of previous years'			
(2)	Community Charge	3		(1)
(2,091)	Transitional Relief			2,631
(366,537)	Total Income			(369,558)
	Expenditure			
	Precepts and Demands:			
173,722	Sheffield City Council	4	181,599	
	South Yorkshire Joint Authorities:			
16,838	SY Police		17,795	
7,623	SY Fire & Civil Defence		8,055	
198,183				207,449
	Estimated 2006/07 Collection Fund			
1,630	Surplus			1,293
	National Non Domestic Rates:	2		
162,809	Payment to National Pool		159,924	
774	Costs of Collection		767	
163,583				160,691
851	Write-Offs – Council Tax			3,028
1,225	Write-Offs - NNDR			1,135
	Adjustment of previous years'			
2	Community Charge			1
	Provision for Non-Payment of Council			
1,800	Tax			(3,000)
367,274	Total Expenditure			370,597
737	(Surplus)/Deficit for the Year			1,039
(1,990)	Balance Brought Forward			(1,253)
(1,253)	Balance Carried Forward	5		(214)

COLLECTION FUND NOTES

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

1. COUNCIL TAX

There are an estimated 231,388 (229,709 2006/07) 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 149,639 for 2007/08 (148,655 2006/07). After allowing for non-collection, the calculation of Council Tax at band D is made so as to be sufficient to generate the estimated income required to be taken from the Collection Fund by the City Council and the South Yorkshire Joint Authorities. The amount of Council Tax set at band D of £1,383.44 for 2007/08 (£1,330.32 2006/07) excluding parishes but including Police & Fire is converted to determine the level of Council Tax for the other seven bands.

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

Band	Number of Properties in Band	Less Reductions	Chargeable Dwellings	Adjusted Chargeable Dwellings	Proportion of Band D Tax	Band D Equivalent Dwellings
Disabled Band A		336.00	336.00	310.75	5:9	172.64
A	139,354	(8,973.10)	130,380.90	114,020.00	6:9	76,013.33
B	34,759	(2,398.00)	32,361.00	29,906.50	7:9	23,260.61
C	27,790	(1,541.90)	26,248.10	24,496.45	8:9	21,774.62
D	14,497	(416.00)	14,081.00	13,288.30	9:9	13,288.30
E	8,342	(217.00)	8,125.00	7,745.40	11:9	9,466.60
F	3,933	(24.00)	3,909.00	3,717.00	13:9	5,369.00
G	2,556	(90.00)	2,466.00	2,363.10	15:9	3,938.50
H	157	(54.00)	103.00	91.65	18:9	183.30
	231,388	(13,378.00)	218,010.00	195,939.15		153,466.90
Less: Allowance for non-collection						(3,836.67)
Add: Defence-exempt properties						9.00
Tax Base for the calculation of 2007/08 Council Tax						149,639.23

The income of £204.7m for 2007/08 (£200.8m 2006/07), which is net of write-offs is receivable from the following sources:-

Billed to Council Tax Payers (net of write-offs)	165.3m
Council Tax Benefits	39.4m
	204.7m

2. NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Government specified an amount of 44.4p in 2007/08 (43.3p 2006/07) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Fund on the basis of a fixed amount per head of population.

The NNDR income of £161.8m for 2007/08 (£164.8m 2006/07) (after allowing for reliefs and provisions) was based on a total rateable value for the Council's area of £459,769,019 for the year (£460,795,732 2006/07).

3. ADJUSTMENTS FOR PREVIOUS YEARS' COMMUNITY CHARGES

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

4. TRANSFER TO INCOME & EXPENDITURE ACCOUNT

The sum of £181.6m (£173.7m 2006/07) is transferred to the Income and Expenditure Account together with the proportion of the previous year's estimated Collection Fund balance of £1.1m (£1.4m 2006/07) attributable to Sheffield City Council.

5. BREAKDOWN OF COLLECTION FUND SURPLUS

The following table provides an analysis of the final collection fund surplus.

Authority	2006/07 £000	2007/08 £000
Sheffield City Council	1,099	187
Police Authority	106	18
Fire Authority	48	8
Total	1,253	213

Glossary

Abbreviations

The symbol “k” following a figure represents £thousand.

The symbol “m” following a figure represents £million.

The symbol “bn” following a figure represents £billion.

Accruals Concept

Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.

Added Years

A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers must exercise this discretion in accordance with the national regulations and the City Council’s own policies.

Capital Expenditure

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

Collection Fund

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

Community Assets

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

Consistency Concept

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

Contingency

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

Council Tax

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

Creditors

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

Debtors

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

Depreciation

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

Exceptional Item

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

Finance Lease

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

Fixed Assets

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

General Fund

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

Goodwill

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

Hire Purchase

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

Intangible Fixed Assets

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

Materiality

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

Non-Operational Assets

Assets that are not directly occupied, used or consumed in the delivery of services.

Operational Assets

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

Operating Lease

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

Precepts

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

Private Finance Initiative

A contract in which the private sector is responsible for supplying services that are linked to the provision of a major asset and which traditionally have been provided by the Council. The Council will pay for the provision of this service, which is linked to availability, performance and levels of usage.

Provisions

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

Prudence Concept

Requires that revenue is not anticipated until realisation can be assessed.

Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.

Public Works Loan Board

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

Reserves

Result from events that have allowed monies to be set aside, surpluses, decisions causing anticipated expenditure to have been postponed or cancelled, or by capital accounting arrangements.

Related Party

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

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

Revenue Expenditure

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

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

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Sheffield City Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Sheffield City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Corporate Resources and auditor

The Director of Corporate Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Authority and its income and expenditure for the year.

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

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

Basis of audit opinion

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

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

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Sheffield City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 8 November 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

The audit cannot be formally concluded and an audit certificate issued until I have concluded my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

Sue Sunderland
(Officer of the Audit Commission)
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25 September 2008