

**SHEFFIELD CITY COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**2008/09**

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## **Introduction by the Leader of the City Council**

I am pleased to be able to introduce the accounts for the financial year 2008/9 for Sheffield City Council. The Council is focused on providing good, sound financial management and improved financial stability for the people of Sheffield.

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

Our new City of Opportunities documents, the Corporate Plan for 2008-2011, sets out a clear vision for the City and investment will be made to meet those priorities. We have set out an ambitious future for Sheffield to be:

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

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

We have had some extremely important investment despite the tight financial settlement, such as putting an extra 15 Community Support Officers on the streets of Sheffield, making green recycling free across the City by not charging for green waste sacks, putting £140,000 into cleaning up the rivers within our City, the biggest ever investment in renewing street signs and cleaning them up by investing £250,000 and giving each Area Panel £50,000 extra so local Councillors with their communities can invest in their priorities.

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

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

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

**Councillor Paul Scriven**  
**Leader of the Council**

## 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 2008/09. The publication includes all the financial statements and disclosure notes required by statute and a brief financial review of 2008/09. 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 2008/09

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 7 March 2008 the Council approved a revenue budget for 2008/09 at a net expenditure level of £454m. This was based on an approved Council Tax increase of 2.5%.

The following table shows the final out-turn position for 2008/09. 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 2008/09 shows a net underspend of £12.160m, this sum has been transferred to reserves as part of future year's budget strategy.

<u>2008/09</u> <u>Outturn</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	£000	£000	£000
Children and Young People's Services	118,986	118,324	(662)
Neighbourhoods and Community Care	173,419	171,431	(1,988)
Development, Environment & Leisure (DEL)	167,780	170,016	2,236
Chief Executive's	56,449	55,271	(1,178)
Corporate	(516,634)	(528,207)	(11,573)
<b>Sub-total</b>	<b>0</b>	<b>(13,165)</b>	<b>(13,165)</b>
Adjustment to remove impact on outturn of year end accounting transactions e.g. PFI and MSF	0	1,005	1,005
<b>Total underspend for the year</b>	<b>0</b>	<b>(12,160)</b>	<b>(12,160)</b>

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

<b>GROSS REVENUE EXPENDITURE 2008/09</b>		
	£m	%
Education	492	35
Social Services	248	18
Highways, transport and planning	86	6
Leisure and Tourism	44	3
Environmental Health	14	1
Housing	202	15
Refuse collection and disposal	31	2
Other Services	285	20
<b>Total</b>	<b>1,402</b>	<b>100</b>

<b>FINANCING OF THE GROSS REVENUE EXPENDITURE 2008/09</b>		
	£m	%
Specific Government Grants	628	45
Council House rents	117	8
Fees, charges and other income	203	15
Central Government Grants	267	19
Council Tax	187	13
<b>Total</b>	<b>1,402</b>	<b>100</b>

## **Fixed Assets**

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

The Councils approach to this year's valuation process has been adapted to take in to account the affect that the current economic climate has had on its overall asset values. As part of this year's process, a review of the actual asset valuations, for each asset category, has been carried out. This review identified significant valuation changes, which reflects not only the current downturn in market conditions but the previous increases in values since 2004.

In order for the Council to reflect a more accurate position on its overall fixed asset worth it has taken the decision to impair numerous assets that were not due to be revalued until a future year. This decision has therefore impacted on the value of impairments charged for this year of £290m, when compared to that charged for 2007/08 of £188m.

## **Capital Expenditure**

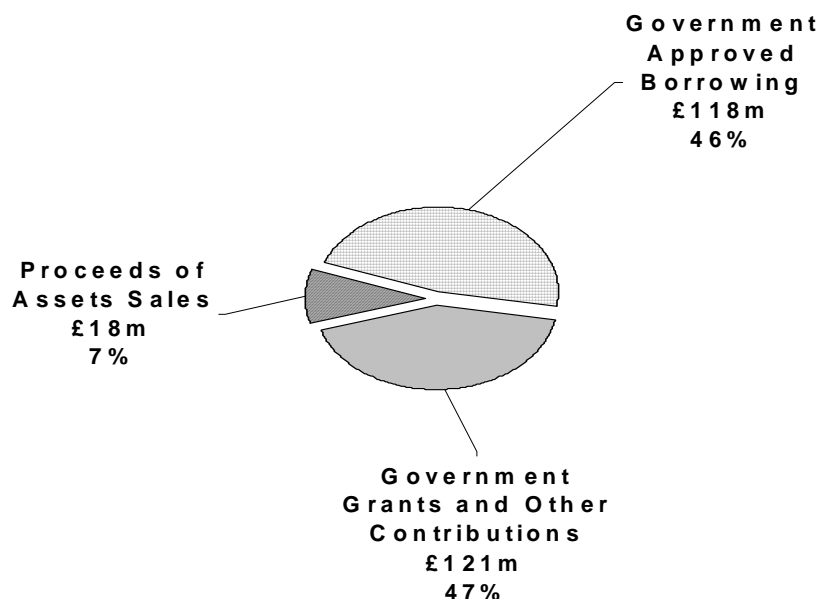
Capital spending can generally be defined as that spending which generates assets that have a life of more than one year. In 2008/09 the Council spent, on a cash basis, £257m on capital projects.

The areas of capital expenditure were:

- Enhancements and improvements to Council and other dwellings £158m;
- New and refurbished schools £48m;
- Works on roads, bridges and footpaths £38m;
- Leisure services £5m; and
- Other £8m.

The chart below shows how the capital programme was funded. The major sources of funding were Government grants and other contributions of £121m and loans of £118m, through government supported borrowing.

## FINANCING OF CAPITAL EXPENDITURE



The total accumulated long-term loans outstanding with external lenders amounted to £1.045bn, though this sum should be viewed in relation to the Council's assets, which have a net book value of £2.873bn as at 31 March 2009.

### Pension Scheme

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

A strategy to achieve a 100% funding level has now been agreed, with a target of achieving this level over the next 21 years. The revised rates for Sheffield for the next 3 years from 1<sup>st</sup> April 2008 have been assessed at 12.2% of pensionable pay plus £16.82m per year, subject to inflation increases for 2009/10 and 2010/11.

The Accounts are required to disclose the assets and liabilities for the Council's share of the pension fund. The pension fund's actuaries have estimated for accounting purposes that the pension fund is currently in a deficit position and the Council's share of this deficit is £496m as at 31 March 2009.

### Financial and Service Strategy objectives

- **Keep future Council Tax increase to an absolute minimum, subject to cost pressures, government grant settlements and political priorities:** The actual Council Tax increase in 2009/10 was 1.95% and planning assumptions for future year increases of 1.5% for 2010/11 and 2011/12 and 0% for 2012/13 onwards.

- **Improving Council Tax and rent collection rates:** The 2008/09 in year collection target of 96% was an ambitious target because of the downturn in the economy and therefore the collection rate target was not achieved (94.9%). However, all outstanding debt will continue to be collected into the new financial year.  
The % rent collection target for 2008/09 was 98%, at the end of quarter 4 (31 March 2009) the collection figure was 98.23%. The target for gross arrears (including water rates) for 2008/09 was £10.2million, at the end of quarter 4 (31 March 2009) the gross arrears figure (including water rates) was £10.6 million.
- **Only incur additional spending when either; matched by additional income, on an invest-to-save basis, or is directly aligned to the achievement of the Corporate Plan objectives:** Additional investments to the 2009/10 budget are linked to the Council's Corporate Plan. This includes the use of the flexible resource pot of the Area Based Grant and investments in transformation projects through the Council's invest-to-save fund.
- **Maximise the Councils income by developing and adopting a comprehensive charging strategy, promptly raising all monies due and using the most cost efficient methods of collections:** The medium term Financial Strategy recommended the development of a comprehensive charging strategy. The building blocks of this are in place with the introduction of a new finance system for the Council.
- **Optimise the Councils capital financing position in terms of risk, availability of funds and returns:** The Council's capital financing budget has fallen by £6m in the last six years as a result of active debt rescheduling and improved investment performance. The Council suffered no losses from recent turmoil in the banking sector.
- **The level of available reserves should aim to cover a prudent estimate of the financial risk facing the authority:** The Council maintains as suitable level of reserves to cover a prudent estimate financial risk, as well as specific reserves.
- **Seek customer feedback on services they are prepared to pay for and at what level, including Council Tax:** The Council consults on its budget proposals and will enhance this in future through the Community Assemblies.
- **Ensure sustainable and balanced revenue budgets and capital programmes are set where the available resources are aligned to satisfy the Authority's objectives:** A sustainable and balanced revenue budget has been set for the last six years and a balanced capital programme has been set for the next five years.
- **Achieve a positive report from external audit and maintain a score of at least 3 on Use of Resources in the new Comprehensive Area Assessment framework:** A positive report was received from external audit for the 2007/08 financial year. A score of 3 on Use of Resources was achieved in 2008.
- **Integrate financial and service planning, performance management and risk management:** Closer working relationships between Budget Implementation Plans and Service Plans have been established and this will be built on further in future years.



## **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 3<sup>rd</sup> party providers for support and customer services
- Efficient and effective processes, standardised across the council and consistently applied

We are aiming for excellence in all we do – to be an organisation that is excellently run and high performing which provides consistent high quality, value for money for its customers.

Whilst the Council has made important improvements in recent years, we recognise the need to fundamentally change the organisation. Firstly so that the Council and its services are led and shaped by what the people of Sheffield want, and what matters most to them, and secondly so that the organisation provides outstanding value for money.

The City of Opportunity corporate plan sets out the strategic direction, priorities and targets for the Council over the next three years. One of the key priorities within this plan is “Putting the customer first and achieving value for money”. A Modern Efficient Council programme has been put in place to deliver on this, whilst the programme will also continue to develop the work started as part of the Organisational Transformation programme.

The programme will lead our ambitious plans to; place customers at the heart of service delivery and transform the customer experience of dealing with the Council and our partners in the City; modernise our business services and deliver efficiencies in order to maximise our investment into front line services.

## **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 2009.

### **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.

From 2008/09 the SORP permits presentation of the Cash Flow Statement by either the direct method (showing gross cash flows) or the indirect method (by adjusting the Income & Expenditure Account surplus/deficit to a cash basis). The Council has opted to prepare the 2008/09 Cash Flow Statement by the indirect method, this has changed the presentation of the Cash Flow Statement from the previous year's accounts, but has no overall impact of the figures presented in the statement.

## 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 12-97 present fairly the financial position of the Authority at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

Laraine Manley  
Director of Corporate Resources

**I can confirm that the Authority approved the Statement of Accounts on 25 June 2009.**

Cllr Michael Davis  
Chair of Audit Committee  
25/06/2009

**THE POSITION FOR THE FINANCIAL YEAR 2008/09 INCLUDING PLANS FOR THE FINANCIAL YEAR 2009/10**

**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 financial year ended 31 March 2009 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 2009 and up to the date of approval of the annual report and accounts.

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

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

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

The Council has set out its vision and Corporate priorities in its Corporate plan (City of Opportunity). The current plan has been developed to clearly show the link between the key aims of the Council and the Corporate priorities to achieve these. The Council has a service planning process that is designed to align service activity and objectives to the Corporate priorities. A new quarterly performance monitoring process has been designed to track the progress against the Council's key priorities and highlight any potential risks and issues in achieving these.

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

The Council's new financial regulations state that the Cabinet will not normally receive regular budget monitoring reporting that function is performed by the Strategic Resources and Performance Scrutiny Board. However, all portfolio holding Cabinet Members will receive quarterly budget monitoring reports for their areas of responsibility. The Council's systems for producing this information have been upgraded during the year to make this process more efficient and effective. There is also a much more corporate and consistent approach to the production of such reports and presentation of information. Performance management information in relation to the key Corporate objectives is also considered on a quarterly basis by Members.

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

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

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

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

The Council has a Scrutiny function (including a call-in facility), which reports to 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. Her staff work closely with Directorates, including a requirement to review and log all Band A delegations.

The Council has set out policies and procedures for people management in the manager's section of the Council's intranet. These set down the procedures to be used in relation to management of employees. There is a formal induction process in place that is designed to ensure that employees are made aware of their responsibilities. The Director of Corporate Resources carries overall responsibility for financial issues and her staff work closely with services to ensure that all reports are cleared for financial implications prior to submission to a Member forum.

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

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 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.

Following a review of the programme in year it has been decided to instigate a number of changes to ensure that it continues to deliver against its objectives and also that it is fully aligned to supporting the Council's strategic priorities.

The Organisational Transformation Programme Board has now been subsumed into the Modern Efficient Council Programme Board (MEC Board).

The MEC board has a number of projects and programmes that it is coordinating to achieve these aims, these include the following:

- World Class Financial Management
- Organisational Development
- Legal and Governance
- Workstyle
- Customer focus
- Communications

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

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

- The Council’s integrated financial information system OEO was significantly upgraded during the year. The procedures and process surrounding the system have also been revised and updated. Although this process is not yet fully complete, significant improvements have been noted in the speed and quality of the financial management information that is produced. Training and support have been provided to Officers involved in the system and this has led to a successful implementation.
- 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). Note this contract was awarded to Capita from January 2009.

### **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”.

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

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

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

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

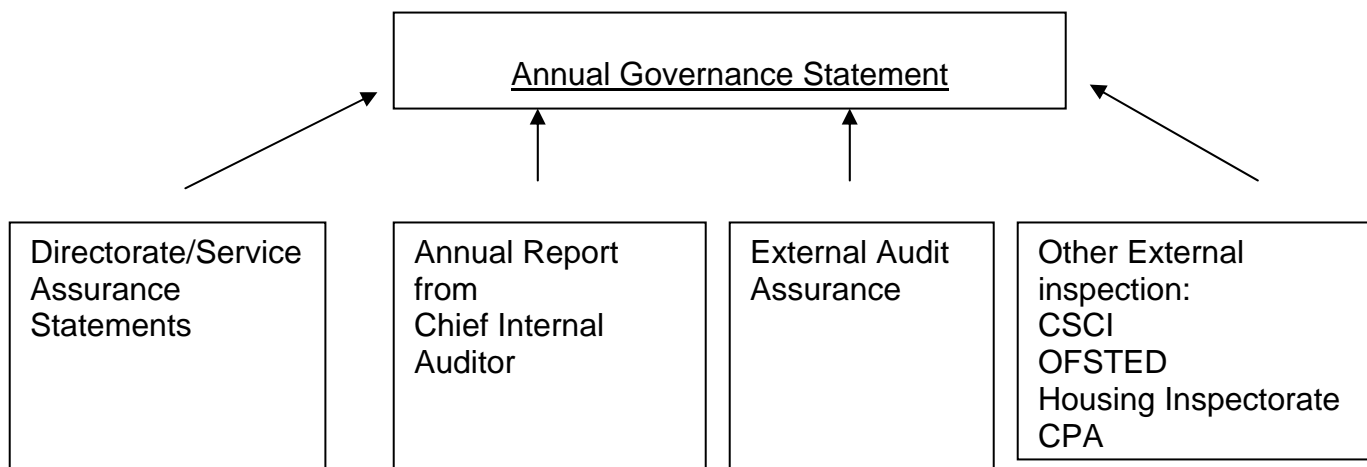
All of Sheffield City Council’s services have achieved and retained “Charter Mark” recognition.

### **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 2008/09 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. This is based upon their own system and also from written assurance gained from individual schools

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 2008/09 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 Governance Memorandum for 2007-08. A small number of issues were raised in the memorandum that required attention by the Council, action has been agreed on these points.
- There was an unqualified opinion on the Value for Money Audit. The Audit Commission were able to place reliance upon the work of the Council's Internal Audit section for final accounting purposes.
- The Council was the subject of a new "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) and improved their overall score.
- The Health and Safety Executive (HSE) visited various sites in 2008. The HSE continue to highlight some weaknesses in Sheffield City Council's management of health and safety risk. None of these issues were of significance to require an improvement notice/ prohibition notice or other enforcement.
- Children's Specialist Services have had an OFSTED inspection of Serious Case Reviews and this resulted in a "good" report.
- The Housing Benefit and Council Tax Benefit Service (Contract Administration) received an assessment of poor but with promising prospects of improvement. There were a number of issues raised for which action is being taken, key to this is the new provider contract with Capita that came into effect in January 2009 (after the date of the review).
- The Audit Commission undertook a tri-ennial review of Internal Audit; this was positive, a small number of minor issues were raised which are now being dealt with.
- The Council's Insurers undertook a review of the service which identified some areas for improvement, but found that overall, there was a high level technical service proficiency.
- A number of inspections have taken place in the Director of Children's Specialist Service Area; there were no specific internal control weaknesses identified for which action is not being taken.
- The Adult Learning Inspectorate has undertaken a review of Adult Community Learning and Workbased Learning that has concluded that the services were "good".
- The Commission for Social Care Improvement (CSCI) have undertaken a number of reviews in the Adult Social Care area these have been positive with no significant issues raised.

In addition to the above, a number of schools within the City have been the subject of OFSTED inspections. The Children and Young People's 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 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 continuing to upgrade its current financial information systems. 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 a Modern Efficient Organisational Programme that is looking in detail at the way that our services are organised and delivered to make sure that these are done in the most efficient and effective ways possible, for the benefit of our customers. This will undoubtedly have a significant impact on the operations of the Council and will impact upon the control environment.
- The Council is continuing to develop its governance arrangements to cover all of its partnerships and external relationships. This will help to develop consistency in the approach to partnership working.

### **Significant Governance Issues**

In a large and complex organisation such as Sheffield City Council, there will always be opportunities to improve services. In the financial year 2008/09, 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 2007/08 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><b>Expenditure through the New Deal for Communities Programme for Burngreave.</b></p> <p>The New Deal programme is likely to finish at some point during the financial year 2009/10 rather than at the end of the 2010/11 financial year. This is due to the funding stream being used up earlier than the desired end of the programme.</p> <p>There was insufficient control over the financial governance arrangements from within Burngreave New Deal and from the Council acting as the accountable body.</p> <p>Projects have been finished and staff levels have been reduced.</p> <p>There are potential financial implications to the Council if any claw back takes place.</p>	<p>The Director of Neighbourhood Renewal and Partnership is currently preparing a report that will go to the appropriate Member Scrutiny Board. This report will highlight the various deficiencies in control that have taken place as well as the lessons to be learnt for future programmes.</p> <p>The Council is currently preparing a succession plan for submission to the Department for Communities and Local Government (CLG) which if agreed will prevent claw back of grant.</p> <p>Negotiations are ongoing with CLG to release funding from the Capital assets owned by Burngreave New Deal to allow the project to continue at least until the year end.</p> <p>The Council has a large number of programmes and bodies that it is involved in using a number of different governance arrangements. A review of these arrangements has taken place and additional guidance has been prepared to identify the key roles and responsibilities of those involved with these organisations. The aim of this is to strengthen these arrangements going forward.</p>
<p><b>Asset Register</b></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 inconsistent.</p>	<p>The Council is working on two separate fronts to address weakness in the Council's asset management processes.</p> <p>In the short term, additional checking and validation processes have been built in to the process for producing the Council's financial accounts. This will reduce the risk of known weaknesses in the Asset Register processes impacting on the accuracy of the Council's accounts.</p> <p>In the longer term, a complete re-engineering of the Council's asset register, centred around property assets, is within the scope of</p>

	<p>the new Kier outsourcing contract for property and facilities management services. The contract does not commence until July 2009, but the asset register work is the subject of an early service order to bring forward the delivery of a suitable solution as much as possible. Another early service order with Kier involves the updating of the Council's Asset Management Plan - last updated in 2004/5 - to ensure that the Council continues to get the most from its asset base into the future.</p> <p>Timetables are in place for this work and progress is regularly monitored. In the current year the work proposed should see a significant improvement in these processes</p>
<p><b>City Wide Alarms</b></p> <p>The City Wide Alarms Service is working towards the achievement of the Telecare Association Service (TSA) Standards. These standards require that enhanced call monitoring arrangements are put in place.</p> <p>During the course of this year, the new monitoring arrangements have highlighted control weaknesses in relation to the level of resources and, on occasions, there has been a failure to follow call handling and response procedures resulting in poor and unacceptable customer service. A detailed joint investigation under the council's procedures was undertaken and a range of measures taken to address this weakness and ensure customer and service standards are maintained.</p>	<p>The immediate actions already taken include the recruitment of 5 additional call handlers, increased management supervision, a comprehensive training programme and revised guidance for the call centre staff.</p> <p>A strategic review of the service is underway to determine any further changes required and will report back to the Executive Director by August 2009.</p> <p>In the interim, joint work between Customer Services and community care is now looking at further investment to deal with the increase demand for the service and to achieve the TSA standard.</p>
<p><b>Information Management</b></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 the Corporate Information Security Policy.</p> <p>There are also inconsistencies in Council arrangements for the management of various types of information. This can obviously lead to a lack of effectiveness in</p>	<p>The Council has since created a dedicated Information Management Team within Business Information Solutions (established in late 2008). In addition, a Corporate Information Governance Board has also been established with delegated power to formulate policy in the Information Management arena.</p> <p>An overarching information security policy has recently been written, supported by a</p>

<p>the way that information is collected, recorded and reported.</p>	<p>comprehensive manual of detailed security policies. This documentation is currently undergoing final review. In addition work has commenced upon the establishment of a Corporate Information Security Management System (ISMS) which will be completed later this year (to the governing ISO 27001 International Information Security standard). The Council has also launched a major project to ensure that the Council will be able to connect as a trusted partner to the Government's private network (known as the GSI) at the beginning of October. This is being achieved through the Government Connect national programme. Once connection is achieved this will mean that the Council will be able to use the Government's network to share data securely and increasingly to be able to deliver secure services which cross organizational boundaries. This will commence with the Benefits Service.</p> <p>In addition, an information management 'proof of value' project has been concluded, designed in part to address inconsistencies in the Council's current approach to Information Management but also to address wider citizen concerns surrounding how the public sector are perceived to manage and share sensitive data. The project findings were reported back to EMT in the spring and the recommendations made were fully endorsed. As a result, a Corporate Information Management Programme is currently in planning (key work streams have already been identified) and a series of projects will commence in the summer designed to tackle the above. Finally in this respect it should also be noted that the Council is engaging directly with the Information Commissioner's Office as part of our programme to ensure Information Management best practice is implemented across SCC.</p>
<p><b>Weston Park</b></p> <p>In June 2008 Sheffield Galleries and Museums Trust (SGMT) reported that they had made a mistake in their accounting and had not included a significant element of costs from the Weston Park scheme when calculating the additional claim to</p>	<p>SGMT is an independent trust; however the Council has representatives on the trust's board. Funding has now been made available to the Trust by a funding partner to resolve this situation.</p>

<p>Objective 1. This, combined with a late year overspend, created a position where they were £600k in deficit at the year end.</p> <p>This particular issue was not related to any failings in the Council's processes, but it has highlighted the need for the Council to be extra vigilant where the Council has ongoing financial commitments should an arms length Trust fail. The Council has given financial undertakings to support the Trust. This is of primary concern where the Council has leased out premises to the third party.</p>	<p>Accounts are now also being reviewed by the Council's finance sections.</p> <p>As a Corporate issue, the governance responsibilities for individuals serving on third party bodies is being revised and will be re-issued to Members and Officers as well as providing the appropriate advice and training where required.</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 - Chief Executive on behalf of Sheffield City Council

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



## Statement of Accounting Policies

### 1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice (the SORP)' as published by CIPFA. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### 2. TANGIBLE FIXED ASSETS

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

#### Recognition

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

#### Measurement

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

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

Net current replacement cost is assessed as:

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

## **Revaluation**

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

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

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

## **Impairment**

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

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

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

## **Depreciation charge**

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

- 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.

- Non-operational assets between 5 and 50 years (except for investment properties held on a lease which are depreciated over the period when the unexpired term is 20 years or less).
- No depreciation is charged on assets under construction until they are brought into operation.

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

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

The Housing Revenue Account (HRA) has previously been charged with an amount of depreciation equivalent to the Major Repairs Allowance received from Central Government. In 2008/09 this policy was reviewed and the depreciation is now charged based on the useful life of assets (dwellings between 2 and 50 years, other operational assets between 2 and 40 years).

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

### **Government Grants and Contributions**

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

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

### **Disposal**

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

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

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

### 3. CHARGES TO REVENUE FOR FIXED ASSETS

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

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

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

### 4. INTANGIBLE FIXED ASSETS

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

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

### 5. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

### 6. CAPITAL RECEIPTS

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

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

## 7. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

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

## 8. LEASES

### **Finance Leases**

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

### **Operating Leases**

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

## 9. REDEMPTION OF DEBT

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

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

## 10. FINANCIAL LIABILITIES

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

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

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

## 11. FINANCIAL ASSETS

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 14.

## 12. STOCKS AND WORK IN PROGRESS

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

### 13. ACCRUALS

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

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

### 14. PROVISIONS

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

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

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

### 15. RESERVES

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

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

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

## 16. COST OF SUPPORT SERVICES (OVERHEADS)

Support Services provide the essential backup and support to the Council's front-line Services. The costs of these support services and overheads are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA 'Best Value Accounting Code of Practice' (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

## 17. RETIREMENT BENEFITS

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

### **Teachers:**

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



and projections of projected earnings for employees. Details of the assumptions are included in note 20 to the main financial statements.

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

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

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

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

## 18. PRIVATE FINANCE INITIATIVES

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.

## 19. GOODWILL

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

## 20. VALUE ADDED TAX (VAT)

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

## 21. GROUP ACCOUNTS

The 2008 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.

## 22. PRIOR YEAR ADJUSTMENTS

### **Retirement Benefits**

The 2008 SORP incorporates recent changes to Financial Reporting Standard (FRS) 17 – Accounting for Pension Scheme Liabilities, which brings it into line with International Financial Reporting Standards (IFRS) by changing the fair valuation method for certain scheme assets and revising disclosure requirements.

<b>Income and Expenditure Account</b>					
<b>2007/08</b>			<b>2008/09</b>		
<b>Restated</b>					
<b>Net Expenditure</b>		<b>Notes</b>	<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Net Expenditure</b>
<b>£000</b>			<b>£000</b>	<b>£000</b>	<b>£000</b>
112,783	Children's & Education Services		593,338	(457,098)	136,240
119,198	Adult Social Care		179,290	(40,127)	139,163
24,461	Highways & Transport Services		43,115	(11,377)	31,738
113,704	Cultural, Environmental & Planning Services		155,092	(32,737)	122,355
101,826	Local Authority Housing (HRA)		341,263	(158,796)	182,467
12,025	Other Housing Services		205,399	(182,736)	22,663
48,803	Central Services		128,291	(72,164)	56,127
11,944	Corporate & Democratic Core		15,881	(2,199)	13,682
12,590	Non-Distributed Costs		1,386	0	1,386
9,223	Unapportionable Central Overheads		8,547	(200)	8,347
451	Court Services		911	(404)	507
(24,550)	Exceptional Item	<b>30</b>	0	0	0
<b>542,458</b>	<b>Net Cost of Services</b>		<b>1,672,513</b>	<b>(957,838)</b>	<b>714,675</b>
				<b>Notes</b>	
5,655	Loss on disposal of fixed assets				43,932
11,898	Amounts payable into the Housing Capital Receipts Pool				3,594
433	Precepts paid to Parish Councils				445
(3,080)	(Surplus) or deficit of trading undertakings or other operations			<b>22</b>	10,197
65,939	Interest payable and similar charges				65,123
(7,048)	Interest and investment income				(7,435)
10,278	Pensions interest cost and expected return in pension assets				29,100
<b>626,533</b>	<b>Net Operating Expenditure</b>				<b>859,631</b>
(181,599)	Council Tax				(186,635)
(1,134)	Demand on the Collection Fund				(513)
(44,341)	General Government Grants			<b>23</b>	(85,612)
(214,451)	Non-domestic rates redistribution				(235,094)
<b>185,008</b>	<b>Deficit for the Year</b>				<b>351,777</b>

<b>Statement of Movement on the General Fund Balance</b>		
<b>2007/08</b>		<b>2008/09</b>
<b>Restated</b>		
<b>£000</b>		<b>£000</b>
<b>Increase or decrease in the General Fund Balance for the year analysed between:</b>		
185,008	Deficit for year on the Income and Expenditure Account	351,777
(188,719)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year <b>(Note 21)</b>	(345,715)
(3,711)		6,062
<b>(32,762)</b>	<b>General Fund Balance brought forward</b>	<b>(36,473)</b>
<b>(36,473)</b>	<b>General Fund Balance carried forward</b>	<b>(30,411)</b>

<b>Statement of Total Recognised Gains and Losses (STRGL)</b>		
<b>2007/08</b>		<b>2008/09</b>
<b>Restated</b>		
<b>£000</b>		<b>£000</b>
185,008	Deficit on the Income and Expenditure Account for the year	351,777
(249,403)	Surplus arising on revaluation of fixed assets	(282,444)
119,390	Actuarial (gain) and losses on pension fund assets and liabilities <b>Note 20</b>	(84,181)
0	Adjustment for Financial Instruments	589
604	Any other (gains) and losses required to be included in the STRGL	(7,346)
<b>55,599</b>	<b>Total recognised gains and losses for the year</b>	<b>(21,605)</b>
31,250	Cumulative effect on reserves for prior period adjustments	0
<b>86,849</b>	<b>Total recognised (gains) and losses</b>	<b>(21,605)</b>

<b>Balance Sheet</b>				
<b>As at 31 March 2008</b>		<b>As at 31 March 2009</b>		
<b>Restated</b>				
<b>£000</b>	<b>Fixed Assets</b>		<b>£000</b>	<b>£000</b>
		<b>Notes</b>		
0	<b>Intangible Fixed Assets</b>	<b>2c</b>		0
	<b>Tangible Fixed Assets</b>			
1,564,966	Council Dwellings		1,348,831	
678,340	Other Land and Buildings		899,553	
350,761	Infrastructure		376,284	
15,592	Vehicles, Plant, Furniture and Equipment		20,462	
22,980	Community Assets		27,000	
<b>2,632,639</b>	<b>Operational Fixed Assets</b>	<b>2a</b>		<b>2,672,130</b>
8,349	Fixed assets under construction		47	
87,042	Surplus assets held for disposal		149,779	
52,154	Investment properties		50,804	
<b>147,545</b>	<b>Non-Operational Assets</b>	<b>2b</b>		<b>200,630</b>
<b>2,780,184</b>	<b>Total Fixed Assets</b>			<b>2,872,760</b>
15	Long-term investments		15	
26,252	Long-term Debtors	<b>6</b>	28,658	
<b>2,806,451</b>	<b>Total Long-term Assets</b>			<b>2,901,433</b>
	<b>Current Assets</b>			
824	Stock and Work in Progress		681	
207,824	Debtors	<b>7</b>	188,974	
(36,689)	Less: Bad Debt Provision		(43,687)	
85,014	Investments	<b>9</b>	92,711	
187	Cash at Bank		7,741	
<b>257,160</b>			<b>246,420</b>	
<b>3,063,611</b>	<b>Total Assets</b>			<b>3,147,853</b>
	<b>Current Liabilities</b>			
(16)	Borrowing repayable within 1 year	<b>9</b>	0	
(173,562)	Creditors	<b>8</b>	(166,701)	
(39,345)	Grants & Contributions Unapplied	<b>13</b>	(53,900)	
<b>(212,923)</b>			<b>(220,601)</b>	
<b>2,850,688</b>	<b>Total Assets Less Current Liabilities</b>			<b>2,927,252</b>
(974,385)	Long-term Borrowing	<b>9</b>	(1,045,733)	
(33,616)	Deferred Liabilities	<b>10</b>	(32,038)	
(23,952)	Provisions and deferred credits	<b>11</b>	(27,013)	
(254,086)	Government Grants Deferred	<b>12</b>	(304,890)	
(6,422)	Goodwill deferred Account	<b>14</b>	(5,384)	
(563,567)	Liability related to defined pension scheme	<b>20</b>	(495,929)	
<b>(1,856,028)</b>			<b>(1,910,987)</b>	
<b>994,660</b>	<b>Total Assets Less Liabilities</b>			<b>1,016,265</b>

<b>Financed By</b>			
240,352	Revaluation Reserve	<b>18</b>	500,153
1,226,080	Capital Adjustment Account	<b>18</b>	904,923
(32,525)	Financial Instruments Adjustment Account	<b>18</b>	(29,977)
26,530	Usable Capital Receipts Reserve	<b>18</b>	18,544
170	Deferred Capital Receipts	<b>15</b>	108
51,125	Specific Reserves & Other Balances	<b>16</b>	66,890
(563,567)	Pensions Reserve	<b>20</b>	(495,929)
36,473	Balance - General Fund	<b>17</b>	30,411
9,835	Balance - Housing Revenue Account		11,399
0	HRA Major Repairs Reserve		8,951
187	Balance – Collection Fund		792
<b>994,660</b>	<b>Total Net Worth</b>		<b>1,016,265</b>

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on 25<sup>th</sup> June 2009.

Laraine Manley  
 Director of Corporate Resources  
 22nd September 2009

These financial statements were re-adopted by the Authority on the 28<sup>th</sup> September 2009.

Cllr Michael Davis  
 Chair of Audit Committee

<b>Cash Flow Statement</b>				
<b>Restated 2007/08 £000</b>		<b>Notes</b>	<b>2008/09</b>	
			<b>£000</b>	<b>£000</b>
<b>88,667</b>	<b>Net cash inflow from operating activities</b>	<b>42</b>		<b>147,549</b>
	<u>Returns from joint ventures &amp; associates</u>			
0	Dividends received			0
	<u>Returns on Investment and Servicing of Finance</u>			
(57,459)	Interest paid		(63,518)	
6,776	Interest received		7,588	
(50,683)	<b>Net cash outflow from returns on investments and servicing of finance</b>			(55,930)
	<u>Capital Activities</u>			
(210,710)	Purchase of fixed assets		(214,580)	
(38,410)	Other capital cash payments		(42,397)	
45,192	Sale of fixed assets		12,352	
10,925	Other capital cash receipts		(3,885)	
78,810	Capital grants received		104,003	
(114,193)				(144,507)
<b>(76,209)</b>	<b>Net cash outflow from capital activities</b>			<b>(52,888)</b>
0	<u>Acquisitions &amp; disposals</u>			0
<b>(76,209)</b>	<b>Net cash outflow before financing</b>			<b>(52,888)</b>
	<u>Management of liquid resources</u>			
(37,714)	Net increase / decrease in short-term deposits			(7,850)
	<u>Financing</u>			
(67,729)	Repayment of amounts borrowed		(36,208)	
179,137	New loans raised		104,500	
<b>111,408</b>	<b>Net cash inflow from financing</b>			<b>68,292</b>
<b>(2,515)</b>	<b>Increase / (Decrease) in cash</b>	<b>42</b>		<b>7,554</b>

## 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 (5<sup>th</sup> Edition). M Mahroof MRICS, Acting 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 statement shows the progress of the council's rolling programme for the revaluation of fixed assets that are carried out at current value. The valuations have been carried out internally and overseen by M Mahroof, Acting Head of Corporate Property. The basis for valuation is set out in the statement of accounting policies.

	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Surplus Assets Held for Disposal £000</b>	<b>Investment Properties £000</b>	<b>Total £000</b>
<b>Value at current value in:</b>					
2004/05	0	15,191	3,437	4,217	22,845
2005/06	0	35,167	14,359	163	49,689
2006/07	0	28,262	15	276	28,553
2007/08	0	132,801	441	5,505	138,747
2008/09	1,381,208	693,118	131,532	40,671	2,246,529
<b>TOTAL</b>	<b>1,381,208</b>	<b>904,539</b>	<b>149,784</b>	<b>50,832</b>	<b>2,486,363</b>

**Note**

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

2a. OPERATIONAL FIXED ASSETS

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

	Council Dwellings £000	Other Land & Buildings £000	Infrastruct- -ure £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Total £000
<b>Cost or Valuation</b>						
At 1 <sup>st</sup> April 2008	1,760,091	713,144	419,516	31,546	22,980	2,947,277
Additions	123,598	35,596	37,605	9,252	3,879	209,930
Disposals	(4,519)	(43,120)	0	0	0	(47,639)
Reclassifications	(250)	(7,084)	0	0	141	(7,193)
Revaluations	(86,671)	250,026	0	0	0	163,355
Impairments	(411,041)	(44,023)	0	0	0	(455,064)
At 31 <sup>st</sup> March 2009	1,381,208	904,539	457,121	40,798	27,000	2,810,666
<b>Depreciation and Impairments</b>						
At 1 <sup>st</sup> April 2008	(195,125)	(34,804)	(68,755)	(15,954)	0	(314,638)
Charge for year	(25,628)	(12,993)	(12,082)	(4,382)	0	(55,085)
Disposals	487	1,043	0	0	0	1,530
Reclassifications	0	3,429	0	0	0	3,429
Revaluations	3,950	33,402	0	0	0	37,352
Impairments	183,939	4,937	0	0	0	188,876
At 31 <sup>st</sup> March 2009	(32,377)	(4,986)	(80,837)	(20,336)	0	(138,536)
Balance Sheet amount as at 31 <sup>st</sup> March 2009	1,348,831	899,553	376,284	20,462	27,000	2,672,130
Balance Sheet amount as at 1 <sup>st</sup> April 2008	1,564,966	678,340	350,761	15,592	22,980	2,632,639
Nature of asset holding						
Owned	1,348,831	899,553	376,284	20,462	27,000	2,672,130
Finance Lease	0	0	0	0	0	0
PFI	0	0	0	0	0	0
	1,348,831	889,553	376,284	20,462	27,000	2,672,130

## 2b. NON - OPERATIONAL FIXED ASSETS

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

	Assets Under Construction £000	Surplus Assets Held For Disposal £000	Investment Properties £000	Total £000
<b>Cost or Valuation</b>				
At 1 <sup>st</sup> April 2008	8,349	87,042	52,154	147,545
Additions	47	408	1,267	1,722
Disposals	0	(8,523)	(1,086)	(9,609)
Reclassifications	(8,349)	29,059	(13,517)	7,193
Revaluations	0	63,118	18,438	81,556
Impairments	0	(21,320)	(6,424)	(27,744)
At 31 <sup>st</sup> March 2009	47	149,784	50,832	200,663
<b>Depreciation and Impairments</b>				
At 1 <sup>st</sup> April 2008	0	0	0	0
Charge for year	0	(11)	0	(11)
Disposals	0	0	0	0
Reclassifications	0	(3,145)	(284)	(3,429)
Revaluations	0	0	182	182
Impairments	0	3,151	74	3,225
At 31 <sup>st</sup> March 2009	0	(5)	(28)	(33)
Balance Sheet amount as at 31 <sup>st</sup> March 2009	47	149,779	50,804	200,630
Balance Sheet amount as at 1 <sup>st</sup> April 2008	8,349	87,042	52,154	147,545
Nature of asset holding:				
Owned	47	149,779	50,804	200,630
Finance Lease	0	0	0	0
PFI	0	0	0	0
	47	149,779	50,804	200,630

## 2c. INTANGIBLE FIXED ASSETS

Additions to intangible fixed assets were £222k in 2008/09, this amount has been fully impaired during the year.

### 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 2009:

	2007/08	2008/09	
<b>Education</b>	3	<b>3</b>	Outdoor Education Centres
	2	<b>2</b>	Training Centres
	156	<b>153</b>	Schools
	15	<b>19</b>	Youth and Community Centres
	19	<b>29</b>	Children's Centres
	2	<b>4</b>	Offices
	10	<b>10</b>	Children's Homes
<b>Waste Management</b>	3	<b>3</b>	Cleansing Depots
	1	<b>1</b>	Incinerator Plant
	5	<b>5</b>	Recycling Sites
<b>Environment &amp; Regulatory Services</b>	3	<b>3</b>	Offices/Laboratories/Advice Centres
	2	<b>2</b>	Crematoria
	16	<b>16</b>	Cemeteries
	3	<b>3</b>	Travellers' Sites
<b>Social Services</b>	5	<b>5</b>	Homes for the Elderly
	6	<b>6</b>	Other Residential Establishments
	14	<b>18</b>	Day Centres
	2	<b>4</b>	Training Centre
	9	<b>10</b>	Office Buildings
	4	<b>4</b>	Other (Resource Centres)
<b>Housing Services</b>	42,447	<b>42,129</b>	Dwellings
	6,299	<b>6,252</b>	Garages/Garage Plots
	52	<b>52</b>	Community Centres and Halls
	37	<b>37</b>	Youth and Community Centres
	21	<b>21</b>	Office Buildings
<b>Leisure Services</b>	2	<b>2</b>	Swimming Pools
	3	<b>3</b>	Sports Centres
	1	<b>1</b>	Outdoor Sports Stadium
	3	<b>3</b>	Golf Courses
	1	<b>1</b>	City Hall
	2	<b>2</b>	Art Galleries
	1	<b>1</b>	Museum/Art Gallery
	3	<b>3</b>	Museum Sites
	1	<b>1</b>	Central Library
	27	<b>27</b>	Community Library Buildings
	4	<b>4</b>	Other Leisure Buildings
<b>Parks, Woodlands &amp; Countryside</b>	1	<b>1</b>	Office
	40	<b>45</b>	Public and community facilities
	7	<b>8</b>	Depots, Stores and machine stores
	3,258	<b>3,280</b>	Allotments
	3,240	<b>3,240</b>	Acres of Land
	3	<b>3</b>	Other parks Buildings
<b>Planning, Transport &amp; Highway Services</b>	3	<b>3</b>	Industrial Properties
	11	<b>12</b>	Off-Street Car Parks
<b>Chief Executive's Directorate</b>	1	<b>1</b>	Town Hall and Area Offices
<b>Streetforce</b>	28	<b>28</b>	Public Toilets
	6	<b>6</b>	Depots & Workshops
<b>Markets</b>	7	<b>7</b>	Markets
	2	<b>2</b>	Car Parks
	1	<b>1</b>	Messroom
	1	<b>1</b>	Office
<b>Heart of the City</b>	1	<b>1</b>	Peace Gardens
<b>Strategic &amp; City Centre Services</b>	1	<b>1</b>	Office

#### 4. CAPITAL EXPENDITURE AND FINANCE

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

<b>2007/08 £000</b>		<b>2008/09 £000</b>
	<b>Capital Investment</b>	
204,911	Operational Assets	209,931
0	Intangible Assets	222
5,799	Non-operational Assets	1,721
38,410	Revenue Expenditure Funded From Capital Under Statute *	42,397
<b>249,120</b>		<b>254,271</b>
	<b>Sources of Finance</b>	
117,895	Borrowings (Prudential Borrowings)	120,178
79,217	Government grants and other contributions	95,168
25,330	Major Repairs Allowance	20,063
25,307	Capital receipts	17,566
1,371	Revenue contributions	1,296
<b>249,120</b>		<b>254,271</b>

<b>£000</b>	<b>Capital Financing Requirement</b>	<b>£000</b>
985,408	Opening balance 1 April	1,059,512
117,895	Plus unfinanced capital expenditure (borrowing)	120,178
(43,791)	Less MRP/VRP/Other adjustments * <sub>1</sub>	(16,447)
<b>1,059,512</b>	Closing balance 31 March	<b>1,163,243</b>

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

\*<sub>1</sub> Includes deferred purchase and finance lease repayments.

## 5. CAPITAL COMMITMENTS

Planned expenditure over the life of the current Capital Programme (2009-2013) is in the region of £435m. As at 31 March 2009, 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:

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
<b>Neighbourhoods:</b>				
Decent Homes/ALMO Investment	4.3	0	0	0
Housing Market Renewal	6.2	0	0	0
Disability Discrimination	2.7	0	0	0
Affordable Warmth	2.1	0	0	0
<b>Children &amp; Young People's:</b>				
School Refurbishment	53.4	13.0	0	0
Asbestos Programme	1.0	0	0	0

## 6. LONG-TERM DEBTORS

The following is an analysis of Long-term Debtors:

2007/08 £000		2008/09 £000
5,022	Goodwill	3,984
21,230	Other Long-term Debtors	24,674
<b>26,252</b>		<b>28,658</b>

Included in long-term debtors is an amount of £3.98m (£5.0m in 2007/08) 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.

## 7. DEBTORS

The following is an analysis of Debtors:

<b>2007/08</b> <b>£000</b>		<b>2008/09</b> <b>£000</b>
37,217	Local Taxpayers & NNDR	30,678
8,719	Housing Tenants	8,624
22,559	Government Departments	19,657
105,649	Sundry debtors	93,969
33,680	Capital project related debtors	36,046
<b>207,824</b>	<b>Total</b>	<b>188,974</b>

The total amount owed to the Council at 31 March 2009 was £188.974m (£207.824m 2007/08) of this amount £19.657m (£22.559m 2007/08) was owed from various government departments. The remaining amount owed is £169.317m (£185.265m at 2007/08), this is partly covered by the bad debt provision, shown on the face of the Balance Sheet, of £43.687m (£36.689m 2007/08), leaving a balance of £125.630m (£148.576m 2007/08).

Include in the 2007/08 Local Taxpayers and NNDR balance was £10.9m relating to the NNDR Pool balance, this is a creditor balance of £5.2m in 2008/09. This fluctuation is in line with expectations and due to the nature of the NNDR Pool balance can fluctuate year on year. This reduction has been partially offset by an increase in NNDR and Council Tax debtor balances.

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

## 8. CREDITORS

The following is an analysis of Creditors:

<b>2007/08</b> <b>£000</b>		<b>2008/09</b> <b>£000</b>
(48,260)	Government Departments	(39,242)
(510)	Interest and Loan Repayments	(36)
(4,653)	Local Taxpayers & NNDR	(9,716)
(2,294)	Housing Tenants	(2,065)
(117,845)	Sundry Creditors	(115,642)
<b>(173,562)</b>	<b>Total</b>	<b>(166,701)</b>

Include in the 2008/09 Local Taxpayers and NNDR balance is £5.2m relating to the NNDR Pool balance, this was a debtor balance of £10.9m in 2007/08. As explained above this fluctuation is in line with expectations. The remaining balance for NNDR and Council tax creditors is in line with 2007/08 balances.

Included within sundry creditors are amounts owed by the Council to suppliers. This also includes creditors relating to capital projects of £14.8m (2007/08: £14.9m).

## 9. FINANCIAL INSTRUMENT BALANCES

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

	Long term		Current	
	31 March 2008 £000	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000
Financial liabilities at amortised cost	974,385	1,045,733	16	0
Financial liabilities at fair value through the I&E	0	0	0	0
	974,385	1,045,733	16	0
Loans and receivables	0	0	85,014	92,711
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	85,014	92,711

### 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	(61,663)	0	0	0	(61,663)
Losses on de-recognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
<b>Interest payable &amp; similar charges</b>	<b>(61,663)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(61,663)</b>
Interest income	0	7,622	0	0	7,622
Gain on de-recognition	0	0	0	0	0
<b>Interest &amp; investment income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,622</b>



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
<b>Surplus arising on revaluation of financial assets</b>	0	0	0	0
<b>Net gain / (loss) for the year</b>	(61,663)	7,622	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 2008		31 March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB debt	706,110	845,342	746,318	903,698
Non-PWLB debt	268,019	276,946	299,415	302,400
Annuities	272	299	0	0
	<b>974,401</b>	<b>1,122,587</b>	<b>1,045,733</b>	<b>1,206,098</b>

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 2008		31 March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	85,014	84,901	92,711	92,695
<b>Total Loans and receivables</b>	<b>85,014</b>	<b>84,901</b>	<b>92,711</b>	<b>92,695</b>

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.

	<b>Amount at 31 March 2009</b>	<b>Historical Experience of Default</b>	<b>Adjustment for conditions at 31 March 2009</b>	<b>Estimated Maximum Exposure to Default</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Deposits with banks and financial institutions				
AAA rates counterparties	0	0.001%	0.001%	0
AA rates counterparties	75,000	0.027%	0.027%	20
A rates counterparties	13,950	0.627%	0.627%	87
Other counterparties	3,700	0.627%	0.627%	23
	<b>92,650</b>			<b>130</b>

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.

As a result of the continuing economic uncertainty facing the banking sector in 2008/09, the Council tightened its lending lists by artificially reducing each institutions' Fitch credit rating by one place and then lending at the lower limit that the 'new SCC rating' placed them in. This ensured that the Councils' risk exposure is spread between the highest rated institutions that have the highest chance of receiving support from a strong economy and their government if they experience difficulties.

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:

<b>2007/08</b> <b>£000</b>		<b>2008/09</b> <b>£000</b>
16	Less than one year	0
19	Between one and two years	0
83,563	Between two and five years	143,776
131,749	Between five and ten years	75,718
759,054	More than ten years	826,239
<b>974,401</b>		<b>1,045,733</b>

The maturity analysis of financial assets is:

<b>2007/08</b> <b>£000</b>		<b>2008/09</b> <b>£000</b>
85,014	Less than one year	92,711
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
<b>85,014</b>		<b>92,711</b>

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:

	<b>£000</b>
Increase in interest payable on variable rate borrowings *	0
Increase in interest receivable on variable rate investments **	1,575
Increase in government grant receivable for financing costs *	0
Impact on Income and Expenditure Account	1,575
Share of overall impact debited to the HRA ***	1,026
Decrease in fair value of fixed rate investment assets	22
Impact on STRGL ****	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the I&E account or STRGL)	137,695
<p>*Note: Most borrowings (PWLB and Market) were at fixed rate in 2008/09. However, £70m of bonds initially at fixed rate changed to interest rates which were subject to change by the ending bank every 6 months. The nature of these loans combined with the current long term interest rate structure meant that changes in interest rates had no actual effect on the interest payable, the amount of government grant received and on the I&amp;E account or HRA.</p> <p>** Based on a 1% increase on the weighted average interest rate and investment balance for 2008/09.</p> <p>*** HRA share is 65.1%</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.

## 10. DEFERRED LIABILITIES

The Authority has a proportionate share in the interests of the former South Yorkshire Council Debt. As at 31 March 2009 the deferred liabilities of Sheffield City Council amounted to £33.610m, comprising £1.572m maturing within one year and £32.038m after that date.

## 11. PROVISIONS & DEFERRED CREDITS

The Council maintains the following provisions:

	<b>Balance At 1 April 2008 £000</b>	<b>Increases In year £000</b>	<b>Decreases in year £000</b>	<b>Balance at 31 March 2009 £000</b>
HRA – week 53 provision	(2,391)	0	367	(2,024)
Other	(9,268)	(3,905)	324	(12,849)
Insurance	(12,293)	0	153	(12,140)
	<b>(23,952)</b>	<b>(3,905)</b>	<b>844</b>	<b>(27,013)</b>

### HRA - Week 53 Rent Deferred Credit

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

### Insurance

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

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

During the financial year 1992/93 Municipal Mutual Insurance Limited (MMI) ceased accepting new business. 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

### Other

This balance represents the Council's other provisions, excluding bad debt provision. £8.6m of the 2008/09 balance is a technical accounting provision for PFI Residual values; the balance at 2007/08 was £5.0m, with an increase in 2008/09 of £3.6m.



## 12. GOVERNMENT GRANTS DEFERRED

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

2007/08 £000s		2008/09	
		£000s	£000s
(218,229)	Balance at 1 April		(254,086)
	Financing of capital expenditure:		
(41,593)	- Grants	(55,528)	
(6,942)	- Other contributions	(9,970)	
(48,535)			(65,498)
	Amortised during the year to Income & Expenditure Account		
12,678	- Tangible fixed assets	14,694	
12,678			14,694
<b>(254,086)</b>	<b>Balance at 31 March</b>		<b>(304,890)</b>

## 13. GRANTS & CONTRIBUTIONS UNAPPLIED

The Grants and Contributions unapplied balance of £53.9m (£39.3m in 2007/08), represents capital grants and contributions received in advance of the completion of the relevant fixed asset. Upon completion of the asset and it coming into use the grant or contribution will be transferred to the Government Grant Deferred Account.

## 14. GOODWILL DEFERRED ACCOUNT

An amount of £5.4m (£6.4m in 2007/08) 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.

## 15. 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.

## 16. SPECIFIC RESERVES & OTHER BALANCES

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

	<b>Balance Brought forward £000s</b>	<b>Movement £000s</b>	<b>Balance Carried Forward £000s</b>
Local Authority Business Growth Initiative (LABGI)	(4,842)	(2,678)	(7,520)
Landfill Allowances Trading Schemes (LATS)	(1,205)	1,205	0
Local Public Service Agreement (LPSA)	(2,524)	1,630	(894)
Future years budget contribution	(3,500)	1,600	(1,900)
Schools Reserves	(19,692)	(4,584)	(24,276)
Service area reserves	(8,386)	(6,591)	(14,977)
Other earmarked reserves	(10,976)	(6,347)	(17,323)
	<b>(51,125)</b>	<b>(15,765)</b>	<b>(66,890)</b>

Within this figure is £24.2m (£19.7m 2007/08), 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.

## 17. GENERAL FUND BALANCE

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

	<b>2008/09 £000</b>	<b>2007/08 £000</b>
General Balances Available	(23,152)	(13,522)
Major Sporting Facilities	(17,778)	(11,829)
Invest to Save	22,716	2,626
PFI future expenditure	(12,197)	(13,748)
<b>Total GF Balances:</b>	<b>(30,411)</b>	<b>(36,473)</b>

## 18. 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.

		<b>Balance Brought Forward</b>	<b>(Gains)/ Losses For The Year</b>	<b>Transfers Between Reserves</b>	<b>Balance Carried Forward</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Revaluation Reserve	(1)	(240,352)	(282,444)	22,643	(500,153)
Capital Adjustment Account	(2)	(1,226,080)	(4,194)	325,351	(904,923)
Financial Instrument Adjustment Account	(3)	32,525	589	(3,137)	29,977
Usable Capital Receipts Reserve	(4)	(26,530)	(2,093)	10,079	(18,544)
Specific Reserves & Other Balances		(51,125)	(516)	(15,249)	(66,890)
Pensions Reserve		563,567	(84,181)	16,543	495,929
Deferred Capital Receipts		(170)	62	0	(108)
HRA Major Repairs Reserve		0	0	(8,951)	(8,951)
Balance - General Fund		(36,473)	351,777	(345,715)	(30,411)
Balance - Housing Revenue Account		(9,835)	0	(1,564)	(11,399)
Balance – Collection Fund		(187)	(605)	0	(792)
<b>Total Reserves</b>		<b>(994,660)</b>	<b>(21,605)</b>	<b>0</b>	<b>(1,016,265)</b>

### (1) Revaluation Reserve

The Revaluation Reserve represents those gains on the revaluation of fixed assets that have not yet been realised through the sale of those assets. It includes gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### (2) Capital Adjustment Account

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

### (3) Financial Instrument Adjustment Account

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

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

(4) Useable Capital Receipts

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

**19. LEASING AND HIRE PURCHASE**

Leasing and Hire Purchase rentals paid during 2008/09 were as follows:-

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

For comparison purposes the figures for 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
	<b>3,062</b>	<b>2,168</b>	<b>5,230</b>

The payments that the authority is committed to during 2009/10 are £3.96m. These are broken down in the following table:

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Total
	£000	£000	£000
Leases expiring in 2009/10	320	295	615
Leases expiring between 2010/11 and 2013/14	1,356	323	1,679
Leases expiring after 2013/14	1,668	0	1,668
<b>Total</b>	<b>3,344</b>	<b>618</b>	<b>3,962</b>

## 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 17), the City Council makes contributions to two pension schemes in respect of its employees.

### Teachers

In 2008/09 the City Council paid £18.6m (£18.1m 2007/08) to Department for Children, Schools and Families (DCSF) in respect of Teachers' pension costs, which represented 14.1% (14% 2007/08) 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 2008/09 these amounted to £4.7m (£4.6m 2007/08), representing 3.58% (3.62% 2007/08) of pensionable pay.

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

### Other employees

#### Change in Accounting Policy

Under the 2008 SORP the Council has adopted the amendment to FRS 17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2009 has been restated from

£889m to £888m, an increase of £1m (31 March 2008: decrease of £2m) Current and prior year surplus have been unaffected by this change.

### Transactions Relating to Retirement Benefits

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

	<b>Local Government Pension Scheme</b>	
	<b>£000</b>	
	<b>2008/09</b>	<b>2007/08 As restated</b>
<b>Income and Expenditure Account</b>		
<b>Net Cost of Services:</b>		
• Current Service Cost	(37,571)	(35,022)
• Past service costs	(62)	(10,580)
• Gains and Losses on Settlements	(1,324)	(2,010)
• Gains and Losses on Curtailments	0	0
<b>Net expenditure:</b>		
• Interest cost	(99,223)	(81,652)
• Expected return on assets in the scheme	70,123	71,374
<b>Net charge to the Income and Expenditure Account</b>	<b>(68,057)</b>	<b>(57,890)</b>

<b>Statement of Movement on the General Fund Balance:</b>		
• Reversal of net charges made for retirement benefits in accordance with FRS 17	68,057	57,890
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
• Employer's contribution payable to scheme	45,149	43,923
• Pension payments for Added Years benefits	6,365	6,229

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £84.1m (£119.4m 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative

amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £48.6m.

### Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>As Restated £000</b>
1 April	(1,631,055)	(1,516,948)
Current service cost	(37,571)	(35,022)
Interest cost	(99,223)	(81,652)
Contributions by scheme participants	(13,934)	(12,548)
Actuarial gains and losses	339,308	(29,606)
Benefits paid	60,409	57,311
Curtailments	(1,324)	(2,010)
Past Service costs	(62)	(10,580)
31 March	<b>(1,383,452)</b>	<b>(1,631,055)</b>

Reconciliation of fair value of the scheme assets:

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>As restated £000</b>
1 April	1,067,488	1,080,509
Expected rate of return	70,123	71,374
Actuarial gains and losses	(255,127)	(89,784)
Employer contributions	51,514	50,152
Contributions by scheme participants	13,934	12,548
Benefits paid	(60,409)	(57,311)
31 March	<b>887,523</b>	<b>1,067,488</b>

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

The annual return on scheme assets in the year was a loss of £185m (2007/08: £12m loss)

## Scheme History

	<b>2004/05</b> *	<b>2005/06</b> *	<b>2006/07</b> <b>As</b> <b>restated</b>	<b>2007/08</b> <b>As</b> <b>restated</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of liabilities:	(1,515,800)	(1,336,951)	(1,516,948)	(1,631,055)	(1,383,452)
Fair value of assets in the Local Government Pension Scheme	1,005,528	809,748	1,080,509	1,067,488	887,523
Surplus / (deficit) in the scheme	(510,272)	(527,203)	(436,439)	(563,567)	(495,929)

\* The Council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the authority has, in the long run, to pay for retirement benefits. The net liability of £496m (£564m 2007/08 restated) has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, reducing the balance from £1.5bn to £1.0bn (£1.6bn to £1.0bn 2007/08). The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £49.9m.

### Basis for Estimating Assets and Liabilities

The pension fund liabilities have been assessed by the actuaries Mercer Human Resourcing Ltd using the projected unit method. This involved making an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The main assumptions used in their calculations are as follows:



	<b>2008/09</b>	<b>2007/08</b>
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.5%
Government bonds	4.0%	4.6%
Other bonds	6.0%	6.1%
Property	6.5%	6.5%
Other assets	8.0%	5.25%
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	20.3	20.3
Women	23.2	23.1
Longevity at 65 for future pensioners		
Men	21.3	21.3
Women	24.1	24.0
Rate of inflation	3.3%	3.6%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	3.3%	3.6%
Rate for discounting scheme liabilities	7.1%	6.1%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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

	<b>2008/09</b>	<b>2007/08</b>
	<b>%</b>	<b>%</b>
Equities	59.8	62.9
Government Bonds	17.1	15.2
Other Bonds	7.5	7.4
Property	10.7	11.5
Other Assets	4.9	3.0
<b>Total</b>	<b>100</b>	<b>100</b>

#### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserves in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>%</b>	<b>%</b>	<b>As restated %</b>	<b>As restated %</b>	<b>%</b>
Differences between the expected and actual return on assets	4.6	17.4	0.8	(8.4)	(28.7)
Experience gains and losses on liabilities	3.4	1.0	0.0	1.8	(24.5)

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

The Income and Expenditure account on page 34 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 35 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 £345.7m in 2008/09 is set out in more detail in the table below.

<b>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</b>		
<b>2007/08</b>		<b>2008/09</b>
<b>£000</b>		<b>£000      £000</b>
<b>Restated</b>		
	<b>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</b>	
(218,231)	Depreciation and impairment of fixed assets	(319,910)
37,645	Government Grants Deferred amortisation matching depreciation and impairments	14,332
(7,524)	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital by Statute	(13,614)
(5,467)	Net loss on sale of fixed assets	(43,932)
(1,275)	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.	3,138
(57,890)	Net charge made for FRS17 costs	(68,057)
<b>(252,742)</b>		<b>(428,043)</b>
	<b>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</b>	
14,600	Statutory provision for repayment of debt	14,105
0	Capital Expenditure charged in year to revenue	1,296
(11,898)	Transfer from Usable Capital Receipts equal to the amount payable in to the Housing Capital Receipts Pool	(3,594)
50,152	Employer's contribution payable to the South Yorkshire Pension Fund and retirement benefits payable direct to pensioners	51,514
<b>52,854</b>		<b>63,321</b>
	<b>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</b>	
683	Statutorily required transfer of the surplus/(deficit) for the year on the Housing Revenue Account calculated in accordance with statute to the HRA Balance	1,563
10,486	Net transfer to or (from) earmarked reserves	17,444
<b>11,169</b>		<b>19,007</b>
<b>(188,719)</b>	<b>Net additional amount required to be debited/(credited) to the General Fund balance for the year</b>	<b>(345,715)</b>

## 22. 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:

	<b>Expenditure £000</b>	<b>Income £000</b>	<b>2008/09 Operating (Surplus)/ Deficit</b>	<b>Accounting Adjust- ments</b>	<b>2008/09 Accounting (Surplus)/ Deficit £000</b>	<b>2007/08 (Surplus) /Deficit £000</b>
Street Force	2,093	(2,993)	(900)	443	(457)	(1,125)
Sheffield Design & Project Mgt.	424	(720)	(296)	(152)	(448)	(373)
Cleaning, Catering & Transport	3,836	(2,765)	1,071	8,748	9,819	297
Markets	4,219	(3,231)	988	2,688	3,676	425
	<b>10,572</b>	<b>(9,709)</b>	<b>863</b>	<b>11,727</b>	<b>12,590</b>	<b>(776)</b>

The surpluses and deficits were transferred to the General Fund as at 31 March 2009.

In 2008/09 technical accounting adjustments (FRS 17 and impairment amendments) were made that resulted in a year end deficit, compared to a surplus in 2007/08. Had it not have been for the year end accounting adjustments the year end position would have been in line with that of the previous financial year.

The Income and Expenditure Account shows total expenditure of £10.2m for trading operations, which includes payments received from Kier LLP of £2.4m, which reflect contractual obligations outside the scope of normal day to day trading. These payments have not been reflected in the note above, but have been included in the Income & Expenditure figure.

## 23. GENERAL GOVERNMENT GRANTS

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

<b>2007/08 £000</b>		<b>2008/09 £000</b>
35,869	Revenue Support Grant (RSG)	32,654
4,740	Neighbourhood Renewal Fund (NRF)	0
1,208	Local Authority Business Growth Incentive (LABGI)	2,643
2,524	Local Public Service Award (LPSA)	4,302
0	Area Based Grant (ABG)	46,013
<b>44,341</b>	<b>Total</b>	<b>85,612</b>

In 2008/09 the Neighbourhood Renewal Fund (NRF) income stream ended and was replaced by Area Based Grant (ABG). A number of former specific grants that were previously paid to the Council individually have now also been amalgamated into the ABG resulting in the significant increase in general grants. This has also increased the Net

Cost of Services in the Income & Expenditure Account in 2008/09 from 2007/08, as the former specific grants would have been shown in gross income under each service area.

#### 24. 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 Adjustment 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, is defined by statute and amounts have been charged to Revenue as follows:

	<b>2008/09 £000</b>	<b>2007/08 £000</b>
General Fund - Depreciation charge	28,420	29,875
General Fund – Impairment charge	58,186	45,436
	86,606	75,311
Reduction in charge made to the Income and Expenditure Account	(73,930)	(62,010)
	12,676	13,301

#### 25. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

The major transactions included are grants and payments to third parties amounting to £12.5m (£7.5m 2007/08).

#### 26. 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 £53,443 in 2008/09 (£47,609 2007/08).

#### 27. 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:

	<b>2008/09 £000</b>	<b>2007/08 £000</b>
Recruitment advertising	1,001	1,675
Advertising, Marketing & Publicity	1,631	2,553
Media Unit	259	273
	2,891	4,501

## 28. 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.

2007/08		2008/09		
Net Expenditure £000	Service	Expenditure £000	(Income) £000	Net Expenditure £000
117,202	Children and Young People's	593,836	(457,197)	136,639
167,729	Development, Environment & Leisure	212,530	(34,756)	177,774
243,969	Neighbourhoods and Community Care	610,581	(253,006)	357,575
38,108	Chief Executive's	255,566	(212,879)	42,687
(24,550)	Exceptional Item	0	0	0
<b>542,458</b>	<b>Net Cost of Services</b>	<b>1,672,513</b>	<b>(957,838)</b>	<b>714,675</b>

## 29. 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 these relationships. Details of services supplied in excess of this level are detailed below:

Public Body	Purpose under the 1970 Act	Income 2008/09 £000
Youth Justice Board	Provision of services	1,060
South Yorkshire Passenger Transport Executive	Provision of services	1,002
Water Authority	Provision of administrative and other services	701

### 30. EXCEPTIONAL ITEMS

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

	<b>2008/09 £000</b>	<b>2007/08 £000</b>
Social Housing Grant	0	(24,550)

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

### 31. 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.

	<b>2008/09</b>			<b>2007/08</b>
	<b>Chargeable £000</b>	<b>Non- Chargeable £000</b>	<b>Total Building Control £000</b>	<b>Total Building Control £000</b>
<b><u>Expenditure</u></b>				
Employee Expenses	1,171	456	1,627	1,594
Premises	23	10	33	23
Transport	27	11	38	36
Supplies and Services	78	39	117	129
Central and Support Services	178	133	311	320
<b>Total Expenditure</b>	<b>1,477</b>	<b>649</b>	<b>2,126</b>	<b>2,102</b>
<b><u>Income</u></b>				
Building Regulation Charges	(1,215)	0	(1,215)	(1,564)
Miscellaneous Income	(19)	(52)	(71)	(95)
<b>Total Income</b>	<b>(1,234)</b>	<b>(52)</b>	<b>(1,286)</b>	<b>(1,659)</b>
<b>(Surplus)/Deficit for Year</b>	<b>243</b>	<b>597</b>	<b>840</b>	<b>443</b>

## 32. 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 2008/09 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 £245m, with £8m accrued at 31<sup>st</sup> March.

Significant net transactions include:

<b>Related Party</b>	<b>£000</b>
Sheffield Homes	39,076
Sheffield Futures	10,447
South Yorkshire Housing Association	6,344
Burngreave New Deal for Communities	5,175
Sanctuary Housing	4,345
Sheffield Theatres Trust	3,465
Sheffield Galleries and Museums Trust	2,140
Sheffield Lyceum Theatre Trust	1,194
Southey & Owlerton Area Regeneration Ltd	1,153

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

### **Chief Officers:**

For the purpose of this disclosure the term 'chief officer' is defined as the Chief Executive, the Deputy Chief Executive, the Executive Directors, 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. None of the Council's chief officers declared a position of general control or management in a third party organisation during the financial year.

### **Transactions with other public bodies:**

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



<b>Related Party</b>	<b>£000</b>
South Yorkshire Pensions Authority	59,276
South Yorkshire Passenger Transport Authority*	35,826
South Yorkshire Police Authority*	21,375
NHS bodies within Sheffield and regional health organisations	11,805
South Yorkshire Fire & Rescue Authority*	9,053

*\*Figures inclusive of precepts and levies*

**Other material transactions:**

During 2008/09 the Council made net payments of £108m to Kier Sheffield LLP. This includes £1m accrued at 31<sup>st</sup> March. The Council also made net payments to Sheffield City Trust and its subsidiaries totalling £32.5m during the year.

**33. OFFICERS' REMUNERATION 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	2008/09	2008/09	2008/09	2007/08	2007/08	2007/08
	Teachers	Other	Total	Teachers	Other	Total
£50,000 - £59,999	145	92	237	129	71	200
£60,000 - £69,999	37	25	62	18	14	32
£70,000 - £79,999	9	14*	23	11	17	28
£80,000 - £89,999	13	10	23	10	9	19
£90,000 - £99,999	3	8	11	1	5	6
£100,000 - £109,999	0	4	4	0	1	1
£110,000 - £119,999	1*	1	2	0	1	1
£120,000 - £129,999	0	2	2	0	0	0
£130,000 - £139,999	0	0	0	0	2	2
£140,000 - £149,999	0	0	0	0	0	0
£150,000 - £159,999	0	0	0	0	0	0
£160,000 - £169,999	0	0	0	0	0	0
£170,000 - £179,999	0	0	0	0	1	1
£180,000 - £189,999	0	1	1	0	0	0
<b>Total</b>	<b>208</b>	<b>157</b>	<b>365</b>	<b>169</b>	<b>121</b>	<b>290</b>

The asterisks in the above table indicate where an officer and teacher respectively have received severance pay that serves to inflate the numbers in that pay band by 1. The total figure for 'other' officers would reduce to 156 individuals if salary was to be shown net of severance pay. There would be no change in the total number of teachers.

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

The allowances paid to Members of the Council in 2008/09 totalled £1.3m (£1.2m 2007/08). Details of this, including the amount paid to each Member, will be published separately as required by Government Regulations.

## 34. INTERESTS IN COMPANIES

Sheffield Homes Ltd is a company limited by guarantee with the City Council as sole Member, guaranteed to £1. Its principal activity is to act as the managing agent of the City Council's housing stock as well as managing the repairs and improvements to tenants' homes. The company's net assets were £3.5m at 31 March 2009 (£3.7m at 31 March 2008). The result for the year excluding FRS 17 adjustments was a deficit of £0.2m before taxation and £0.3m after taxation. Copies of the accounts can be obtained from: Sheffield Homes Ltd, PO Box 1918, Sheffield, S1 2XX.

Creative Sheffield Ltd is a company limited by guarantee whose objectives are to secure, co-ordinate and oversee the economic regeneration of the City. The company is operated in partnership with English Partnerships and Yorkshire Forward. At 31 March 2009 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.

Digital Region Ltd is a private limited company. The company is a joint venture with Yorkshire Forward, Barnsley MBC, Rotherham MDC and Doncaster MBC whose objective is to procure a next generation broadband network infrastructure for the South Yorkshire region from a service provider. At 31 March 2009 the company was yet to begin trading and incurred neither profit nor loss. The company's net assets were £1,270 representing share capital of which £312 relates to Sheffield City Council's holding. Copies of the company's accounts can be obtained from Companies House, or from the Company Secretary, Town Hall, Pinstone Street, Sheffield S1 2HH.

## 35. LONG-TERM CONTRACTS

At 31 March 2009 the Council had five 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 2007/08) 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 £7.7m (£7.9m in 2007/08). 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 (£3.6m in 2007/08). The Schools Phase Three PFI contract became operational during the financial year 2006/07 and total payments during the year were £6.3m (£6.7m in 2007/08). The Building Schools for the Future (BSF) Wave One contract became operational in January 2009 and total payments during the year were £2.0m.

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 2007/08). 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 (£22m in 2007/08). 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.

### 36. 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 2007/08 comparatives:

Service Area	Contribution to the Pool		Contribution from the Pool	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
Intermediate Care	106	104	846	827
Teenage Pregnancy	0	161	0	0
Learning Disabilities Accommodation	2,005	1,936	2,201	2,356
Equipment and adaptations	967	839	945	758

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	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
Sheffield PCT	1,550	1,515	574	561
Sheffield City Council	106	104	846	827
Sheffield Teaching Hospitals	0	0	214	210
Sheffield Care Trust	0	0	22	21
<b>Total</b>	<b>1,656</b>	<b>1,619</b>	<b>1,656</b>	<b>1,619</b>

### Teenage Pregnancy

The pool was hosted by Sheffield PCT and the money was used to reduce the number of teenage pregnancies in Sheffield. At the end of 2007/08 the pool ceased to exist.

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
Sheffield PCT	0	0	0	161
Sheffield City Council	0	161	0	0
<b>Total</b>	<b>0</b>	<b>161</b>	<b>0</b>	<b>161</b>

### 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	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
Sheffield PCT	12,071	12,654	12,152	10,474
Sheffield City Council	2,005	1,936	2,201	2,356
Carried Forward	0	0	1,082	1,760
<b>Total</b>	<b>14,076</b>	<b>14,590</b>	<b>15,435</b>	<b>14,590</b>

### 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	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
Sheffield PCT	1,471	1,201	1,153	1,214
Sheffield City Council	967	839	945	758
Other Local Authorities	5	0	7	0
Carried Forward	0	0	306	68
<b>Total</b>	<b>2,443</b>	<b>2,040</b>	<b>2,411</b>	<b>2,040</b>

### 37. AUDIT COSTS

In 2008/09, Sheffield City Council incurred the following fees relating to external audit and inspection:

	2008/09 £000	2007/08 £000
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor.	422	398
Fees payable to the External Auditors in respect of statutory inspection.	22	126
Fees payable to the External Auditors for the certification of grant claims and returns.	160	180
<b>Total</b>	<b>604</b>	<b>704</b>

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 2007/08 (£126k) and 2008/09 (£22k).

### 38. 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 2008/09 are as follows:

<b>Schools Budget Funded by Dedicated Schools Grant</b>			
	<b>Central Expenditure £000</b>	<b>Individual Schools Budget £000</b>	<b>Total £000</b>
Final DSG for 2008/09	40,997	233,122	274,119
Brought forward from 2007/08	5,890	0	5,890
Carry forward to 2009/10 agreed in advance	0	0	0
Agreed budget distribution in 2008/09	46,887	233,122	280,009
Actual central expenditure	(39,525)	0	(39,525)
Actual ISB deployed to schools	0	(233,122)	(233,122)
Local authority contribution for 2008/09	0	0	0
Carry forward to 2009/10	<b>7,362</b>	<b>0</b>	<b>7,362</b>

### 39. 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:

<b>Role</b>	<b>Income £000</b>	<b>Expenditure £000</b>
Agent for funding distribution on behalf of the European Union	803	803
	<b>803</b>	<b>803</b>

#### 40. 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:

	<b>Exposure 2008/09 £000</b>	<b>Exposure 2007/08 £000</b>
Sheffield City Trust City Hall	3,414	3,800
Sheffield Lyceum Theatre Trust Ltd	11,502	13,500
Sheffield City Trust Ice Centre	1,578	1,853
Clearfuture Ltd	1,963	1,963
Sheffield Science Park Co Ltd	217	250
	<b>18,674</b>	<b>21,366</b>

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

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 £5.8m for 2008/09 (£11.1m 2007/08).

## 41. 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 £1.7m being:

Trust	2008/09 Income	2008/09 Expenditure	Trust Value as at 31 <sup>st</sup> March 2009	Trust Value as at 31 <sup>st</sup> March 2008
	£000	£000	£000	£000
Beet Street Nursery Charitable Account	10	0	295	285
Norfolk Park Trust	9	(10)	259	260
Chelsea Park	8	0	228	220
Earl Marshal Street Recreation Ground Trust	6	(2)	174	170
Wincobank Wood Recreation Ground Trust	6	0	178	172
Sutherland Road Recreation Trust	4	0	124	120
Comfort Funds	5	(2)	54	51
William Scholarship Fund	4	0	107	103
Hillsborough Park Trust Fund	2	(19)	29	46
Land at Fulwood/Whirlow	16	(21)	64	69
Sir George Franklin Trust Fund (Scholarships)	2	(1)	63	61
Other	16	(11)	128	141
	<b>88</b>	<b>(66)</b>	<b>1,703</b>	<b>1,698</b>

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.



42. NOTES TO CASH FLOW STATEMENT

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

<b>Restated 2007/08 £000</b>		<b>2008/09 £000</b>	<b>2008/09 £000</b>
<b>(186,047)</b>	<b>Surplus / (deficit) for the year</b>		<b>(351,053)</b>
	<u>Non cash transactions</u>		
221,005	Depreciation and impairment	346,024	
(10,122)	Deferred grants amortised in year	(8,882)	
(30,886)	Deferred capital grants written off in year	(35,458)	
7,738	Pension fund adjustments	16,543	
1,275	Other non-cash financial instrument adjustments	9,238	
2,340	Contributions to provisions	3,061	
191,350		<hr/>	330,526
	<u>Adjustment for items reported separately on Cashflow</u>		
(7,048)	Interest and investment income	(7,435)	
65,939	Interest payable and similar charges	65,123	
38,410	Revenue expenditure funded from capital under statute	42,397	
5,655	Gain or loss on the disposal of Fixed Assets	43,932	
(5)	Gain or loss on the disposal of Long Term Investments	0	
102,951		<hr/>	144,017
	<u>Items on an accrual basis</u>		
(159)	(Increase) / decrease in stock	142	
(14,328)	(Increase) / decrease in debtors	28,214	
(5,100)	Increase / (decrease) in creditors	(4,297)	
(19,587)		<hr/>	24,059
<b>88,667</b>	<b>Net cash inflow / (outflow) from operating activities</b>		<hr/> <b>147,549</b>

## ANALYSIS OF NET DEBT

	Balance at 1 April 2008 £000	Balance at 31 March 2009 £000	Movement In year £000
Cash at Bank/(Overdrawn)	187	7,741	7,554
Short Term Investments	85,014	92,711	7,697
<b>Movement in cash and cash Equivalents</b>	<b>85,201</b>	<b>100,452</b>	<b>15,251</b>
Debt due within one year	(16)	0	(16)
Debt due after one year	(974,385)	(1,045,734)	(71,349)
Deferred liabilities	(35,045)	(33,609)	1,436
<b>Increase/(Decrease) in debt</b>	<b>(1,009,446)</b>	<b>(1,079,343)</b>	<b>(69,929)</b>
<b>Total Movement</b>	<b>(924,245)</b>	<b>(978,891)</b>	<b>(54,678)</b>

## RECONCILIATION OF CHANGES IN CASH TO MOVEMENT IN NET DEBT:

Restated 2007/08 £		2008/09 £
(2,515)	<b>Increase / (Decrease) in cash in year</b>	7,554
37,714	<b>Cash Inflow / (outflow) from management of liquid resources</b>	7,636
	<b>Cash inflow from:</b>	
(179,138)	New loans raised	(104,500)
2,294	Discounts received on debt restructuring	0
(176,844)		(104,500)
	<b>Cash outflow from:</b>	
67,735	Loans repaid	34,772
(2,293)	Premiums paid on debt restructuring	0
12,198	Payment of interest accrued at last balance sheet date	13,513
(6)	Deferred liabilities repaid	1,436
77,634		49,721
<b>(64,011)</b>	<b>Change in net debt resulting from cash flows</b>	<b>(39,589)</b>
(7,164)	Effective interest rates and actual interest payable	(1,334)
(13,513)	Interest accrued at year end on Short Term Investments	61
	Interest accrued at year-end for loans carried forward at nominal value	(13,784)
(20,677)		(15,057)
(839,557)	Net debt brought forward	(924,245)
<b>(924,245)</b>	<b>Net debt carried forward</b>	<b>(978,891)</b>

## ANALYSIS OF CHANGES IN CASH AND LIQUID RESOURCES DURING THE YEAR

	<b>Balance at 1 April 2008 £000</b>	<b>Balance at 31 March 2009 £000</b>	<b>Movement In year £000</b>
Temporary investments	85,014	92,711	7,697
Cash	187	7,741	7,554
<b>Increase / (decrease) in year</b>	<b>85,201</b>	<b>100,452</b>	<b>15,251</b>

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

OTHER GOVERNMENT GRANTS

		<b>2008/09 £000</b>	<b>2007/08 £000</b>
<b>Children and Young People</b>	Standards Funds	68,334	61,228
	School Standards grant	14,887	14,473
	European grants	7,566	6,652
	Learning and Skills Council	15,306	16,435
	Dedicated Schools Grant	274,119	264,759
	Surestart	7,082	6,198
	Local Area Agreement	0	31,948
	Teaching Development Agency	1,010	0
	Other Grants	24,410	11,100
<b>Housing</b>	Asylum Seekers	2,521	2,499
	HRA Subsidy	35,983	29,211
	Rent Rebates	73,024	71,421
	Supporting People	25,227	25,227
	Housing Market Renewal	25,161	25,660
	Other Grants	20,972	30,916
<b>Chief Executive's</b>	PES	0	105
	Magistrate's Court Revenue	108	100
	Other Grants	4,034	3,688
<b>Development, Environment &amp; Leisure (DEL)</b>	Sheaf Square/Station Gateway	19	165
	SY-ITS	0	549
	SRB	31	463
	Other	28,366	21,560
<b>Neighbourhoods and Community Care</b>	Access Systems Capacity	0	6,867
	Preserved Rights	0	2,529
	Delayed Discharges	0	1,226
	Mental Health Grants	0	1,625
	Sheffield Carers' Grant	0	1,534
	Other Social Services Grants	1,200	3,256
		<b>629,360</b>	<b>641,394</b>

43. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts were authorised for issue on 22nd September 2009 by Laraine Manley, Director of Corporate Resources. Events after the Balance Sheet date have been considered up to the date of issue.

## Housing Revenue Account Income and Expenditure Account

<b>2007/08</b>	<b>Income</b>	<b>2008/09</b>
<b>£000</b>		<b>£000</b>
(109,247)	Dwelling rents (gross)	(114,024)
(1,544)	Non-dwelling rents (gross) – garages, garage sites and shops	(1,393)
(7,513)	Charges for services and facilities	(6,516)
(1,866)	Contributions towards expenditure	(1,446)
(27,703)	Housing Revenue Account subsidy receivable	(34,589)
(814)	Contributions from General Fund: Shared Amenities	(828)
0	Sums directed by the Secretary of State that are income in accordance with UK GAAP	0
<b>(148,687)</b>	<b>Total Income</b>	<b>(158,796)</b>
	<b>Expenditure</b>	
30,585	Repairs & maintenance	29,355
29,887	Supervision and management	30,606
1,149	Rents, rates, taxes & other charges	1,355
18,857	Special services – including management	19,798
1,056	Increase in provision for doubtful debts	927
168,636	Depreciation and impairment of fixed assets	258,858
343	Debt management costs	364
0	Sums directed by the Secretary of State that are expenditure in accordance with UK GAAP	0
<b>250,513</b>	<b>Total Expenditure</b>	<b>341,263</b>
<b>101,826</b>	Net Cost of HRA Services as included in the whole authority Income and Expenditure Account	<b>182,467</b>
<b>573</b>	HRA service share of Corporate and Democratic Core	<b>579</b>
<b>102,399</b>	<b>Net Cost of HRA Services</b>	<b>183,046</b>
	<b>HRA share of operating income and expenditure included in the whole authority Income and Expenditure Account</b>	
(1,812)	(Gain) or loss on sale of HRA fixed assets	834
37,203	Interest payable and similar charges	42,103
3,580	Amortisation of premiums and discounts	0
(560)	Interest and investment income	(530)
0	Pensions interest cost and expected return on pensions assets	0
<b>140,810</b>	<b>(Surplus) / deficit for the year on HRA services</b>	<b>225,453</b>

<b>Statement of Movement on the Housing Revenue Account Balance</b>			
<b>2007/08</b>		<b>2008/09</b>	
		<b>£000</b>	<b>£000</b>
<b>140,810</b>	<b>(Surplus)/deficit for the year on the HRA Income and Expenditure Account</b>	<b>225,453</b>	
(141,493)	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(227,016)	
<b>(683)</b>	Increase in the Housing Revenue Account		<b>(1,563)</b>
<b>(9,152)</b>	<b>Housing Revenue Account Balance brought forward</b>		<b>(9,835)</b>
<b>(9,835)</b>	<b>Housing Revenue Account Balance carried forward</b>		<b>(11,398)</b>

<b>Note to Statement of Movement on the Housing Revenue Account Balance</b>			
<b>2007/08</b>		<b>2008/09</b>	
		<b>£000</b>	<b>£000</b>
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year.</b>		
(142,919)	Impairments		(232,743)
0	Amortisation of premiums and discounts		3,361
1,812	Gain or (Loss) on sale of fixed assets		(834)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA balance for the year</b>		
0	Capital Expenditure financed from HRA		300
(386)	Transfers (from)/to the Major Repairs reserve		2,900
<b>(141,493)</b>			<b>(227,016)</b>

## HOUSING REVENUE ACCOUNT NOTES

### 1. HOUSING STOCK

The Council was responsible for managing, on average, 42,228 dwellings during 2008/09. The movement in stock can be summarised as follows:

	<b>2008/09</b>	<b>2007/08</b>
Housing Stock as at 1 April	42,447	44,827
Less: Sales	(107)	(376)
Less: Transfer to Housing Associations	0	(1,702)
Less: Demolitions & other deductions	(235)	(315)
Add: New build & acquisitions	24	13
<b>Housing stock as at 31 March</b>	<b>42,129</b>	<b>42,447</b>

The housing stock can be analysed by type as follows:

	<b>Flats &amp; Maisonettes</b>	<b>Houses &amp; Bungalows</b>	<b>Total</b>
1 Bedroom	12,068	1,710	13,778
2 Bedrooms	5,833	9,259	15,092
3 Bedrooms	981	11,294	12,275
4 Bedrooms	16	349	365
5 Bedrooms	3	12	15
6 Bedrooms or more	0	3	3
Bedsits	600	0	600
Multi Occupied	0	1	1
<b>Total</b>	<b>19,501</b>	<b>22,628</b>	<b>42,129</b>

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

	<b>Value at 31 March 2009 £000</b>	<b>Value at 1 April 2008 £000</b>
<b>Operational Assets:</b>		
Council Dwellings	1,348,831	1,564,716
Other Land & Buildings	16,301	14,043
<b>Non Operational Assets</b>	<b>76,270</b>	<b>58,191</b>
<b>Total</b>	<b>1,441,402</b>	<b>1,636,950</b>

## 2. VACANT POSSESSION

The vacant possession value of Council dwellings as at 1 April 2008 was £3.3bn.

The difference between the vacant possession value of dwellings and the Balance Sheet value as at 1 April 2008 and 31 March 2009 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:

<b>2007/08</b>		<b>2008/09</b>
<b>£000</b>		<b>£000</b>
0	Balance at 1 April	0
	Transfers from the Capital Adjustment Account	
25,330	(re. Depreciation)	26,114
	Transfers from HRA (re. Excess of MRA over	
0	depreciation)	2,900
(25,330)	Expenditure on capital assets	(20,063)
<b>0</b>	<b>Balance at 31 March</b>	<b>8,951</b>

## 4. CAPITAL EXPENDITURE

During the financial year total capital expenditure was £124m, (£126.7m 2007/08) split between houses £123m (£125.7m in 2007/08) and other property within the Housing Revenue Account of £1m (£1m 2007/08).

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

<b>2007/08</b>		<b>2008/09</b>
<b>£000</b>		<b>£000</b>
25,330	Major Repairs Reserve	20,063
98,038	Borrowing	102,993
1,163	Grants & other	134
1,560	Usable Capital Receipts	117
677	Capital Contributions	429
0	Revenue Contributions	300
<b>126,768</b>	<b>Total</b>	<b>124,036</b>

Capital receipts amounting to £9.1m (£25.8m 2007/08) were generated in the financial year from the disposal of land, houses and other property.



## 5. DEPRECIATION

A depreciation charge of £26.1m (£25.7m 2007/08) was made to the HRA during the financial year. Of this £25.6m relates to Dwellings and £0.5m other HRA operational assets.

The depreciation charge is made up as follows:

	<b>Depreciation 31 March 2009 £000</b>	<b>Depreciation 1 April 2008 £000</b>
<b>Operational Assets:</b>		
Council Dwellings	25,628	25,330
Other Land & Buildings	486	386
<b>Non-Operational Assets</b>	0	0
<b>Total</b>	<b>26,114</b>	<b>25,716</b>

## 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:

<b>2007/08 £000</b>	<b>Analysis of HRA Subsidy</b>	<b>2008/09 £000</b>
43,959	Charges for Capital	50,156
43,663	Allowance for Maintenance	50,579
25,330	Allowance for Major Repairs	29,014
22,424	Allowance for Management	25,206
1,203	Rent Constraints Allowance	0
411	Housing Subsidy in respect of previous years	185
47	Other Expenditure	46
(109,327)	Guideline Rent Income	(120,592)
(12)	Interest on Receipts	(5)
<b>27,698</b>	<b>TOTAL</b>	<b>34,589</b>

## 7. RENT ARREARS

Rent arrears as at 31 March 2009 amounted to £8.6m (£8.7m as at 31 March 2008). The provision for doubtful debts in respect of these rent arrears is £7.0m (£7.0m as at 31 March 2008).

## 8. DWELLING RENTS

This represents rent income due from tenants. The average rent per week at 31 March 2009 was £55.24 compared with £52.23 per week at 31 March 2008, an increase of £3.01 or 5.45%.

## 9. REBATES

Rent rebates are available through the Housing Benefits scheme. As at 31 March 2009, 65% (63% as at 31 March 2008) 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:

	<b>Dwellings</b>	<b>Non-Dwellings</b>	<b>Total</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Gross rent income before allowances	116,358	1,862	118,220	113,579
Less vacant properties	(2,334)	(469)	(2,803)	(2,788)
<b>Gross rent income after allowances</b>	<b>114,024</b>	<b>1,393</b>	<b>115,417</b>	<b>110,791</b>

## 11. IMPAIRMENT

During the year an impairment charge of £232.7m was made (£142.9m in 2007/08), relating to dwellings that were demolished, dwellings transferred to a housing association and a downward revaluation of a number of existing dwellings.

<b>Collection Fund</b>			
<b>2007/08</b>			<b>2008/09</b>
<b>£000</b>			<b>£000      £000</b>
		<u>Notes</u>	
	<b>Income</b>		
(168,315)	Income from Council Tax	1	(178,654)
	Transfer from General Fund:		
(39,416)	Council Tax Benefits		(40,693)
2,631	Transitional Relief		511
(36,785)			(40,182)
(164,457)	Income collectable from business ratepayers	2	(183,647)
	Contributions:		
(1)	Adjustment of previous years' Community Charge	3	
<b>(369,558)</b>	<b>Total Income</b>		<b>(402,483)</b>
	<b>Expenditure</b>		
	Precepts and Demands:		
181,599	Sheffield City Council	4	186,635
	South Yorkshire Joint Authorities:		
17,795	SY Police		18,689
8,055	SY Fire & Civil Defence		8,456
207,449			213,780
	Business Rate:	2	
159,924	Payment to National Pool		180,807
767	Costs of Collection		763
160,691			181,570
3,028	Write-Offs – Council Tax		1,258
1,135	Write-Offs - NNDR		1,565
(3,000)	Provision for Non-Payment of Council Tax		3,000
	Contributions		
1,293	Estimated 2007/08 Collection Fund Surplus		583
1	Adjustment of previous years' Community Charge		3
<b>370,597</b>	<b>Total Expenditure</b>		<b>401,759</b>
<b>1,039</b>	<b>(Surplus)/Deficit for the Year</b>		<b>(724)</b>
<b>(1,253)</b>	<b>Balance Brought Forward</b>		<b>(214)</b>
<b>(214)</b>	<b>Balance Carried Forward</b>	5	<b>(938)</b>

## 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 232,520 (231,388 2007/08) 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 150,037.53 for 2008/09 (149,639 2007/08). 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 £1,421.88 for 2008/09 (£1,383.44 2007/08) 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		410.00	410.00	375.00	5:9	208.33
Band A						
A	139,258	(10,189.00)	129,069.00	113,503.45	6:9	75,668.97
B	35,395	(2,450.00)	32,945.00	30,506.45	7:9	23,727.24
C	28,189	(1,789.00)	26,400.00	24,674.00	8:9	21,932.44
D	14,630	(542.00)	14,088.00	13,323.10	9:9	13,323.10
E	8,373	(238.00)	8,135.00	7,765.30	11:9	9,490.92
F	3,955	(57.00)	3,898.00	3,719.25	13:9	5,372.25
G	2,560	(79.00)	2,481.00	2,380.90	15:9	3,968.17
H	160	(59.00)	101.00	92.15	18:9	184.30
	232,520	(14,993.00)	217,527	196,339.60		153,875.72
Less: Allowance for non-collection						(3,846.89)
Add: Defence-exempt properties						8.70
<b>Tax Base for the calculation of 2008/09 Council Tax</b>						<b>150,037.53</b>

The income of £218.1m for 2008/09 (£204.7m 2007/08), which is net of write-offs is receivable from the following sources:-

Billed to Council Tax Payers (net of write-offs)	177.396m
Council Tax Benefits	40.693m
	<b>218.089m</b>

## 2. NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Government specified an amount of 46.2p in 2008/09 (44.4p 2007/08) 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 £183.1m for 2008/09 (£161.8m 2007/08) (after allowing for reliefs and provisions) was based on a total rateable value for the Council's area of £466,951,865 for the year (£459,769,019 2007/08).

## 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 £186.6m (£181.6m 2007/08) is transferred to the Income and Expenditure Account together with the proportion of the previous year's estimated Collection Fund balance of £513k (£1.1m 2007/08) attributable to Sheffield City Council.

## 5. BREAKDOWN OF COLLECTION FUND SURPLUS

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

<b>Authority</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>
Sheffield City Council	187	819
Police Authority	18	82
Fire Authority	8	37
<b>Total</b>	<b>213</b>	<b>938</b>

## Glossary

### Abbreviations

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

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

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

### Accounting Policies

These principles, bases, conventions, rules and practices, specify how the effect of transactions and other events are to be reflected in the financial statements.

### Accruals Concept

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

### Added Years

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

### Amortisation

An accounting technique of recognising a cost or item of income in the Income & Expenditure account over a period of years rather than when the initial payment is made. Its purpose is to charge/credit the cost/income over the accounting periods that gain benefit for the respective item.

### Capital Charge

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

### Capital Expenditure

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

### Capital Receipts

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

### Collection Fund

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

### Community Assets

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

### Consistency Concept

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

### Contingency

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

### Council Tax

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

### Credit Risk

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

### Creditors

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

### Debtors

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

### Defined Benefit Scheme

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

### Defined Contribution Scheme

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

### Depreciation

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

### Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

### Exceptional Item

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

### Fair Value

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

### Finance Lease

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

### Financial Instrument

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

### Financial Reporting Standards (FRS)

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

### Fixed Assets

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

### General Fund

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

### Goodwill

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

### Hire Purchase

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

### Impairment

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

### Intangible Fixed Assets

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

### Materiality

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

### Non-Operational Assets

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



### Net Book Value

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

### Net Current Replacement Cost

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

### Net Realisable Value

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

### National Non-Domestic Rates (NNDR)

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

### Non-Operational Assets

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

### Operational Assets

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

### Operating Lease

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

### Precepts

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

### Private Finance Initiative

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

### Provisions

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

### Prudence Concept

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

### Public Works Loan Board

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

### Reserves

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

### Related Party

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

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

### Revenue Expenditure

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

### Revenue Support Grant (RSG)

This is a Government grant paid to the Council to finance the Council's general expenditure. It is based on the Government's assessment of how much an Authority needs to spend in order to provide a standard level of service.

### Specific Government Grants

These are designed to aid particular services and may be revenue or capital in nature. They typically have specified conditions attached to them such that they may only be used to fund expenditure which is incurred in pursuit of defined objectives.

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

### **Opinion on the financial statements**

I have audited the Authority accounting statements and related notes of Sheffield City Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Sheffield City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies 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 Code of Practice on Local Authority Accounting in the United Kingdom 2008 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 accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 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 accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

### ***Basis of audit opinion***

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

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

## **Opinion**

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 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 May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Sheffield City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

## **Certificate**

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

Auditor        John Prentice

Address        Audit Commission  
                  Littlemoor House  
                  Littlemoor  
                  Eckington  
                  Sheffield  
                  S21 4EF

Date            29th September 2009