SHEFFIELD CITY COUNCIL

STATEMENT OF ACCOUNTS 2017/18

Audited

For the period
1 April 2017 to 31 March 2018

Contents

Narrative Report by the Executive Director of Resources

1) INTRODUCTION

Purpose of the Narrative Report

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

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. They have been prepared in accordance with the 2017/18 Code of Practice on Local Authority Accounting (the Code) together with guidance notes as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

The Headlines

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

- As a result of emerging pressures within Children's and Adult Social Care, the Council overspent its General Fund budget by £2.0m in 2017/18. The total overspends attributed to the social care services in-year were significant, at £17.9m. Further details on the outturn position and future financial outlook for the council can be found in sections 4 and 6 of this Narrative Report.

- The Council's net worth has increased by £193.5m (or 22%) since 2016/17. However, this is due mainly to technical accounting adjustments, the main factors being:

    - A net increase in the Council's fixed assets due to revaluations (£91.4m);
    - A decrease in the Council's pensions' liability (from £897.6m to £776.6m) due to the annual review by the actuary, offset by;
    - An increase in the Council's current liabilities as at 31st March 2018.

- Total usable revenue reserves increased by £38.1m from £166m to £204.1m and total usable capital reserves increased by £16.2m from £142.9m to £159.1m (see section 4 of this Narrative Report). Usable reserves comprise both those which are earmarked for specific purposes and those which are unearmarked. Only £10.6m of the Council's reserves are unearmarked, which is below the minimum recommended prudent level;

- £246.5m of capital investment went through the Capital Programme during the year, up from £211.9m in 2016/17.

2) THE CITY COUNCIL'S CORPORATE AIMS AND OBJECTIVES

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

The plan sets our direction and priorities for the three years to 2017/18.

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

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

A summary of the Corporate Plan can be downloaded from the Council's website:

https://www.sheffield.gov.uk/content/sheffield/home/your-city-council/corporate-plan.html

3) KEY SECTIONS INCLUDED IN THE STATEMENT OF ACCOUNTS

Statement of Responsibilities (page 13)

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

Expenditure and Funding Analysis Statement (page 16)

The statement shows how annual expenditure is used and funded from resources (Government grants, rents, Council Tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

Comprehensive Income and Expenditure Statement (page 18)

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

Movement in Reserves Statement (page 20)

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

Balance Sheet (page 23)

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

Cash Flow Statement (page 24)

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

Notes to the Core Financial Statements (page 25)

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

Housing Revenue Account (HRA) (page 133)

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

Collection Fund Statement (page 139)

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

4) FINANCIAL PERFORMANCE FOR THE YEAR

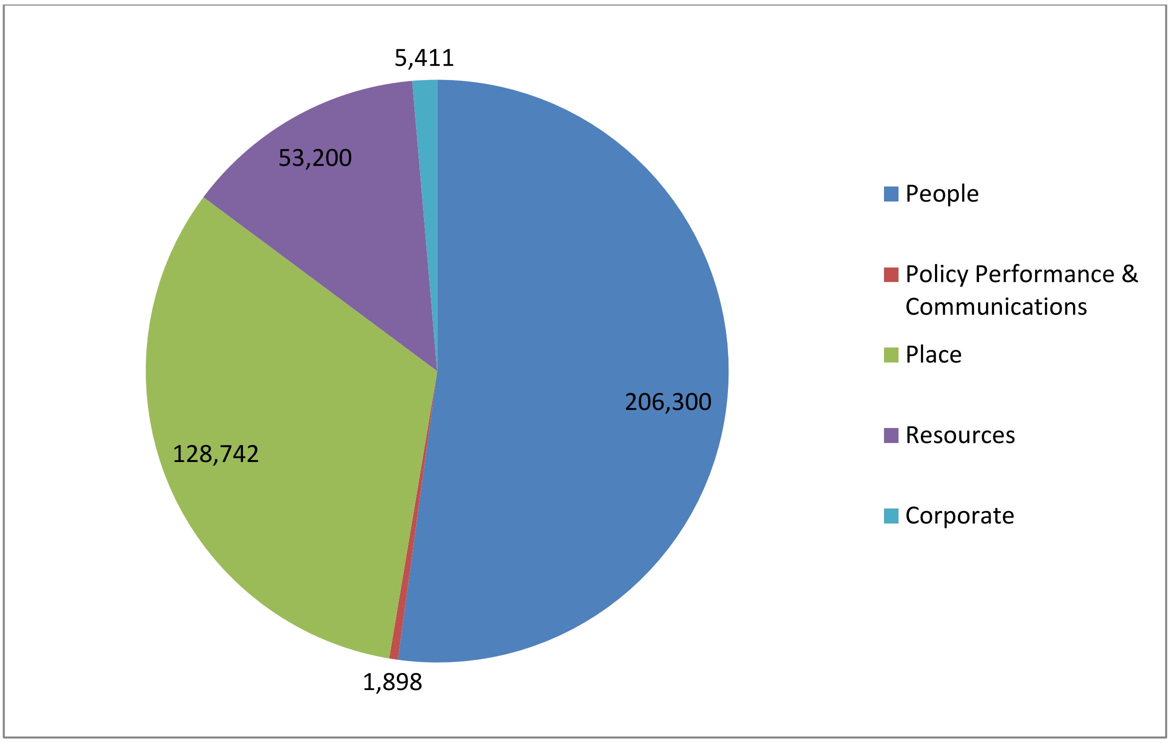
Revenue Expenditure

Revenue expenditure covers the day-to-day running costs of the Council's services which are grouped under three portfolios plus corporate. The net revenue budget for 2017/18, which included a General Fund savings programme of £25.7m, was split by portfolio as shown in the chart overleaf. The net expenditure was budgeted to be funded by £67.8m of Revenue Support Grant, £182.1m of Council Tax, £96.7m of the Council's share of National Non Domestic Rates (NNDR), £39.6m of Business Rates Top Up Grant, £8.9m of Social Care Precept and £398k of Collection Fund Surplus.

2017/18 was yet another challenging year in which all portfolios worked hard to deliver the savings programme referred to above, compounded by seven years of austerity. The table after the chart shows the final outturn position for the year, expressed as variances between actual and budgeted net expenditure. For further details, please refer to the Council website where a copy of the final outturn report (approved by Cabinet on 20 June 2018) can be found at:

http://democracy.sheffield.gov.uk/ieListDocuments.aspx?CId=123&MId=6979

Sheffield City Council 2017/18 Net Revenue Budget by Portfolio (£000)



Portfolio	Variance £'000
People	17,944
Policy Performance and Communications	(219)
Place	(2,212)
Resources	(198)
Corporate	(13,343)
Total overspend for the year	**1,972**

As indicated in the table above, the key area of concern is the People portfolio which overspent by £17.9m largely as a result of emerging pressures within Children's and Adult Social Care.

Revenue expenditure is reported in the Council's Accounts under the Comprehensive Income and Expenditure Statement (CIES). The CIES takes a wider view of financial performance than that shown in the General Fund and shows the accounting position for the year, namely a surplus of £193.5m. This surplus represents the total amount by which the Council's net worth has increased during the year as shown in the Balance Sheet. The following paragraphs explain the four main sections of the CIES, and are supplemented by a table which reconciles the total overspend on the General Fund of £2m to the surplus in the CIES (£193.5m).

The first section of the CIES shows the cost of the Council's services in gross and net terms, to give a total 'Net Cost of Services'. This total includes items such as depreciation that would ordinarily be a considerable cost in a commercial organisation but which is not required to be funded by Council Tax. Net Cost of Services totals

£386.1m in 2017/18 (£83.7m in 2016/17). The reversal of previous impairments on council dwellings (circa £300m) in 2016/17 is the primary reason for such a significant variance, which was due to a technical accounting adjustment that was required in 2016/17, as a result of a change in a regional adjustment factor.

The second section of the CIES refers to corporate items such as the gain or loss on the disposal of non-current assets, payments made in relation to the pooling of HRA capital receipts and precepts paid to Parish Councils. This is known as 'Operating Expenditure' and totals £52.9m in 2017/18 (£59.1m in 2016/17).

The third section of the CIES includes £102.4m (£101.2m in 2016/17) of interest paid or received ('Financing') and £547.1m (£549.1m in 2016/17) of general income due to the Council (local share of NNDR, Council Tax and non-ring fenced Government grants, including those used to fund capital expenditure).

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

	£000
Total General Fund Overspend per Outturn report	1,972
Net contributions to revenue reserves	(37,072)
Surplus on the Housing Revenue Account	0
Deficit on Schools Accounts	4,636
Total Contribution to Reserves	**(30,464)**
Removal of debt charges	(50,943)
Removal of pension contributions	(36,636)
Items that do not affect Council Tax:	
Inclusion of accounting charges for depreciation, impairment, holiday pay, PFI, etc.	(75,482)
Gains & losses on non-current assets, pension assets and other items	62
Surplus on Total Comprehensive Income and Expenditure in Accounts	**(193,463)**

Further details can also be found the disclosure note to the Expenditure and Funding Analysis (Note 9, see page 55).

Capital Expenditure

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

The 2017/18 Capital Outturn is £246.5m against a revised budget of £269.8m, a variance of £23.3m (9%). The main reason for this is 'slippage' (the extent to which, in terms of expenditure, capital projects are behind their original schedule) which will be carried forward into 2018/19 (along with the resources identified to fund them).

The 2017/18 Capital Outturn represents an increase of £34.6m (16%) on 2016/17 (£211.9m).

For further details, please refer to Appendix 8 of the final outturn report on the Council website:

http://democracy.sheffield.gov.uk/ieListDocuments.aspx?CId=123&MId=6979

The capital expenditure of £246.5m in 2017/18 was funded via four main sources:

- Capital grants and contributions
- Prudential borrowing
- Major Repairs Reserve
- Capital receipts

A further £19.6m of capital was invested in the Streets Ahead programme during the year, which takes total capital expenditure for 2017/18 to £266.1m (see Note 44).

As at 31 March 2018, the loans portfolio, excluding £409.6m of PFI liabilities, totalled £800m. This compares to an overall Capital Financing Requirement, excluding PFI liabilities, of £1,093m of which £346m relates to the Housing Revenue Account.

During the year, we took £75m of borrowing for capital purposes – primarily to fund our ongoing commitment to the Streets Ahead programme and to the Heart of the City 2 project (previously known as Sheffield Retail Quarter). All of the borrowing therefore relates to General Fund activity.

Usable Reserves

Reserves are reported in two categories, usable and unusable. This section is concerned with usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The following table shows a breakdown of usable reserves. Of the different components shown in the table, the General Fund is the only component which is not earmarked for a specific purpose. At £10.6m or 2.6% of the 2018/19 net revenue budget, the General Fund is low in comparison to most other major cities. If this were ever used, it would have to be replaced as soon as possible as the Council would always need a minimum level of emergency reserves.

As stated in the outturn report, this reserve has fallen below the minimum prudent level recommended by the Executive Director of Resources, mainly as a result of the £2.0m overspend in 2017/18. The Executive Director, as Statutory Finance Officer (s151 Officer), recommends that the reserve is returned to the minimum recommended level of £12.1m, approximately 3% of net revenue expenditure, during 2018/19.

31 March 2017 £000		31 March 2018 £000
	Capital Reserves:	
(53,111)	Capital Receipts Reserve	(58,306)
(69,311)	Major Repairs Reserve	(70,661)
(20,461)	Capital Grants Unapplied Reserve	(30,147)
(142,883)		(159,114)
	Revenue Reserves:	
(9,689)	General Fund	(10,631)
	Earmarked General Fund Reserves**:**	
(16,150)	Schools Reserves	(17,477)
(1,033)	Revenue Grants and Contributions	(1,714)
(125,833)	Other Earmarked Revenue Reserves	(160,897)
(9,199)	Housing Revenue Account Balance	(9,267)
(4,107)	Earmarked Housing Revenue Account Reserve	(4,107)
(166,011)		(204,093)
(308,894)	**Total**	**(363,207)**

During the financial year 2017/18, total usable reserves increased by £54.3m from £308.9m to £363.2m. This is predominately the result of a repayment to earmarked revenue reserves for funds borrowed on a temporary basis to support the early payment of the pension deficit, thus enabling the delivery of £5m of savings over the period 2017/18 to 2019/20. Capital Reserves have also increased as a result of additional funding received.

A breakdown of the in-year movement on each of the usable reserves can be found in the Movement in Reserves Statement. An explanation of each reserve is provided in Note 30.

5) SIGNIFICANT CHANGES IN ACCOUNTING POLICY

The Council's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the CIPFA Code of Practice on Local Authority Accounting 2017/18. The accounting policies presented in Note 1 are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

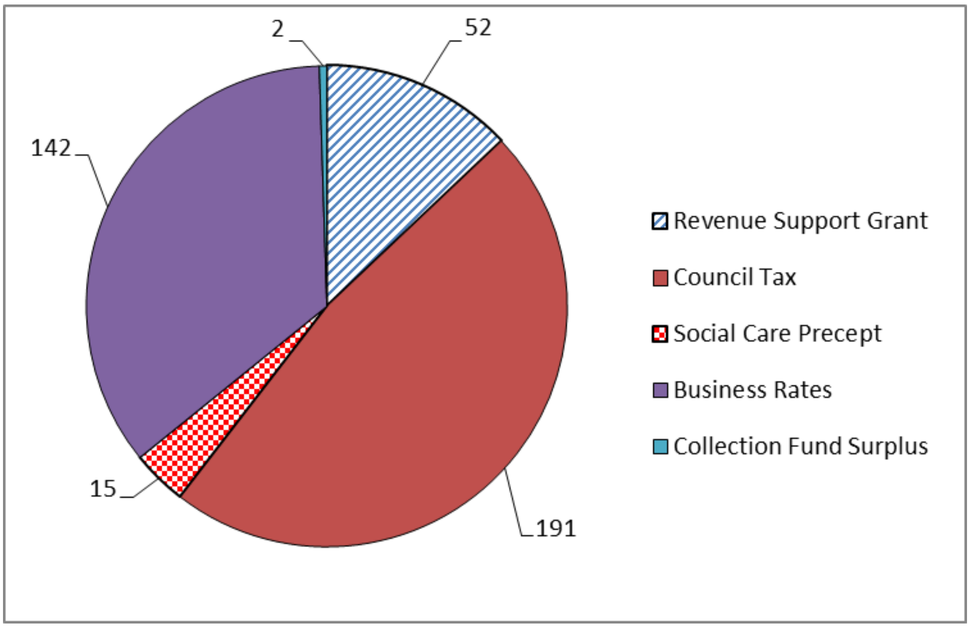
There have been no significant changes in accounting policy during 2017/18.

6) FINANCIAL OUTLOOK

This section provides a summary of what the future holds for the Council's finances. Further details can be found in the 2018/19 Revenue Budget (approved by Full Council on 7 March 2018) and the Medium Term Financial Strategy.

Local Government Finance Settlement

After releasing details of the Provisional Local Government Finance Settlement on 19 December 2017, the final Local Government Finance Settlement figures for 2018/19 were confirmed on 7 February 2018.



How the 2018/19 net revenue budget is financed (expressed in £m)

As shown in the chart above, the net revenue budget for 2018/19 totals £401.9m and comprises four main sources of income, plus a small one-off amount of £1.9m “Collection Fund Surplus”.

When compared to the 2017/18 net revenue budget, the proportion of each of these income sources has changed significantly, thus pointing to a trend of things to come. For example, Revenue Support Grant (RSG) accounted for 17% of the net revenue budget in 2017/18. As a result of RSG being reduced by £15.4m in the 2018/19 Settlement, it now only accounts for 13% of the net revenue budget in 2018/19. Council Tax (including the Social Care Precept) is now the primary source of income (at 52% of the total net revenue budget). Business Rates are the second largest source of income, and account for 35% of net revenue budget.

The final Local Government Finance Settlement for 2018/19 also included indicative figures for 2019/20. Although indicative, we have agreed a minimum funding guarantee with Department for Communities and Local Government (DCLG) which means that we know that RSG will reduce by a further £15.5m.

Despite further cuts in the main central government grant, RSG, the 2018/19 budget has seen the first slight increase in net budget since austerity began. It should be noted that this has only been possible as a result of increases in local taxation. However this slight increase will provide insufficient funding to cope with the nationally acknowledged demand and cost pressures in Children’s and Adult Social Care, nor will it offset the impact of recent central government cuts to local authorities. It is the demand for these services which, if left unchecked or underfunded, will create long term sustainability issues for the Council.

Another announcement within the Local Government Finance Settlement that will have a significant impact on the way the Council is funded, albeit not on the overall quantum, is the confirmation of a move to 75% business rates retention in 2020/21. This means that the Council will retain 75% of all business rates collected compared to the current 50%. This increased retention of income by the Council is expected to be funded by cuts to and/or exchanges for specific grants the Council currently receives, such as New Homes Bonus and Public Health Grant.

There was also information about certain specific grants such as Public Health (reduced by 2.5%) and Adults Social Care Grant (reduced by £1m to £1.7m, but is still only a one off grant).

As a result of this new information and to enable the Council to begin the business planning process for 2019/20, officers have started work on preparing a revised Medium Term Financial Analysis (MTFA) for 2019 to 2023.

Conclusion

Sheffield City Council has successfully delivered significant General Fund budget savings in the past seven years to mitigate over £200m of grant reductions as well as demand and inflation cost pressures over the same period. Despite this, the Council has managed to produce a balanced budget for 2018/19, which includes additional portfolio General Fund savings of £31.0m. These savings include proposals set out in the Social Care Recovery Plans aimed at controlling or mitigating the aforementioned demand and inflation cost pressures.

7) FURTHER INFORMATION

Further information about the Council's Statement of Accounts is available upon request from the following e-mail address: financialplanning&accounts@sheffield.gov.uk
The Statement of Accounts can be downloaded from the Council's website:
http://www.sheffield.gov.uk/home/your-city-council/statement-accounts

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

Please note that local electors and taxpayers have a statutory right to inspect the Council's Statement of Accounts and all related books, deeds, contracts, bills, vouchers and receipts before the external audit has been completed, and to question the auditor. The availability of the accounts for inspection was advertised on the Council's website on 17 May 2018 and in public notice areas.

Statement of Accounts

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director of Resources.

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

- Approve the Statement of Accounts.

The Responsibilities of the Executive Director of Resources

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

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

- selected suitable accounting policies and then applied them consistently,

- made judgements and estimates that were reasonable and prudent,

- complied with the Local Authority Code.

The Executive Director of Resources has also:

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

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

- assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern,

- used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future, and

- maintained such internal control as determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I hereby certify that the Statement of Accounts on pages 15 - 147 gives a true and fair view of the financial position of Sheffield City Council as at 31 March 2018 and of its income and expenditure for the year ended 31 March 2018.

Eugene Walker
Executive Director of Resources (Section 151 Officer)
26 July 2018

The Core Financial Statements

Expenditure and Funding Analysis (EFA) Statement

The Expenditure and Funding Analysis (EFA) Statement shows how annual expenditure is used and funded from resources (Government grants, rents, Council Tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2017/18

	Notes	Outturn Position Reported to Internal Management £000	Adjustments for Items Not Reported to Internal Management £000	Net Expenditure Chargeable to the General Fund and HRA Balances Under Statutory Funding Provisions £000	Adjustments between the Funding and Accounting Basis £000	Other Adjustments £000	Net Expenditure in the CI&ES £000
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Note		9	9	9	9	9	9
People		238,896	(568)	**238,328**	14,040	0	**252,368**
Schools		0	586	**586**	4,050	0	**4,636**
Place (excluding HRA)		183,731	(313)	**183,418**	(1,800)	(13,728)	**167,890**
Policy, Performance & Communications		3,207	0	**3,207**	1,090	0	**4,297**
Resources		20,779	(29)	**20,750**	(15,573)	(676)	**4,501**
Corporate		(444,641)	(39,662)	**(484,303)**	67,510	416,684	**(109)**
Total General Fund (GF)		1,972	(39,986)	**(38,014)**	69,317	402,280	**433,583**
Housing Revenue Account (HRA)		0	(30,043)	**(30,043)**	(6,973)	(10,485)	**(47,501)**
Net Cost of Services	9	**1,972**	**(70,029)**	**(68,057)**	**62,344**	**391,795**	**386,082**
Other Income & Expenditure GF		0	0	**0**	**0**	(402,280)	**(402,280)**
Other Income & Expenditure HRA		0	0	**0**	**0**	10,485	**10,485**
Other Income & Expenditure		**0**	**0**	**0**	**0**	**(391,795)**	**(391,795)**
Difference between General Fund (Surplus) / Deficit and CI&ES (Surplus) / Deficit	9	**1,972**	**(70,029)**	**(68,057)**	**62,344**	**0**	**(5,713)**
Opening General Fund and HRA Balance at 1 April		(166,010)					
(Surplus) / Deficit on General Fund and HRA Balance at 31 March		(68,057)					
Other Movements		29,974					
Closing General Fund and HRA Balance at 31 March*		**(204,093)**					

* For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

2016/17 – Comparative Information Restated

	Notes	Outturn Position Reported to Internal Management £000	Adjustments for Items Not Reported to Internal Management £000	Net Expenditure Chargeable to the General Fund and HRA Balances Under Statutory Funding Provisions £000	Adjustments between the Funding and Accounting Basis £000	Other Adjustments £000	Net Expenditure in the CI&ES £000
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Note		9	9	9	9	9	9
People		234,822	(581)	**234,241**	29,202	0	**263,443**
Schools		0	1,616	**1,616**	0	0	**1,616**
Place (excluding HRA)		185,600	(560)	**185,040**	(20,332)	(564)	**164,144**
Policy, Performance & Communications		3,455	0	**3,455**	0	0	**3,455**
Resources		24,200	(126)	**24,074**	(24,608)	(1,003)	**(1,537)**
Corporate		(445,751)	26,619	**(419,132)**	21,354	397,330	**(448)**
Total General Fund (GF)		2,326	26,968	**29,294**	5,616	395,763	**430,673**
Housing Revenue Account (HRA)		0	(15,697)	**(15,697)**	(324,254)	(6,974)	**(346,925)**
Net Cost of Services	9	**2,326**	**11,271**	**13,597**	**(318,638)**	**388,789**	**83,748**
Other Income & Expenditure GF		0	0	**0**	**0**	(395,763)	**(395,763)**
Other Income & Expenditure HRA		0	0	**0**	**0**	6,974	**6,974**
Other Income & Expenditure		**0**	**0**	**0**	**0**	**(388,789)**	**(388,789)**
Difference between General Fund (Surplus) / Deficit and CI&ES (Surplus) / Deficit	9	**2,326**	**11,271**	**13,597**	**(318,638)**	**0**	**(305,041)**
Opening General Fund and HRA Balance at 1 April		(193,889)					
(Surplus) / Deficit on General Fund and HRA Balance at 31 March		13,598					
Other Movements		14,281					
Closing General Fund and HRA Balance at 31 March*		**(166,010)**					

* For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

Comprehensive Income and Expenditure Statement (CI&ES)

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

	2016/17 Restated					**2017/18**	
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Notes**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
			Continuing Operations:				
480,768	(217,325)	263,443	People		483,806	(231,438)	252,368
207,373	(205,757)	1,616	Schools		189,506	(184,870)	4,636
230,528	(66,384)	164,144	Place (excluding HRA)		238,962	(71,072)	167,890
8,539	(5,084)	3,455	Policy, Performance & Communications		7,208	(2,911)	4,297
200,966	(202,503)	(1,537)	Resources		199,384	(194,883)	4,501
975	(1,423)	(448)	Corporate		(93)	(16)	(109)
1,129,149	**(698,476)**	**430,673**			**1,118,773**	**(685,190)**	**433,583**
(189,095)	(157,830)	(346,925)	Housing Revenue Account (HRA)		107,553	(155,054)	(47,501)
940,054	**(856,306)**	**83,748**	**(Surplus) / Deficit on Continuing Operations**		**1,226,326**	**(840,244)**	**386,082**
		59,130	Other Operating Expenditure	14			52,890
		101,201	Financing and Investment Income and Expenditure	15			102,417
		(549,120)	Taxation and Non-Specific Grant Income	16			(547,102)
		(305,041)	**(Surplus) / Deficit on Provision of Services**				**(5,713)**
		(20,115)	(Surplus) / deficit on revaluation of non-current assets				(22,146)
		147,281	Re-measurements of the pension net defined benefit liability				(165,667)
		(1,261)	Other (gains) / losses				63
		125,905	**Other Comprehensive (Income) and Expenditure**				**(187,750)**
		(179,136)	**Total Comprehensive (Income) and Expenditure**				**(193,463)**

Movement in Reserves Statement (MIRS)

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

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

2017/18

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Earmarked Housing Revenue Account Reserve £000	HRA Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Note	30	30	30	30	30	30	30	30	31	
Balance at 31 March 2017		**(9,689)**	**(143,016)**	**(9,199)**	**(4,107)**	**(69,311)**	**(53,111)**	**(20,461)**	**(308,894)**	**(587,232)**	**(896,126)**
Movement in reserves during 2017/18:											
Total Comprehensive (Income) and Expenditure		31,303	0	(37,016)	0	0	62	0	(5,651)	(187,812)	(193,463)
Adjustments between accounting basis and funding basis under regulations	12	(69,317)	0	6,973	0	28,625	(5,257)	(9,686)	(48,662)	48,662	0
Net (increase) / decrease before transfers to earmarked reserves		**(38,014)**	**0**	**(30,043)**	**0**	**28,625**	**(5,195)**	**(9,686)**	**(54,313)**	**(139,150)**	**(193,463)**
Transfers (to) / from earmarked reserves	13	37,072	(37,072)	29,975	0	(29,975)	0	0	0	0	(0)
(Increase) / decrease in year		**(942)**	**(37,072)**	**(68)**	**0**	**(1,350)**	**(5,195)**	**(9,686)**	**(54,313)**	**(139,150)**	**(193,463)**
Balance at 31 March 2018		**(10,631)**	**(180,088)**	**(9,267)**	**(4,107)**	**(70,661)**	**(58,306)**	**(30,147)**	**(363,207)**	**(726,382)**	**(1,089,589)**

2016/17 Comparative Information

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Earmarked Housing Revenue Account Reserve £000	HRA Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Note	30	30	30	30	30	30	30	30	31	
Balance at 31 March 2016		**(12,599)**	**(169,401)**	**(8,176)**	**(3,713)**	**(71,827)**	**(44,980)**	**(23,444)**	**(334,140)**	**(382,850)**	**(716,990)**
Movement in reserves during 2016/17:											
Total Comprehensive (Income) and Expenditure		34,911	0	(341,274)	0	0	61	0	(306,302)	127,166	(179,136)
Adjustments between accounting basis and funding basis under regulations	12	(5,616)	0	324,254	0	18,119	(8,192)	2,983	331,548	(331,548)	0
Net (increase) / decrease before transfers to earmarked reserves		**29,295**	**0**	**(17,020)**	**0**	**18,119**	**(8,131)**	**2,983**	**25,246**	**(204,382)**	**(179,136)**
Transfers (to) / from earmarked reserves	13	(26,385)	26,385	15,997	(394)	(15,603)	0	0	0	0	0
(Increase) / decrease in year		**2,910**	**26,385**	**(1,023)**	**(394)**	**2,516**	**(8,131)**	**2,983**	**25,246**	**(204,382)**	**(179,136)**
Balance at 31 March 2017		**(9,689)**	**(143,016)**	**(9,199)**	**(4,107)**	**(69,311)**	**(53,111)**	**(20,461)**	**(308,894)**	**(587,232)**	**(896,126)**

Balance Sheet

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

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

As at 31 March 2017 £000		Notes	As at 31 March 2018 £000
0	Intangible Assets	20	905
2,838,929	Property, Plant and Equipment	17	2,924,085
54,364	Heritage Assets	18	60,368
21,955	Investment Properties	19	26,800
165,700	Long term Debtors	23	154,522
3,080,948	**Long Term Assets**		**3,166,680**
8,000	Short Term Investments	21	35,000
184	Inventories		1,435
110,858	Short Term Debtors	24	132,799
85,114	Cash and Cash Equivalents	21 / 25	56,776
26,771	Assets Held for Sale	26	21,247
230,927	**Current Assets**		**247,257**
(29,431)	Short Term Borrowing	21	(29,665)
(145,190)	Short Term Creditors	27	(157,777)
(16,138)	Short Term Provisions	28	(15,325)
(10,746)	PFI / PPP Finance Lease Liability	21 / 46	(8,792)
(34,573)	Capital Grants Receipts in Advance	42	(29,975)
(236,078)	**Current Liabilities**		**(241,534)**
(732,346)	Long Term Borrowing	21	(785,282)
(13,512)	Long Term Provisions	28	(19,204)
(415,410)	PFI / PPP Finance Lease Liability	21 / 46	(400,847)
(897,558)	Net Pension Liability	49	(776,574)
(103,306)	Other Long Term Liabilities	29	(86,670)
(17,539)	Capital Grants Receipts in Advance	42	(14,237)
(2,179,671)	**Long Term Liabilities**		**(2,082,814)**
896,126	**Net Assets**		**1,089,589**
(308,894)	Usable Reserves	30	(363,207)
(587,232)	Unusable Reserves	31	(726,382)
(896,126)	**Total Reserves**		**(1,089,589)**

The Statement of Accounts was approved and authorised for issue by the Executive Director of Resources and the Audit and Standards Committee, in accordance with the Accounts and Audit (England) Regulations 2015 on 26 July 2018.

Eugene Walker
Executive Director of Resources
(Section 151 Officer)
26 July 2018

Councillor Josie Paszek
Chair of the Audit and
Standards Committee
26 July 2018

Cash Flow Statement

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

2016/17 £000		Notes	2017/18 £000
305,041	Net surplus or (deficit) on the provision of services		5,713
(152,713)	- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	32	180,909
(46,002)	- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	32	(36,830)
106,326	**Net cash flow from operating activities**		**149,792**
(87,366)	Investing activities	33	(183,694)
(17,760)	Financing activities	34	5,564
1,200	**Net increase / (decrease) in cash and cash equivalents**		**(28,338)**
83,914	Cash and cash equivalents at 1 April	25	85,114
85,114	**Cash and cash equivalents at 31 March**	25	**56,776**

Notes to the Core Financial Statements

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

01. Accounting Policies

I. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ('the Code') and the CIPFA Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

II. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet.

- Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Payments for utilities, such as gas and electricity, are charged at the date of the meter reading rather than being apportioned between years; therefore this policy is applied consistently each year.

- Car parking penalty charge notices – a prudent approach is taken and the income is recognised at the point of actual receipt rather than when the invoice is raised.

- Materiality levels were set to determine the accruals to be taken at the end of the financial year for certain low value revenue transactions. In these instances, the change from year to year is recurring in nature and the sums involved have been deemed not to be material compared with total income and expenditure.

III. Acquisitions and Discontinued Operations

Acquired Operations

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

Discontinued Operations

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

IV. Cash and Cash Equivalents

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

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

V. Exceptional Items / Material Items of Income or Expense

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

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

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

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

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

VII. Charges to Revenue for Non-Current Assets

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

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

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

VIII. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education (DfE).

- The NHS Pension Scheme, administered by NHS Pensions on behalf of the Department of Health (DoH).

- The Local Government Pension Scheme, administered by South Yorkshire Pensions Authority on behalf of Sheffield City Council and the other local authorities in South Yorkshire.

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

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

The Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices, using a discount rate. Details of the rates used and assumptions made are included in Note 49 to the core financial statements.

- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:

    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

- The change in the net pensions liability is analysed into the following components:

    - Service cost comprising:

        - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked,

        - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement,

        - net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

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

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

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

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

IX. Events After the Reporting Date

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

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

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

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

X. Fair Value Measurement

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

- in the principal market for the asset or liability, or

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

- Level 3 – unobservable inputs for the asset.

XI. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and

Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

- available for sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

Loans and Receivables

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

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

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

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

Available for Sale Assets

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

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

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

- Equity shares with no quoted market prices – independent appraisal of company valuations.

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

- Level 3 inputs – unobservable inputs for the asset.

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

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

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

Instruments Entered Into Before 1 April 2006

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

XII. Foreign Currency Translation

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

XIII. Government Grants and Other Contributions

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

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

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

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

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

Business Improvement Districts

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

Community Infrastructure Levy

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

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

XIV. Heritage Assets

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

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

Museums and Galleries

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

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

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

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

- Museums Sheffield works to a Collections Development Plan that is revised every five years as part of the Arts Council England Accreditation Scheme and is approved by Museums Sheffield Board of Trustees and the Council.

- Sheffield Industrial Museums Trust works to the Collections Agreement between the Trust and the Council, which provides the basis for the collections activity of the Trust. This document includes the Acquisitions and Disposal policy.

Standards of care are governed by the requirements of the Arts Council England Accreditation Scheme, with which both Trusts have achieved accreditation.

Civic Collections

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

Archives and Libraries

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

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

Public Realm

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

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

General

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

XV. Intangible Assets

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

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the authority's goods or services.

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

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

XVI. Inventories and Long Term Contracts

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

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

XVII. Investment Property

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

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

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

XVIII. Joint Operations

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

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

XIX. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment, applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset on the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Lease

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

XX. Overheads and Support Services

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

XXI. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).

- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

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

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

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

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

Depreciation

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

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

- Buildings are based upon individual asset lives, assessed as part of the rolling programme of revaluations.

- Infrastructure assets between 20 and 40 years.

- Vehicles, plant, furniture and equipment between 5 and 10 years, with the exception of the incinerator plant under the Veolia Public Private Partnership (PPP) contract, which has a useful economic life of 22 years and the District Heating Network of 25 years.

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

Recognition is applied as follows:

- Assets with a value in excess of £2m are considered for componentisation.

- Components of an asset are recognised and depreciated separately to the main asset, where the value of the component is at least 20%, and the difference in useful life is 20% or higher.

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

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

Disposals and Non-Current Assets Held for Sale

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

Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

XXII. Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

- **finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease).

- **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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

XXIII. Provisions and Contingent Liabilities

Provisions

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

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

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

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

Accounting for the Costs of the Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the second year of its second phase, which ends on 31 March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense is recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Contingent Liabilities

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

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

XXIV. Redemption of Debt

The Council is required to set aside from revenue each year a minimum amount for the redemption of debt. This sum is referred to as the Minimum Revenue Provision (MRP).

For capital expenditure incurred before 1st April 2008, or which in the future will be Supported Capital Expenditure (expenditure which receives income support from government), MRP will be charged on a flat line basis over fifty years. This will ensure that all debt associated with Supported Capital Expenditure is fully provided for up to the Adjustment A level that is required of us by government within fifty years.

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

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

XXV. Reserves

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

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

XXVI. Revenue Expenditure Funded from Capital under Statute

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

XXVII. Schools

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

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

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

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

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

The Council is a Business Rates billing authority, collecting Business Rates on behalf of the South Yorkshire Fire and Rescue Authority and Central Government as well as itself. The collection of Business Rates on behalf of other authorities is treated as being on an agency basis, and thus only the elements of Business Rates collection that relate to the Council's own income (49%) are included in its main financial statements.

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

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

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

XXIX. Value Added Tax (VAT)

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

02. Accounting Standards Issued, Not Adopted

The Code has introduced changes in accounting policy as a result of amendments to accounting standards. These standards have been issued, but have not yet been adopted by the Council. If these had been adopted for the financial year 2017/18 there would be no material change, as detailed below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments has been implemented in the 2018/19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident. Certain aspects of the introduction of IFRS 9 have been adapted for local authorities, effectively removing the IFRS 9 implications. These cover such areas as soft loans, Lender Option Borrowing Option (LOBO) loans, immaterial transactions, exchanges of debt instruments and hedge accounting.

The impact of these changes on the Authority's financial position is therefore likely to be limited. The main financial assets held by the Authority will be treasury management investments which will move from the Loans and Receivables category to Amortised Cost and will be accounted for on a similar basis. In addition, the high credit quality adopted by the Authority for its investment counterparties is likely to see an immaterial expected credit loss position.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and their associated interpretations.

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Current data suggests that early adoption of this standard is not expected to have a material impact on the figures currently reported in the financial statements.

Amendments to IAS 12 Income Taxes

The amendments to IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses) clarify how to account for deferred tax assets related to debt instruments measured at fair value.

We currently don't measure any of our debt instruments at fair value therefore don't incur unrealised losses to have any deferred tax liability.

Amendments to IAS 7 Statement of Cash Flows

In January 2016 the IASB issued an amendment to IAS 7 Statement of Cash Flows (Disclosure Initiative) to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. This is to provide the wider users of the local authority financial statements access to more information on local authority debt and any changes in debt during the reporting period.

We are aware of this amendment to the standard; this is merely a presentational change which will be adopted in the 2018/19 statement of Cash Flows.

03. Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- The CIPFA Code requires the Council to produce group accounts to reflect significant activities provided to Council taxpayers by other organisations in which the Council has an interest. The group is identified as comprising the City Council and South Yorkshire Property Investment Limited (Local Housing Company). However, when consolidating the value of these entities the result is not material and therefore the production of all the required statements would not assist the reader.

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

- The Council has a number of historic European Union (EU) grants that potentially could be subject to further EU audits in the future. It remains a possibility that the available evidence for these grants may not meet the requirements of the grant conditions and so a provision has been made based on managerial judgements. There are as yet no further details on timescales for any future EU audits.

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

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

The items in the Authority's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Property, Plant and Equipment, Depreciation (Note 17)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the current level of repairs and maintenance is not sustained it would bring into	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £767k for

	doubt the useful lives assigned to the assets.	every year that useful lives had to be reduced.
Property, Plant and Equipment, HRA valuation (Note 17)	The value of the Council's housing dwellings stock is calculated using beacon properties. These valuations are then adjusted for the vacant possession value for the properties and to reflect their occupation by a secure tenant. This adjustment is considered to reflect the additional risk and liability the public sector landlords undertake when compared with private sector investors.	The fair value of the Council's housing dwellings stock as at the 31st March 2018 has been determined using DCLG's Social Housing adjustment factor for Yorkshire and Humber of 41%. A 1% decrease in this adjustment factor would have resulted in a revaluation loss of £31m in 2017/18.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs or commissions relevant experts to identify the most appropriate valuation techniques to determine fair value (e.g. for Surplus Assets, the Council's chief valuation officer or for loans and investments, the Council's Treasury advisors). Information about valuation	Non-Financial Assets: The Council uses the market approach and income approach models to measure the fair value of its Surplus Assets and Investment Properties. The significant observable inputs used in the fair value measurement include using current market conditions, recent sale prices / rentals achieved and other relevant information for similar assets within the local authority area. Financial Assets and liabilities: The Council assesses fair value by calculating the net present value (NPV) of the cash flows that take place over the remaining life of the instruments. Significant changes in any of the inputs would result in a significantly lower or higher fair value measurement for the Council's assets and liabilities valued at fair value.

	techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 17, 19, and 20.	
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. See Note 49 for further details.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £58.4m. However, the assumptions interact in complex ways. During 2017/18, the Council's actuaries advised that the net pension liability had decreased by £43.9m as a result of estimates relating to fund assets being corrected based on experience and decreased by £77.1m attributable to updating of the assumptions around pension liabilities – a net impact of a decreased liability of £121m.
Arrears	At 31 March 2018, the Council had a balance for sundry debtors of £23.9m. An impairment of doubtful debts of £18.4m (77%) was considered appropriate; however, it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an additional impairment of doubtful debts would be required to cover some of the £5.5m of sundry debts currently not provided for.
Business Rates - Appeals	The provision for appeals is based on assumptions about the likely level of appeals raised against the ratings list in the future and the likely success of outstanding appeals. The provision stands at £35.0m which is reasonable given available data sources and historical analysis. However, further information from the Valuation Office Agency (VOA) may lead to a revision of these assumptions and could materially change the required level of provision.	If more up to date information from the Valuation Office Agency stimulates a reduction to the provision, this will feed into a surplus on the collection fund. Estimates will be taken in January 2019 and so such a surplus would be made available for distribution to preceptors in the 2019/20. Conversely, an increase in the provision would mean a reduction to available resources in 2019/20.

05. Prior Period Restatement

In 2017/18 there were changes to the internal structure of the Council's Portfolios therefore the CIES and EFA financial statements have been restated for 2016/17. In addition the Trading Operations disclosure has been restated to accurately reflect gross income and gross expenditure.

06. Events After the Reporting Date

The Statement of Accounts was authorised for issue by Eugene Walker, Executive Director of Resources on 26 July 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

07. Material Items of Income and Expense

2017/18

There were no exceptional items in 2017/18.

2016/17

In respect of the Housing Revenue Account, the regional adjustment factor, applied to ascertain the value of social housing stock, increased to 41% compared to 31% which was used in 2015/16. This meant all social housing stock had a revaluation gain in year causing a material value of previous impairment losses to be reversed (£277.9m – see Note 17).

08. Acquired and Discontinued Operations

Acquired Operations

2017/18

No operations were acquired in the year to 31 March 2018.

2016/17

No operations were acquired in the year to 31 March 2017.

Discontinued Operations

2017/18

There were no discontinued operations during 2017/18.

2016/17

There were no discontinued operations during 2016/17.

09. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis:

2017/18				
Adjustments from General Fund to arrive at the CI&ES Amounts	**Adjustments for Capital Purposes £000**	**Net change for the Pensions Adjustment £000**	**Other Differences £000**	**Total Adjustments £000**
People	20,111	7,779	(13,850)	**14,040**
Schools	0	4,050	0	**4,050**
Place (excluding HRA)	(9,878)	7,386	692	**(1,800)**
Policy, Performance & Communications	1,090	0	0	**1,090**
Resources	512	2,793	(18,878)	**(15,573)**
Corporate	15,422	22,675	29,413	**67,510**
Total General Fund (GF)	27,257	44,683	(2,623)	**69,317**
Housing Revenue Account (HRA)	(5,920)	0	(1,053)	**(6,973)**
Net Cost of Services	**21,337**	**44,683**	**(3,676)**	**62,344**
Other income & expenditure	0	0	0	**0**
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit	**21,337**	**44,683**	**(3,676)**	**62,344**

2016/17 Comparative Information - Restated				
Adjustments from General Fund to arrive at the CI&ES Amounts	**Adjustments for Capital Purposes £000**	**Net change for the Pensions Adjustment £000**	**Other Differences £000**	**Total Adjustments £000**
People	32,913	(4,324)	614	**29,203**
Schools	0	0	0	**0**
Place (excluding HRA)	(20,106)	(1,270)	1,044	**(20,332)**
Policy, Performance & Communications	0	0	0	**0**
Resources	613	(66,851)	41,629	**(24,609)**
Corporate	40,131	26,740	(45,517)	**21,354**
Total General Fund (GF)	53,551	(45,705)	(2,230)	**5,616**
Housing Revenue Account (HRA)	(323,300)	0	(954)	**(324,254)**
Net Cost of Services	**(269,749)**	**(45,705)**	**(3,184)**	**(318,638)**
Other income & expenditure	0	0	0	**0**
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit	**(269,749)**	**(45,705)**	**(3,184)**	**(318,638)**

Adjustments for Capital Purposes

This column adds in depreciation, impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

For the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

10. Segmental Income

Income received on a segmental basis has not been disclosed separately but can be seen further in the Comprehensive Income and Expenditure Statement (CIES) and Note 11 below.

11. Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

2016/17 £000		2017/18 £000
	Income:	
(755,937)	Revenue Grants & Other Contributions	(728,901)
(49,773)	Capital Grants & Contributions	(61,863)
(183,375)	Income from Council Tax	(193,763)
(106,306)	Income from Non-domestic Rates	(98,479)
(1,021)	Interest and investment Income	(669)
(7,387)	Sales	(8,245)
(124,313)	Fees and Charges	(118,940)
(118,745)	Recharges	(156,900)
(149,012)	Dwelling rents	(146,506)
(24,846)	Other Income	(37,376)
(1,520,715)		**(1,551,642)**
	Expenditure:	
385,910	Employee Expenditure	412,500
83,044	Premises Expenditure	81,104
13,230	Transport Expenditure	16,376
183,955	Supplies & Services	194,681
238,542	Third Party Payments	245,011
221,091	Transfer Payments	213,392
113,734	Support Services	105,011
(186,760)	Depreciation, amortisation & impairment	112,745
503	Precepts & levies	512
73,957	Interest payable & similar charges	72,713
3,398	Payment to the Housing Capital Receipts Pool	3,340
54,505	Gain / loss on the disposal of assets	48,267
26,632	Pension interest cost, administration expenses and return on plan assets	22,356
1,675	Surplus / deficit on Trading Operations	14,723
2,258	Other Expenses	3,198
1,215,674		**1,545,929**
(305,041)	**(Surplus) / Deficit on the Provision of Services**	**(5,713)**

12. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2017/18	Notes	General Fund Balance £000	Housing Revenue Account Balance £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
							30	31	
Reversal of items debited or credited to the CI&ES:									
Depreciation of Non-current assets		(50,676)	0	(23,587)	0	0	(74,263)	74,263	**0**
Impairment losses charged to the CI&ES		0	0	0	0	0	0	0	**0**
Revaluation losses charged to the CI&ES		(32,841)	3,451	0	0	0	(29,390)	29,390	**0**
Movements in fair value of Investment Properties		4,845	0	0	0	0	4,845	(4,845)	**0**
Capital grants and contributions credited to the CI&ES		70,673	0	0	0	(14,154)	56,519	(56,519)	**0**
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve		0	0	0	0	4,468	4,468	(4,468)	**0**
Revenue expenditure funded from capital under statute		(15,827)	0	0	0	0	(15,827)	15,827	**0**
Costs of disposal funded from capital receipts		(144)	0	0	144	0	0	0	**0**
Net gain / (loss) on sale of non-current assets		(50,707)	2,441	0	(21,792)	0	(70,058)	70,058	**0**
Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance statutory requirements		(137)	1,054	0	0	0	917	(917)	**0**
Reversal of items relating to retirement benefits debited or credited to the CI&ES		(81,319)	0	0	0	0	(81,319)	81,319	**0**
Amount by which Council Tax and non-domestic rates income adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation		1,840	0	0	0	0	1,840	(1,840)	**0**

2017/18 (Continued)										
		General Fund Balance £000	**Housing Revenue Account Balance £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Council Reserves £000**
	Notes						30	31	
Amount by which officer remunerations costs calculated in accordance with the code are different from the amount of costs calculated in accordance with statutory requirements		919	0	0	0	0	919	(919)	**0**
Insertion of items not debited or credited to the CI&ES:									
Statutory provision for repayment of debt (MRP)		49,879	0	0	0	0	49,879	(49,879)	**0**
Voluntary provision for repayment of debt (VMRP)		1,036	27	0	0	0	1,063	(1,063)	**0**
Revenue Contribution to Major Repairs Reserve		0	0	0	0	0	0	0	**0**
Transfer of Capital Receipts (<£10k) to the General Fund and HRA		(154)	0	0	154	0	0	0	**0**
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(3,340)	0	0	3,340	0	0	0	**0**
Employer's contribution to pension scheme		36,636	0	0	0	0	36,636	(36,636)	**0**
Capital Financing:									
Use of Capital Receipts Reserve to finance new capital expenditure		0	0	0	12,897	0	12,897	(12,897)	**0**
Use of Major Repairs Reserve to finance new capital expenditure		0	0	52,212	0	0	52,212	(52,212)	**0**
Total		**(69,317)**	**6,973**	**28,625**	**(5,257)**	**(9,686)**	**(48,662)**	**48,662**	**0**

2016/17 Comparative Information

	Notes	General Fund Balance £000	Housing Revenue Account Balance £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Notes						30	31	
Reversal of items debited or credited to the CI&ES:									
Depreciation of Non-current assets		(50,199)	0	(16,985)	0	0	(67,184)	67,184	**0**
Impairment losses charged to the CI&ES		0	0	0	0	0	0	0	**0**
Revaluation losses charged to the CI&ES		(13,409)	294,803	0	0	0	281,394	(281,394)	**0**
Movements in fair value of Investment Properties		400	0	0	0	0	400	(400)	**0**
Capital grants and contributions credited to the CI&ES		69,447	0	0	0	(2,453)	66,994	(66,994)	**0**
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve		0	0	0	0	5,436	5,436	(5,436)	**0**
Revenue expenditure funded from capital under statute		(27,849)	0	0	0	0	(27,849)	27,849	**0**
Costs of disposal funded from capital receipts		(83)	0	0	83	0	0	0	**0**
Net gain / (loss) on sale of non-current assets		(60,591)	6,086	0	(28,554)	0	(83,059)	83,059	**0**
Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance statutory requirements		(151)	954	0	0	0	803	(803)	**0**
Reversal of items relating to retirement benefits debited or credited to the CI&ES		(52,757)	0	0	0	0	(52,757)	52,757	**0**
Amount by which Council Tax and non-domestic rates income adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation		2,687	0	0	0	0	2,687	(2,687)	**0**

2016/17 Comparative Information (Continued)

	Notes	General Fund Balance £000	Housing Revenue Account Balance £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
							30	31	
Amount by which officer remunerations costs calculated in accordance with the code are different from the amount of costs calculated in accordance with statutory requirements		(306)	0	0	0	0	(306)	306	**0**
Insertion of items not debited or credited to the CI&ES:									
Statutory provision for repayment of debt (MRP)		32,640	0	0	0	0	32,640	(32,640)	**0**
Voluntary provision for repayment of debt (VMRP)		0	27	0	0	0	27	(27)	**0**
Revenue Contribution to Major Repairs Reserve		0	22,384	(22,384)	0	0	0	0	**0**
Transfer of Capital Receipts (<£10k) to the General Fund and HRA		(509)	0	0	509	0	0	0	**0**
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(3,398)	0	0	3,398	0	0	0	**0**
Employer's contribution to pension scheme		98,462	0	0	0	0	98,462	(98,462)	**0**
Capital Financing:									
Use of Capital Receipts Reserve to finance new capital expenditure		0	0	0	16,372	0	16,372	(16,372)	**0**
Use of Major Repairs Reserve to finance new capital expenditure		0	0	57,488	0	0	57,488	(57,488)	**0**
Total		**(5,616)**	**324,254**	**18,119**	**(8,192)**	**2,983**	**331,548**	**(331,548)**	**0**

13. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

	Note	1 April 2016 £000	Transfer Out 2016/17 £000	Transfer In 2016/17 £000	31 March 2017 £000	Transfer Out 2017/18 £000	Transfer In 2017/18 £000	31 March 2018 £000
Earmarked General Fund Reserves:								
Schools Reserves	30	**(17,005)**	855	0	**(16,150)**	0	(1,327)	**(17,477)**
Revenue Grants and Contributions	30	**(468)**	0	(565)	**(1,033)**	0	(681)	**(1,714)**
Other Earmarked Revenue Reserves:	30							
- Insurance Fund		**(10,653)**	0	(449)	**(11,102)**	0	(110)	**(11,212)**
- New Homes Bonus (NHB)		**(5,527)**	0	(6,040)	**(11,567)**	4,818	0	**(6,749)**
- Major Sporting Facilities		**(38,008)**	0	(4,508)	**(42,516)**	9,755	0	**(32,761)**
- PFI Future Expenditure		**(28,310)**	13,428	0	**(14,882)**	2,246	0	**(12,636)**
- Public Health		**(1,032)**	0	0	**(1,032)**	0	(391)	**(1,423)**
- Service Area Reserves		**(10,474)**	450	0	**(10,024)**	0	(775)	**(10,799)**
- Children's and Adult Social Care		**(11,666)**	5,015	0	**(6,651)**	0	(9,347)	**(15,998)**
- Business Rates Appeals		**(14,272)**	12,593	0	**(1,679)**	0	(17,426)	**(19,105)**
- Other Reserves		**(31,986)**	5,606	0	**(26,380)**	0	(23,834)	**(50,214)**
Total		**(169,401)**	**37,947**	**(11,562)**	**(143,016)**	**16,819**	**(53,891)**	**(180,088)**

14. Other Operating Expenditure

The following table provides a breakdown of Other Operating Expenditure:

2016/17 £000		2017/18 £000
503	Precepts (paid to non-principal authorities)	512
3,398	Payments to the housing capital receipts pool	3,340
54,505	(Gain) / loss on the disposal of non-current assets	48,267
724	Pension Administration Expenses	771
59,130	**Total**	**52,890**

15. Financing and Investment Income and Expenditure

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

2016/17 £000		Note	2017/18 £000
73,957	Interest payable and similar charges		72,713
25,908	Pensions interest cost and expected return on pensions assets		21,585
(1,021)	Interest receivable and similar income		(669)
1,675	(Surplus) / Deficit on Trading Undertakings	35	14,723
0	Income from Partnership Organisations		0
1,082	New Homes Bonus Contribution to Capital		0
(400)	Income and Expenditure in relation to Investment Properties and changes to their fair value		(5,935)
101,201	**Total**		**102,417**

16. Taxation and Non Specific Grant Income

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

£000	2016/17 £000		Note	£000	2017/18 £000
	(183,375)	Council Tax Income			(193,763)
	(106,306)	NNDR Distribution			(98,480)
		Non-ring fenced government grants:	42		
(90,592)		- Revenue Support Grant (RSG)		(67,790)	
(74,561)		- Private Finance Initiative Grant (PFI)		(74,437)	
(9,627)		- New Homes Bonus		(2,250)	
(86)		- Local Support Services Grant		0	
(3,700)		- Small Business Rates Relief		(6,345)	
(1,976)		- Business Rates Multiplier Cap		(2,062)	
(29,124)		- Business Rates Top-up Grant		(39,583)	
0		- Other		(529)	
	(209,666)				(192,996)
	0	Donated Assets			(245)
	(499,347)				**(485,484)**
	(49,773)	Capital Grants and Contributions	42		(61,618)
	(549,120)	**Total**			**(547,102)**

17. Property, Plant and Equipment (PPE)

Movements on Balances:

Movements in 2017/18	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment (VPFE) £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	Total PFI Assets included in PPE £000
Cost or Valuation:									
At 1 April 2017	**1,245,721**	**608,246**	**94,940**	**975,023**	**4,126**	**99,253**	**74,364**	**3,101,673**	**355,877**
Additions – recognition	0	0	0	0	0	0	0	**0**	**0**
Additions - programmed investment	53,034	13,263	14,796	76,823	901	5,883	72,445	**237,145**	**32,934**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,944	6,500	(20,431)	0	4,602	7,935	0	**550**	**(20,179)**
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	(17,479)	(22,618)	0	0	(2,716)	(3,524)	(13,308)	**(59,645)**	**(610)**
De-recognition – disposals	(14,377)	(50,386)	(1,015)	0	0	(3,668)	0	**(69,446)**	**0**
De-recognition – other	0	0	0	0	0	0	0	**0**	**0**
Reclassification and transfers	(1,675)	(2,771)	0	0	750	7,513	80	**3,897**	**0**
At 31 March 2018	**1,267,168**	**552,234**	**88,290**	**1,051,846**	**7,663**	**113,392**	**133,581**	**3,214,174**	**368,022**

Movements in 2017/18 (Continued)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	Total PFI Assets included in PPE £000
Accumulated Depreciation and Impairment:									
At 1 April 2017	**0**	**(6,693)**	**(30,461)**	**(225,354)**	**0**	**(236)**	**0**	**(262,744)**	**(20,220)**
Depreciation charge	(23,508)	(15,903)	(5,095)	(29,527)	0	(230)	0	**(74,263)**	**(9,839)**
Depreciation written out to the Revaluation Reserve	1,220	9,489	6,168	0	2	693	0	**17,572**	**6,801**
Depreciation written out to the Surplus / Deficit on the Provision of Services	22,288	4,782	0	0	63	1,200	0	**28,333**	**1,957**
Impairment (losses) / reversals recognised in the Revaluation Reserve	(1,736)	0	0	0	0	0	0	**(1,736)**	**0**
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	1,736	0	0	0	0	0	0	**1,736**	**0**
De-recognition - disposals	0	1,159	1,015	0	0	20	0	**2,194**	**0**
De-recognition - other	0	0	0	0	0	0	0	**0**	**0**
Reclassification and Transfers	0	955	0	0	(65)	(2,068)	(3)	**(1,181)**	**0**
At 31 March 2018	**0**	**(6,211)**	**(28,373)**	**(254,881)**	**0**	**(621)**	**(3)**	**(290,089)**	**(21,301)**
Net Book Value:									
At 31 March 2018	1,267,168	546,023	59,917	796,965	7,663	112,771	133,578	**2,924,085**	**346,721**
At 31 March 2017	1,245,721	601,553	64,479	749,669	4,126	99,017	74,364	**2,838,929**	**335,657**

Movements in 2016/17 – Comparative Information

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment (VPFE) £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	Total PFI Assets included in PPE £000
Cost or Valuation:									
At 1 April 2016	913,987	673,975	89,738	870,849	35,079	97,317	65,973	**2,746,918**	**311,880**
Additions - recognition	0	0	0	0	0	0	0	**0**	**0**
Additions - programmed investment	62,685	26,660	5,507	104,174	3,014	1,970	15,597	**219,607**	**48,185**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	535	(4,924)	0	0	465	499	0	**(3,425)**	**(2,341)**
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	277,877	(37,477)	0	0	(16,614)	482	0	**224,268**	**(1,847)**
De-recognition – disposals	(10,158)	(61,762)	(305)	0	(296)	(10,426)	0	**(82,947)**	**0**
De-recognition – other	0	0	0	0	0	0	0	**0**	**0**
Reclassification and transfers	795	11,774	0	0	(17,522)	9,411	(7,206)	**(2,748)**	**0**
At 31 March 2017	**1,245,721**	**608,246**	**94,940**	**975,023**	**4,126**	**99,253**	**74,364**	**3,101,673**	**355,877**

Movements in 2016/17 – Comparative Information (Continued)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	Total PFI Assets included in PPE £000
Accumulated Depreciation and Impairment:									
At 1 April 2016	0	(38,741)	(24,564)	(199,162)	0	(18)	0	**(262,485)**	**(12,627)**
Depreciation charge	(16,908)	(17,680)	(6,170)	(26,192)	0	(233)	0	**(67,183)**	**(8,899)**
Depreciation written out to the Revaluation Reserve	164	32,242	0	0	0	17	0	**32,423**	**1,306**
Depreciation written out to the Surplus / Deficit on the Provision of Services	16,742	7,909	0	0	0	3	0	**24,654**	**0**
Impairment (losses) / reversals recognised in the Revaluation Reserve	(183)	0	0	0	0	0	0	**(183)**	**0**
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	183	3,959	0	0	0	0	0	**4,142**	**0**
De-recognition - disposals	2	4,403	273	0	0	0	0	**4,678**	**0**
De-recognition - other	0	0	0	0	0	0	0	**0**	**0**
Reclassification and Transfers	0	1,215	0	0	0	(5)	0	**1,210**	**0**
At 31 March 2017	**0**	**(6,693)**	**(30,461)**	**(225,354)**	**0**	**(236)**	**0**	**(262,744)**	**(20,220)**
Net Book Value:									
At 31 March 2017	1,245,721	601,553	64,479	749,669	4,126	99,017	74,364	**2,838,929**	**335,657**
At 31 March 2016	913,987	635,234	65,174	671,687	35,079	97,299	65,973	**2,484,433**	**299,253**

Depreciation

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

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

Capital Commitments

At 31 March 2018 the Council has entered into a number of construction contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 onwards. Future years committed costs are £231.8m. The major commitments are:

31 March 2017 £000		31 March 2018 £000
39,574	Schools Refurbishment	32,081
41,093	Decent Homes / Council Housing	70,469
39,832	Highways Infrastructure	5,293
108,919	Leisure *(includes MSF payments)*	91,863
7,394	Regeneration	31,230
1,696	Other Infrastructure	908
238,508	**Total**	**231,844**

The main changes since 2016/17 are:

- Major reductions in Highways Infrastructure spend due to the end of the core investment period on the Highways contract.

- Increases in Regeneration spend relating to development of offices as part of Sheffield Retail Quarter (SRQ).

- Major increases in Council Housing spend due to the New Build Programme.

Revaluations

The Council carries out a rolling programme of valuations that ensures all Property, Plant and Equipment required to be measured at Fair Value, is revalued at least every five years. All valuations were carried out by Sheffield City Council Property Services under the supervision of Angela Glentworth (MRICS / Registered Valuer – Acquisitions and Disposals Manager) who has overall responsibility. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices, with the exception of the waste incinerator which requires a specialist plant valuation, carried out by Charterfields International Asset Consultants.

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

Council Dwellings are measured at Existing Use Value - Social Housing based on freehold vacant possession values by Beacon and adjusted by a regional adjustment factor of 41%, as determined by the Ministry of Housing, Communities and Local Government (MHCLG).

Since 2005 there has been a programme of modernisation and improvement work to bring the properties up to the Government's Decent Homes Standards. Sheffield City Council Property Services has valued all properties on the assumption that they have met Decent Homes Standards. As part of the 5 year rolling programme, 20% of the beacons have been revalued this year. The general market adjustment of 3.265% has then been applied to all Council dwellings to give a value as at 31 March 2018.

For those categories reported at Fair Value or Current Value, the Council re-values the assets at least every five years, on a rolling programme of valuations. The following statement splits the value of those asset categories, into the years the assets were most recently valued. De minimis assets, valued at under £25k, have been reviewed in 2017/18 resulting in the revaluation of some assets. The remainder are carried at historical cost.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Surplus Assets £000	Total £000
Carried at Historical Cost	**0**	**9,598**	**8,975**	**566**	**19,139**
Valued at Fair Value as at:					
31 March 2018	1,267,168	388,817	0	23,878	**1,679,863**
31 March 2017	0	24,667	0	821	**25,488**
31 March 2016	0	8,870	0	84,304	**93,174**
31 March 2015	0	24,947	50,942	1,656	**77,545**
31 March 2014	0	89,124	0	1,546	**90,670**
Total Cost or Valuation	**1,267,168**	**546,023**	**59,917**	**112,771**	**1,985,879**

Fair Value Hierarchy – Surplus Assets

Following the 2015/16 implementation of IFRS 13, Fair Value Measurement, the Council's surplus assets have been revalued to fair value as per the Council's 5 year rolling programme of valuations.

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

- Level 3 – unobservable inputs for the asset.

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

2017/18				
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1)**	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Fair value as at 31 March 2018**
	£000	**£000**	**£000**	**£000**
Assets valued by Market Approach	0	109,281	1,010	110,291
De minimis Assets	0	1,208	1,272	2,480
Total	**0**	**110,489**	**2,282**	**112,771**

2016/17 – Comparative Information				
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1)**	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Fair value as at 31 March 2017**
	£000	**£000**	**£000**	**£000**
Assets valued by Market Approach	0	96,967	102	97,069
De minimis Assets	0	214	1,734	1,948
Total	**0**	**97,181**	**1,836**	**99,017**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year. There were transfers from Level 3 to Level 2 due to a review of de minimis assets.

Reconciliation between Levels 2 and 3:

	Other significant observable inputs (Level 2)	**Significant unobservable inputs (Level 3)**	**Total**
	£000	**£000**	**£000**
At 1 April 2017	97,181	1,836	99,017
Transfers between levels	494	(494)	0
Additions	5,867	16	5,883
Revaluation increases / (decreases)	6,152	152	6,304
De-recognition (disposals)	(3,518)	(130)	(3,648)
Transfers (to) / from other PPE categories	4,538	907	5,445
Depreciation charge	(225)	(5)	(230)
At 31 March 2018	**110,489**	**2,282**	**112,771**

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

<u>Significant Observable Inputs – Level 2</u>

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

De minimis (Assets valued under £25k)

Of the surplus assets that are considered de minimis, 183 are categorised at Level 2 in the fair value hierarchy as they have been valued as part of the rolling programme on the same basis as other surplus assets above.

A further 499 de minimis assets are categorised at Level 3 in the fair value hierarchy. Some of these valuations are historical and / or based on unobservable inputs and these assets have been identified as requiring review as part of a wider improvement project for the asset register.

18. Heritage Assets

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

2017/18	Reported at Cost				Reported at Valuation				
	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	Total Assets £000
Cost or Valuation:									
At 1 April 2017	22	48	0	20	50,000	1,000	3,278	0	**54,368**
Additions	56	0	0	2	0	0	0	0	**58**
Donated Assets	0	0	0	0	245	0	0	0	**245**
Revaluation increases / (decreases) in the Revaluation Reserve	0	0	0	0	5,700	0	0	60	**5,760**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provisions of Service	(56)	0	0	(2)	0	0	0	0	**(58)**
Transfers in	0	0	0	0	0	0	0	0	**0**
At 31 March 2018	**22**	**48**	**0**	**20**	**55,945**	**1,000**	**3,278**	**60**	**60,373**
Depreciation and Impairment:									
At 1 April 2017	(4)	0	0	0	0	0	0	0	**(4)**
Depreciation	(1)	0	0	0	0	0	0	0	**(1)**
At 31 March 2018	**(5)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(5)**
Net Book Value:									
At 31 March 2018	17	48	0	20	55,945	1,000	3,278	60	**60,368**
At 31 March 2017	18	48	0	20	50,000	1,000	3,278	0	**54,364**

2016/17 Comparative Information	Reported at Cost				Reported at Valuation				
	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	Museums and Galleries £000	Civic Collections £000	Archives and Libraries £000	Public Realm £000	Total Assets £000
Cost or Valuation:									
At 1 April 2016	22	48	0	20	58,700	1,000	3,278	0	**63,068**
Additions	52	0	0	47	0	0	0	0	**99**
Revaluation increases / (decreases) in the Revaluation Reserve	0	0	0	0	(8,700)	0	0	0	**(8,700)**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provisions of Service	(52)	0	0	(47)	0	0	0	0	**(99)**
Transfers in	0	0	0	0	0	0	0	0	**0**
At 31 March 2017	22	48	0	20	50,000	1,000	3,278	0	**54,368**
Depreciation and Impairment:									
At 1 April 2016	(4)	0	0	0	0	0	0	0	**(4)**
Depreciation	0	0	0	0	0	0	0	0	**0**
At 31 March 2017	(4)	0	0	0	0	0	0	0	**(4)**
Net Book Value:									
At 31 March 2017	18	48	0	20	50,000	1,000	3,278	0	**54,364**
At 31 March 2016	18	48	0	20	58,700	1,000	3,278	0	**63,064**

Museums and Galleries

Museums Sheffield

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

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

- **Decorative Art Collection** – including approximately 16,000 examples of art, craft and design, British ceramics, glass, horology and an outstanding collection of Chinese carved ivories.

- **Visual Art Collection** – comprises over 6,000 items of British and European Art dating from the 1500s to the present, of which the most significant area is the Modern British collection. This includes key acquisitions by artists including Marc Quinn, Sam Taylor-Wood, Hew Locke, Sutapa Biswas and Czech artist Katerina Seda.

- **Social History Collection** – has strong family and community connections with the people of Sheffield and comprises around 25,000 objects including ephemera, personalia, costume, domestic items, furniture, and approximately 1,500 watercolours, drawings, prints and oil paintings documenting the changing city.

- **Coins, Medals and Token Collection** – number around 8,000 items and owe their origin to the Sheffield Literary and Philosophical Society. It dates from Roman and Greek pieces to 20th century coins from all over the world.

- **Arms and Armour Collection** – consists of Japanese and Indo-Iranian swords, shields and helmets alongside 200 European military, practical and sporting guns from the late 1600s onwards.

- **Archaeology Collection** – is of regional and national importance and comprises material dating from pre-history to the 20th century and includes the Anglo Saxon Benty Grange Helmet.

- **Natural Sciences Collection** – is of major regional significance and comprises: Botany, Entomology, Geology, Osteology, Zoology and extensive data relating to collectors, field recording and meteorology comprising over 60,000 biological and geological records.

- **World Cultures Collection** – was acquired by nineteenth century Sheffield travellers and contains 2,000 items from across the globe.

Sheffield Industrial Museums Trust

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

Kelham Island Museum

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

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

- **Light Trades Industries Collections** – are represented by items relating to cutlery manufacture, hollowware and tool making industries.

- **General Trades Collection** – covers a range of non-metal working industries, such as brewing, retail and food production. The collection numbering about 550 items represents Sheffield's other manufacturing industries, including, button making, bookbinding and printing, snuff making, watch and clock making, shoemaking and needle and pin manufacture.

- **Library, Archive and Ephemera Collections** – include the historic documents and plans, the historic photographs, paintings and films, published books and journals and the personal and ephemera of local peoples and companies.

Abbeydale Industrial Hamlet

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

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

Shepherd Wheel

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

Bishop’s House

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

Civic Collections

The Civic Collections include commemorative items and gifts of silverware and paintings given to the city. There are also examples of products manufactured by Sheffield’s industries. The artefacts are displayed throughout the Town Hall and include the statue of the first Lord Mayor of Sheffield, the 15th Duke of Norfolk and a marble bust of Queen Victoria located on the main staircase**.**

Archives and Libraries

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

Public Realm

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

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

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

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

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

19. Investment Properties

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

2016/17 £000		2017/18 £000
(526)	Rental income from investment property	(1,090)
(526)	**Net gain/(loss)**	**(1,090)**

The assets held as Investment Properties are small and large format advertising hoarding contracts. The Council has separate contracts for each format, both of which derive a rental income and places the responsibility on the company to pay the rates liability in respect of each site. The small format contract also affords the Council space to utilise the advertising space to promote City based events and activities. The increase in income and valuation from 2016/17 to 2017/18 is due to new sites being installed.

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

2016/17 £000	Cost or Valuation	2017/18 £000
21,555	Balance at 1 April	21,955
400	Revaluations	4,845
21,955	**Balance at 31 March**	**26,800**

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

The increase in income and valuation from 2016/17 to 2017/18 is due to new sites being installed.

Fair Value Hierarchy

To conform to the requirements of IFRS 13 Fair Value Measurement, details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2018 are as follows:

2017/18				
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1)**	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Fair value as at 31 March 2018**
	£000	**£000**	**£000**	**£000**
Advertising Hoardings	0	26,800	0	26,800
Total	**0**	**26,800**	**0**	**26,800**

2016/17 – Comparative Information				
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1)**	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Fair value as at 31 March 2017**
	£000	**£000**	**£000**	**£000**
Advertising Hoardings	0	21,955	0	21,955
Total	**0**	**21,955**	**0**	**21,955**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year.

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

Significant Observable Inputs – Level 2

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

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

Valuation Process for Investment Properties

The fair value of the Council’s investment property is measured annually at each reporting date. All valuations were carried out by Sheffield City Council Property Services under the supervision of Angela Glentworth (MRICS / Registered Valuer – Acquisitions and Disposals Manager) who has overall responsibility. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

20. Intangible Assets

The Council incurred expenditure in 2017/18 on the implementation of Whole Family Case Management (WFCM), a new social care case management system. This has been accounted for as an intangible asset.

The intangible asset will be amortised on a straight line basis over its useful life, as determined by the term of the software licence. Amortisation is not charged in the year of acquisition.

The movement on intangible asset balances during the year is as follows:

2016/17 £000s		2017/18 £000s
	Net Carrying Amount:	
0	At 1 April	0
0	Additions	905
0	Amortisation charge	0
0	**At 31 March**	**905**

21. Financial Instruments

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

Current 31 March 2017 £000	Long Term 31 March 2017 £000		Current 31 March 2018 £000	Long Term 31 March 2018 £000
(21,799)	(724,916)	Financial liabilities (principal amount)	(22,000)	(777,916)
(7,632)	0	Accrued Interest	(7,665)	0
0	(7,430)	Accounting Adjustments	0	(7,366)
(29,431)	(732,346)	Financial liabilities (at amortised cost)	(29,665)	(785,282)
(29,431)	**(732,346)**	**Total borrowing**	**(29,665)**	**(785,282)**
(10,746)	(415,410)	PFI and finance lease liabilities	(8,792)	(400,847)
(40,177)	**(1,147,756)**	**Total other long term liabilities**	**(38,457)**	**(1,186,129)**
8,000	0	Loans and receivables (principal amount)	35,000	0
75	0	Accrued Interest	16	0
8,075	0	Loans and receivables (at amortised cost)	35,016	0
76,682	0	Cash and Cash Equivalents	55,103	0
0	0	Accrued Interest	20	0
84,757	**0**	**Total investment**	**90,139**	**0**
0	**240**	**Soft Loans Provided**	**0**	**123**

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the Balance Sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest.

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

Note 2 – Sheffield Museums and Galleries Trust Loan

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

Statutory provisions require that the impact of soft loans on the General Fund is the interest receivable for the financial year (the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement).

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

31 March 2017 £000		**31 March 2018 £000**
351	Opening Balance	240
19	Increase /(Decrease) in the Discounted Amount	13
(130)	Loan Repayment	(130)
240	**Balance Carried Forward**	**123**
260	**Nominal Value Carried Forward**	**130**

Note 3 – Capitalisation of Interest

We have chosen to apply IAS 32 Financial Instruments, by capitalising borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of those assets: in line with our accounting policy for Property, Plant & Equipment set out in note 1.

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

In accordance with this policy, we have capitalised interest of £3,496m (£2.276m 2016/17) using a capitalisation rate of 3.88% (4.15% 2016/17) in relation to the on-going development of the Sheffield Retail Quarter.

Financial Instrument Gain / Losses

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

2016/17				2017/18		
Financial Liabilities	**Financial Assets Loans and Receivable**	**Total**		**Financial Liabilities**	**Financial Assets Loans and Receivable**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(34,184)	0	(34,184)	Interest expense	(33,539)	0	(33,539)
(39,773)	0	(39,773)	Interest on PFI scheme liabilities	(39,174)	0	(39,174)
(73,957)	**0**	**(73,957)**	**Interest payable and similar charges**	**(72,713)**	**0**	**(72,713)**
0	1,021	1,021	Interest income	0	669	669
0	**1,021**	**1,021**	**Interest and investment income**	**0**	**669**	**669**
(73,957)	**1,021**	**(72,936)**	**Net gain / (loss) for the year**	**(72,713)**	**669**	**(72,044)**

Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- The discount rate used was the market rates as at 31 March 2018 (using bid prices where applicable) for instruments with the same duration (i.e. equal to the outstanding period from valuation date to maturity), loan structure and terms as that of the comparable instrument.

- For loans from the Public Works Loan Board (PWLB) payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.

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

- For loans receivable, the prevailing benchmark market rates have been used to provide the fair value.

- No early repayment or impairment has been recognised.

- Interest is calculated using the most common market convention ACT/365 (366 days in a leap year with the exception of PWLB which are charged on a 365 day basis regardless of leap years).

- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the carrying amount.

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

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

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

The fair values calculated are:

31 March 2017			**31 March 2018**	
Carrying Amount £000	**Fair Value £000**		**Carrying Amount £000**	**Fair Value £000**
(377,101)	(496,325)	PWLB debt	(435,864)	(642,293)
(384,238)	(582,394)	Non-PWLB debt	(379,027)	(703,644)
(761,339)	**(1,078,719)**	**Total Financial Liabilities**	**(814,891)**	**(1,345,957)**

The table above reflected the aggregate position of Sheffield City Council's loan portfolio as at the Balance Sheet date. The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates applicable to similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from the commitment to pay interest to lenders above current market rates.

Because interest rates have fallen, and the rates payable on our PWLB borrowing are fixed at the time we take out the loan, the amount we would have to pay to redeem our debt is higher than its actual (carrying) value in our accounts. This redemption value (also known as the fair value of the debt) is £642.3m. However if we sought to pay off our fixed rate debt, and replace it with new debt at current interest rates, we would have to pay prohibitive redemption penalties.

31 March 2017			31 March 2018	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
8,075	8,080	**Total Loans and Receivables**	35,016	35,016

The Council holds £20m in a 95 day call account with Barclays Bank and a further £15m in a 95 day call account with Santander bank. There are no other fixed term investments.

Other deposits were held in instant access deposit accounts and Money Market Funds (MMFs) and are classed as Cash or Cash Equivalents.

As the assets mature within 1 year, the fair values of the assets are not materially different from the carrying amount.

22. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

The Council's overall risk management procedures focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on resources available to fund services.

The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury

Management in the Public Services and investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Code of Practice on Treasury Management.

- By the adoption of a Treasury Policy Statement and treasury management clauses within the Council’s Financial Regulations / Standing Orders / Constitution.

- By approving annually in advance prudential indicators for the following three years limiting:

  - The Council’s overall borrowing.
  - The maximum and minimum exposures to fixed and variable rates.
  - The maximum and minimum exposure in regard to the maturity structure of debt.
  - The maximum annual exposures to investments maturing beyond a year.

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

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

As the investment rates during 2017/18 were lower than the cost of borrowing the Council used accumulated investment balances and short term temporary borrowing (as this is significantly cheaper that long term borrowing) where possible to fund capital expenditure rather than incurring any new long term external borrowing. This reduced the Council’s exposure to higher debt charges during the year and also reduced the Council’s risk exposure to banks and other financial institutions during a time of economic uncertainty.

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council’s customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody’s and Standard & Poor’s Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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

- Credit watches and credit outlooks from credit rating agencies.
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings (a CDS is the market perception of credit risk for financial institutions).
- Sovereign ratings to enable the Council to only select counterparties from the most creditworthy countries.

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

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

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

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

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

The following analysis summarises the Council's potential maximum exposure to credit risk as at 31 March 2018, based on experience of default assessed by the rating agencies and the Council's past experience, adjusted to reflect current market conditions.

	Amount at 31 March 2018	Historical Experience of Default	Adjustment for conditions at 31 March 2018	Estimated Maximum Exposure to Default
	£000			**£000**
Deposits with A+ rated counterparties	35,000	0%	0.015%	5.3
Deposits with A- rated counterparties	0	0%	0%	0
	35,000			5.3
Customers**	0	0%	0%	0
	35,000			**5.3**

As per the Code guidance the percentage for financial instruments in terms of both historical default are calculated by looking at Sheffield City Council's actual experience of default rather than the general position in the market. In the case of Sheffield there has been no past experience of default so the percentage used is 0%. As at 31 March 2018 the Council held £20m with Barclays Bank plc and £15m with Santander who were both rated A at this time. The adjustment for conditions at 31 March 2018 reflects the risk on this deposit at that date as determined by Credit Rating Agencies.

The figure used for customers in terms of both historical default and adjustment for conditions were calculated by using the 2017/18 write offs as a % of the total amount of invoices raised in 2017/18.

As at 31 March 2018 the Council held £20m in a 95 day call account with Barclays Bank. A small default risk was attached to this deposit of 0.015% at 31 March 2018. The Council also held £15m in a 95 day call account with Santander; which also has a small default risk of 0.015% at 31 March 2018.

Other funds held at the year-end (£55.1m) were deposited with AAA Money Market Funds (MMFs) and an instant access account. As these funds offer instant access these deposits have been classified as Cash and Cash Equivalents in the accounts.

The table below shows that the Council's outstanding investment balance as at 31 March 2018 was £35m, and there was £8m investment at 31 March 2107

31 March 2018			
Financial Institution	**Rating of Counterparty**	**Country**	**Amount £000**
Barclays Bank	A	UK	20,000
Santander	A	UK	15,000

31 March 2017 – Comparative Information			
Financial Institution	**Rating of Counterparty**	**Country**	**Amount £000**
Qatar National Bank	A+	Qatar	7,500
Barclays Bank	A-	UK	500

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

The Council does not allow credit for customers therefore the value of £25.0m for 2017/18 (£21.6m for 2016/17) shown in the following table are all debtors which are past their due date for payment. The past due amounts can be analysed by age as follows:

31 March 2017 £000		31 March 2018 £000
13,168	Less than three months	12,771
1,253	Three to six months	2,775
1,705	Six months to one year	3,306
5,442	More than one year	6,134
21,568	**Total**	**24,986**

The Council's bad debt impairment at 31 March 2018 is £65.9m (£58.5m for 2016/17) of this £3.3m (£3.4m for 2016/17) relates to the above outstanding debt.

Liquidity Risk

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

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

All sums owing to the Council from funds deposited in MMFs and instant access account is £55.1m as at 31 March 2018 and offer instant repayment.

Refinancing and Maturity Risk

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

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved Treasury and Investment strategies address the main risks and the Treasury Management and Banking team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is:

2016/17 Principal	2016/17 Accrued Interest	2016/17 Principal plus Interest		2017/18 Principal	2017/18 Accrued Interest	2017/18 Principal plus Interest
£000	£000	£000		£000	£000	£000
21,799	14,624	36,423	Less than 1 year	22,000	15,029	37,029
5,000	0	5,000	Between 1 & 2 years	9,450	0	9,450
36,498	0	36,498	Between 2 & 5 years	33,048	0	33,048
53,068	0	53,068	Between 5 & 10 years	62,691	0	62,691
630,350	0	630,350	More than 10 years	672,727	0	672,727
746,715	**14,624**	**761,339**	**Total**	**799,916**	**15,029**	**814,945**

The maturity analysis of financial assets is:

2016/17 Principal	2016/17 Accrued Interest	2016/17 Principal plus Interest		2017/18 Principal	2017/18 Accrued Interest	2017/18 Principal plus Interest
£000	£000	£000		£000	£000	£000
8,000	75	8,075	Less than 1 year	35,000	16	35,016
8,000	**75**	**8,075**	**Total**	**35,000**	**16**	**35,016**

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

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

Market Risk

Interest Rate Risk

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

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

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

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

In order to minimise the Council’s exposure to loan interest functions the Council’s Treasury Management Strategy has set a limit of £130m worth of variable rate debt. At the 31 March 2018, the amount of variable rate debt was £130m.

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

	£000
Increase in interest payable on variable rate borrowings *	1,300
Increase in interest receivable on variable rate investments **	(976)
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	324
Share of overall impact debited to the HRA***	127
Decrease in fair value of fixed rate investment assets****	(30)
Impact on Other Comprehensive Income and Expenditure *****	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	183,394

Notes:

*All borrowings raised from the PWLB and £238m of Market loans were at fixed rates in 2017/18 and, as a result, a change in interest rates would have no effect on the interest payable on these loans, the amount of government grant received and on the Comprehensive Income and Expenditure Statement or HRA.
There are a number of LOBO loans (£130m) which have moved out of their ‘fixed’ period and onto calls which are shown in the accounts as variable (although in reality they are fixed at each call period until the next call, so are only affected by a change of interest rates when the loan was ‘called’ at which point the Council would have the option to repay the loan without any premiums being payable. There were no LOBOs called during 2017/18. For the purposes of this note the average rate of these loans (5.20%) has been inflated by 1% to show the impact this may have.

** Based on a 1% increase on the weighted average interest rate and investment balance for 2017/18.

*** HRA share is 39.17% of total interest payable which is charged to the HRA. Note that under self-financing it is assumed that no investment balances are attributable to the HRA and therefore they do not benefit from any increase in interest receivable.

**** There were 95 day call account investments – one for £15m held with Santander Bank and another for £20m held with Barclays Bank at the year end.
Other investments held by the Council at the year-end were deposited with Money Market Funds (MMFs) and a deposit account which offer instant access to funds and therefore classified as Cash or Cash Equivalents on the Balance Sheet.

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

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

Foreign Exchange Risk

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

23. Long Term Debtors

The following is an analysis of Long Term Debtors:

31 March 2017		31 March 2018
£000		**£000**
5,747	Up Front Contributions for Private Finance Initiative (PFI) Schemes	5,308
70	Housing Advances	68
118	Charges Over Assets	118
25	Barnsley Council Transferred Debt	0
55,021	Sheffield City Trust Major Sporting Facilities Prepayment	45,851
	Loans to Third Parties:	
190	- Sheffield City Region Local Enterprise Partnership	190
252	- Sheffield Galleries and Museum Trust	135
2,800	- Sheffield International Venues Ltd	1,575
99,976	- Sheffield City Trust	99,976
1,501	- Manor and Castle Development Trust	1,301
	LEP Growing Places Fund:	
1,010	- Doncaster Council	1,010
2,400	- Chesterfield Borough Council	0
1,178	- Gallium Finance	1,178
(4,588)	- Loan Provision for LEP Growing Places Fund	(2,188)
165,700	**Total**	**154,522**

Sheffield City Trust

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

In 2013 the Council advanced Sheffield City Trust £101m to part fund the repayment of bank debt. Repaying the bank debt freed the Trust from the expensive leases that would have otherwise run to 2024, and which were funded by the Council via annual grant. This prepayment is being amortised over ten years in line with the original lease arrangements. The total current value of the prepayment is £55.0m (£64.2m in 2016/17), £45.9m (£55.0m in 2016/17) is included above as a long term debtor and £9.1m (£9.1m in 2016/17) is shown as a short term debtor.

The debtor of £100m (£100m in 2016/17) represents the current value of the Major Sporting Facilities property assets, which were revalued in 2016/17 and which are currently held by Sheffield City Trust. The Major Sporting Facilities property assets are due to return to the Council in 2024 at which point they will be accounted for as non-current assets.

24. Short Term Debtors

The following is an analysis of Debtors:

31 March 2017 Restated £000		31 March 2018 £000
18,239	Central Government Bodies	35,162
0	Less Impairment for Bad Debts	0
18,239	**Central Government Bodies (Net of Impairment)**	**35,162**
3,250	Other Local Authorities	3,997
0	Less Impairment for Bad Debts	0
3,250	**Other Local Authorities (Net of Impairment)**	**3,997**
3,607	NHS Bodies	6,550
0	Less Impairment for Bad Debts	0
3,607	**NHS Bodies (Net of Impairment)**	**6,550**
8,565	Housing Tenants	9,485
(6,181)	Less Impairment for Bad Debts	(6,769)
2,384	**Housing Tenants (Net of Impairment)**	**2,716**
42,595	Local Taxpayers and NNDR	50,602
(36,254)	Less Impairment for Bad Debts	(40,810)
6,341	**Local Tax Payers and NNDR (Net of Impairment)**	**9,792**
13,239	Capital Project	828
0	Less Impairment for Bad Debts	0
13,239	**Capital Projects (Net of Impairment)**	**828**
9,170	Sheffield City Trust Prepayment	9,170
0	Less Impairment for Bad Debts	0
9,170	**Other Entities and Individuals (Net of Impairment)**	**9,170**
70,656	Other Entities and Individuals	82,940
(16,028)	Less Impairment for Bad Debts	(18,356)
54,628	**Other Entities and Individuals (Net of Impairment)**	**64,584**
169,321	**Total Debtors (Gross)**	**198,734**
(58,463)	**Less Total Impairment for Bad Debts**	**(65,935)**
110,858	**Total Debtors (Net of Impairment)**	**132,799**

25. Cash and Cash Equivalents

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

31 March 2017 £000		31 March 2018 £000
8,411	Cash at Bank	1,594
61	Petty Cash Floats	82
76,666	Short Term Investments	55,103
(24)	Other	(3)
85,114	**Total**	**56,776**

26. Assets Held for Sale

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

2016/17 Current £000		2017/18 Current £000
30,022	Balance at 1 April	26,771
14,961	Assets newly classified as Held for Sale from Property, Plant and Equipment	14,986
(13,422)	Assets declassified as held for sale	(17,703)
(4,790)	Assets sold	(2,807)
26,771	**Balance at 31 March**	**21,247**

27. Short Term Creditors

The following is an analysis of Creditors:

31 March 2017 £000		31 March 2018 £000
(14,382)	Central Government Bodies	(15,551)
(4,255)	Other Local Authorities	(4,880)
(2,965)	NHS Bodies	(2,730)
(19)	Public Corporations and Trading Funds	(19)
(3,292)	Housing Tenants	(3,057)
(15,263)	Local Taxpayers and NNDR	(17,784)
(12,685)	Capital Projects	(27,811)
(9,554)	Accumulated Absences	(8,634)
(82,775)	Other Entities and Individuals	(77,311)
(145,190)	**Total**	**(157,777)**

28. Provisions and Deferred Credits

The Council maintains the following provisions:

	Insurance	Business Rates Appeals	Digital Region	Termin-ation Benefits	HRA - Week 53 Rent Deferred Credit	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Balance							
At 1 April 2017	**(6,503)**	**(13,347)**	**(458)**	**(349)**	**(1,451)**	**(7,542)**	**(29,650)**
Additional Provisions	(848)	(8,587)	0	(51)	0	(4,844)	**(14,330)**
Amounts Used	847	4,793	189	334	484	2,743	**9,390**
Unused Amounts Reversed	0	0	0	15	0	46	**61**
At 31 March 2018	**(6,504)**	**(17,141)**	**(269)**	**(51)**	**(967)**	**(9,597)**	**(34,529)**
Comprising of:							
Short Term	(5,150)	(5,714)	(269)	(51)	(483)	(3,658)	**(15,325)**
Long Term	(1,354)	(11,427)	0	0	(484)	(5,939)	**(19,204)**
	(6,504)	**(17,141)**	**(269)**	**(51)**	**(967)**	**(9,597)**	**(34,529)**

Insurance

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

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

Business Rates Appeals

This provision covers Sheffield City Councils share of the national non-domestic rates appeals provision located within the Collection Fund. This is provided against outstanding appeals on the rateable value of properties within the city.

Digital Region

The provision covers costs, attributable to the Council when it was a shareholder of Digital Region Limited. In June 2015, a liquidator was appointed to oversee the closure of the company and the provision is currently being drawn down.

Termination Benefits

This provision is for individuals who the Chief Officer Panel have approved to leave the Council via voluntary early retirement and voluntary redundancy. However, as at 31 March 2018 they have not yet left the Council.

HRA - Week 53 Rent Deferred Credit

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

Other

This balance represents the Council's other provisions and includes provisions for equal pay claims, grant claw back and various other smaller provisions.

29. Other Long Term Liabilities

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

31 March 2017 Restated £000		31 March 2018 £000
(12,215)	Deferred Liabilities – South Yorkshire Council Debt	(8,525)
(91,091)	Deferred Liabilities – Sheffield City Trust	(78,145)
(103,306)	**Total**	**(86,670)**

Deferred Liabilities

The Council has a proportionate share in the interests of the former South Yorkshire Council Debt. As at 31 March 2018 the deferred liabilities of Sheffield City Council amounted to **£12.2m** (£15.6m in 2016/17), comprising **£3.7m** (£3.4m in 2016/17) maturing within one year, which has been disclosed in Short Term Creditors Note (within Other entities and individuals) and **£8.5m** (£12.2m in 2016/17) after that date.

The Council also has a Long Term Creditor for Sheffield City Trust, reflecting the obligation to provide £140.4m of funding between 2014 and 2024 for the repayments of the bond financing for the Major Sporting Facilities. The outstanding liability as at 31 March 2018 is **£91.1m**, (£103.3m as at 31 March 2017) of which **£78.1m** (£91.1m in 2016/17) is shown in this note, and **£13.0m** (£12.2m in 2016/17) in Short Term Creditors Note as due within 12 months.

30. Usable Reserves

The following table summarises the Usable Reserves balances:

31 March 2017		31 March 2018
£000		£000
	Capital Reserves:	
(53,111)	Capital Receipts Reserve	(58,306)
(69,311)	Major Repairs Reserve	(70,661)
(20,461)	Capital Grants Unapplied Reserve	(30,147)
(142,883)		(159,114)
	Revenue Reserves:	
(9,689)	General Fund	(10,631)
	Earmarked General Fund Reserves**:**	
(16,150)	Schools Reserves	(17,477)
(1,033)	Revenue Grants and Contributions	(1,714)
(125,833)	Other Earmarked Revenue Reserves	(160,897)
(9,199)	Housing Revenue Account Balance	(9,267)
(4,107)	Earmarked Housing Revenue Account Reserve	(4,107)
(166,011)		(204,093)
(308,894)	**Total**	**(363,207)**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 13.

General Fund

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

The table below provides a breakdown of the General Fund:

31 March 2017		31 March 2018
£000		£000
(9,689)	General Balances Available	(10,631)
(9,689)	**Total**	**(10,631)**

The General Fund Balance was £10.6m at 31 March 2018, representing just 2.7% of the 2017/18 net budget requirement of £395.5m. This percentage is a slight improvement on last year's 2.4% however, this remains below the minimum prudent level recommended by the Executive Director of Resources, mainly as a result of the £2.0m overspend in 2017/18. This reserve is to be returned to the minimum recommended level of 3% of net revenue expenditure during 2018/19. If the reserve is used, it will be replenished to the stated minimum level as soon as practically possible; the Council will always need a minimum level of emergency reserves.

External risks will be constantly assessed to ensure the minimum level of General Fund reserves remain appropriate. Sheffield incorporates risks such as the end of the Fixed Funding Agreement in 2020-21, revisions to the Fair Funding Formula and wider economic developments in establishing the above reserve level.

Earmarked General Fund Reserves

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

31 March 2017		31 March 2018
£000		£000
(16,150)	Schools Reserves	(17,477)
(1,033)	Revenue Grants and Contributions	(1,714)
	Other Earmarked Revenue Reserves:	
(11,102)	- Insurance Fund Reserve	(11,212)
(42,516)	- Major Sporting Facilities	(32,761)
(11,567)	- New Homes Bonus (NHB)	(6,749)
(14,882)	- PFI Future Expenditure	(12,636)
(1,032)	- Public Health	(1,423)
(10,024)	- Service Area Reserves	(10,799)
(6,651)	- Children's and Adult Social Care	(15,998)
(1,679)	- Business Rate Appeals	(19,105)
(26,380)	- Other Earmarked Reserves	(50,214)
(143,016)	**Total**	**(180,088)**

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

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

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

- Schools Reserves: Schools' Earmarked Reserve consists of money that has been allocated under Local Management of Schools legislation, and which remains unspent at the year end. This reserve is not available to support General Fund expenditure.

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

- Major Sporting Facilities: The Major Sporting Facilities (MSF) reserve exists because of the need to smooth the future significant payments due for the MSF debt (re: Ponds Forge, the Arena, Don Valley Stadium and Hillsborough Leisure Centre).

- PFI Future Expenditure: The PFI reserve exists due to Government funding being received in advance to pay future years' liabilities. This income is set aside in a reserve until needed to ensure sufficient funds are available to cover the cost of contracts in future years.

- New Homes Bonus: The Government is paying all Councils "New Homes Bonus" to incentivise them to bring empty properties back into use or encourage new housing to be built. The Council has agreed to use the payments to create a Growth Investment Fund for projects that promote housing and economic growth. This reserve sets aside the payments until required for agreed projects.

- Insurance Fund Reserve: This reserve contains funds required to cover the Council against potential litigation claims, for which, there is not enough certainty to create a provision in the accounts. The balance on the reserve as at 31 March 2018 is £11.2m.

- Business Rate Appeals: This reserve is required to cover potential future successful appeals against business rates. An increase in this reserve of £17.4m is inflated by £13.5m of funds repaying early payment of pensions.

- Children's and Adult Social Care: Social Care reserves are held to deal with transforming Social Care in Sheffield to better meet the much publicised challenges facing the sector and to deal with unforeseen costs. Better Care Funding for transforming Social Care provision accounts for £6.4m of the increase in this reserve and is committed in 2018/19.

- Other Earmarked Reserves: Other Earmarked reserves include funds which are set aside to cover predicted liabilities such, redundancies, risk within the borrowing strategy and equal pay claims. During 2017/18 these reserves increased by £23.8m, the most significant movements included £8.4m repaid for previous early payment of pension deficit and £4.8m put into a reserve for future borrowing costs.

Housing Revenue Account Reserves

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

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

31 March 2017 £000		**31 March 2018 £000**
(9,199)	Housing Revenue Account Balance	(9,267)
(4,107)	Earmarked Housing Revenue Account Reserve	(4,107)
(13,306)	**Total**	**(13,374)**

Capital Receipts Reserve

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

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

31 March 2017 £000		31 March 2018 £000
(53,111)	Capital Receipts Reserve	(58,306)
(53,111)	**Total**	**(58,306)**

Major Repairs Reserve

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

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

31 March 2017 £000		31 March 2018 £000
(69,311)	Major Repairs Reserve	(70,661)
(69,311)	**Total**	**(70,661)**

Capital Grants Unapplied Reserve

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

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

31 March 2017 £000		31 March 2018 £000
(20,461)	Capital Grants Unapplied Reserve	(30,147)
(20,461)	**Total**	**(30,147)**

31. Unusable Reserves

The following table summarises the Unusable Reserves balances:

31 March 2017		31 March 2018
£000		£000
	Capital Reserves:	
(390,312)	Revaluation Reserve	(394,696)
(1,134,735)	Capital Adjustment Account	(1,144,841)
(53)	Deferred Capital Receipts Reserve	(53)
(1,525,100)		(1,539,590)
	Revenue Reserves:	
34,297	Financial Instruments Adjustment Account	33,380
897,558	Pensions Reserve	776,574
(3,541)	Collection Fund Adjustment Account	(5,380)
9,554	Accumulated Absences Account	8,634
937,868		813,208
(587,232)	**Total**	**(726,382)**

Capital Reserves

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

Revaluation Reserve

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

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

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

2016/17 £000		2017/18 £000
(395,316)	**Balance at 1 April**	**(390,312)**
(49,633)	Upward revaluation of assets	(64,400)
29,517	Downward revaluation of assets and impairment losses	42,255
(20,116)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(22,145)
6,619	Difference between fair value depreciation and historical cost depreciation	7,089
18,501	Accumulated gains on assets sold or scrapped	10,672
25,120	Amount written off to the Capital Adjustment Account	17,761
0	Other Adjustments	0
(390,312)	**Balance at 31 March**	**(394,696)**

Capital Adjustment Account

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

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

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

Note 17 Property, Plant and Equipment (PPE) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17		2017/18
£000		£000
(826,957)	**Balance at 1 April**	**(1,134,735)**
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:	
67,184	Depreciation of non-current assets	74,263
0	Impairment of non-current assets	0
(281,394)	Revaluation losses of non-current assets	29,390
(400)	Movement in fair value of Investment Properties	(4,845)
27,849	Revenue expenditure funded from capital under statute	15,827
83,059	Non-current assets written off on disposal	70,058
(103,702)		184,693
	Adjusting amounts written out of the Revaluation Reserve:	
(6,619)	Difference between fair value depreciation and historical cost depreciation	(7,089)
(18,501)	Accumulated gains on assets sold or scrapped	(10,672)
(25,120)		(17,761)
(955,779)	Net written out amount of the cost of non-current assets consumed in the year	(967,803)
	Capital financing applied in the year:	
(16,372)	Use of the Capital Receipts Reserve to finance new capital expenditure	(12,897)
(57,487)	Use of the Major Repairs Reserve to finance new capital expenditure	(52,212)
(66,994)	Capital grants and contributions credited to the CI&ES	(56,518)
(5,436)	Application of grants and contributions from the Capital Grants Unapplied Reserve	(4,469)
(32,640)	Statutory provision for the repayment of debt	(49,879)
(27)	Voluntary provision for the repayment of debt	(1,063)
(178,956)		(177,038)
0	Other	0
(1,134,735)	**Balance at 31 March**	**(1,144,841)**

Deferred Capital Receipts Reserve

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

2016/17		2017/18
£000		£000
(53)	**Balance at 1 April**	**(53)**
0	Transfer to the Capital Adjustment Account	0
(53)	**Balance at 31 March**	**(53)**

Financial Instruments Adjustment Account

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

2016/17 £000		2017/18 £000
35,100	**Balance at 1 April**	**34,297**
(803)	Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	(917)
0	Soft Loan Amortisation	0
0	Other movements	0
(803)	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(917)
34,297	**Balance at 31 March**	**33,380**

Pensions Reserve

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

2016/17 £000		2017/18 £000
795,982	**Balance at 1 April**	**897,558**
147,281	Actuarial (gains) or losses on pensions assets and liabilities	(165,667)
52,757	Reversal of items relating to retirement benefits debited or credited to the CI&ES	81,319
(98,462)	Employer's pensions contributions and direct payments to pensioners payable in the year	(36,636)
897,558	**Balance at 31 March**	**776,574**

Collection Fund Adjustment Account

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

2016/17 £000		2017/18 £000
(854)	**Balance at 1 April**	**(3,541)**
(2,687)	Amount by which Council Tax and Non-domestic Rate income credited to the CI&ES is different from Council Tax and Non-domestic Rates income calculated for the year in accordance with statutory requirements	(1,839)
(3,541)	**Balance at 31 March**	**(5,380)**

Accumulated Absences Account

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

2016/17 £000		2017/18 £000
9,248	**Balance at 1 April**	**9,554**
306	Amount by which officer remuneration charged to the CI&ES is different from remuneration chargeable in the year in accordance with statutory requirements	(920)
9,554	**Balance at 31 March**	**8,634**

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016/17 £000		2017/18 £000
994	Interest Received	711
(93,190)	Interest Paid	(93,633)

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

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

2016/17 £000		2017/18 £000
67,184	Depreciation	74,261
(282,001)	Impairment and downward valuations	29,635
3,345	Increase / (Decrease) in creditors	(5,665)
23,207	(Increase) / Decrease in debtors	(31,432)
(2)	(Increase) / Decrease in inventories	(1,251)
(45,703)	Movement in pension liability	44,683
83,058	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	70,058
(1,801)	Other non-cash items charged to the net surplus or deficit on the provision of services	620
(152,713)	**Total**	**180,909**

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

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

2016/17 £000		2017/18 £000
52,000	Proceeds from short-term and long-term investments	52,042
(28,554)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(21,792)
(69,448)	Any other items for which cash effects are investing or financing cash flows	(67,080)
(46,002)	**Total**	**(36,830)**

33. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2016/17 £000		2017/18 £000
(171,925)	Purchase of property, plant and equipment, investment property and intangible assets	(187,557)
(38,905)	Purchase of short and long term investments	(79,042)
(3,410)	Other payments for investing activities	0
28,554	Proceeds from the sale of property, plant and equipment, investment property, intangible assets and deferred capital receipts	21,792
98,320	Other receipts from investing activities	61,113
(87,366)	**Net cash flow from investing activities**	**(183,694)**

34. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2016/17 £000		2017/18 £000
25,000	Cash receipts of short and long term borrowing	75,000
(16,132)	Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	(36,115)
(32,745)	Repayment of short and long term borrowing	(37,326)
6,117	Other payments for financing activities	4,005
(17,760)	**Net cash flow from financing activities**	**5,564**

35. Trading Operations

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

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

Sheffield Markets Operation

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

Commercial Estate (Property)

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

Transport Services

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

Schools Property Traded Service

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

Capital Delivery Service (previously Design and Project Management)

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

2017/18	**Income**	**Expenditure**	**Operating (Surplus)/ Deficit**	**Accounting Adjustments**	**Accounting (Surplus)/ Deficit**
	£000	**£000**	**£000**	**£000**	**£000**
Sheffield Markets Operation	(2,248)	3,253	1,005	(33)	972
Commercial Estates (Property)	(1,647)	477	(1,170)	13,305	12,135
Transport Services	(783)	1,294	511	173	684
Schools Property Traded Services	(761)	420	(341)	1,017	676
Capital Delivery Service (previously DPM)	(28)	(7)	(35)	291	256
	(5,467)	**5,437**	**(30)**	**14,753**	**14,723**

2016/17 Comparative Information - Restated	Income £000 Restated	Expenditure £000 Restated	Operating (Surplus)/ Deficit £000	Accounting Adjustments £000	Accounting (Surplus)/ Deficit £000
Sheffield Markets Operation	(2,270)	3,310	1,040	(179)	861
Commercial Estates (Property)	(1,558)	469	(1,089)	776	(313)
Transport Services	(1,038)	1,108	70	186	256
Schools Property Traded Services	(1,274)	811	(463)	1,218	755
Capital Delivery Service (previously DPM)	(497)	415	(82)	198	116
	(6,637)	**6,113**	**(524)**	**2,199**	**1,675**

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

36. Pooled Budget Arrangements

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

NHS Sheffield Clinical Commissioning Group (CCG) and Sheffield City Council entered into a new Section 75 agreement covering the Better Care Fund with effect from 1 April 2015. The pool is hosted by Sheffield City Council.

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

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

Service Area	2017/18 NHS Sheffield CCG	2017/18 Sheffield City Council	2017/18 Total	2016/17 Restated NHS Sheffield CCG	2016/17 Restated Sheffield City Council	2016/17 Restated Total
	£000	£000	£000	£000	£000	£000
The Better Care Fund	256,921	169,830	426,751	175,008	158,007	333,015
Total	**256,921**	**169,830**	**426,751**	**175,008**	**158,007**	**333,015**

The memorandum account for the pooled budget is:

The Better Care Fund

	2017/18	2016/17 Restated
	£000	£000
Income		
NHS Clinical Commissioning Group	256,921	175,008
Sheffield City Council	169,830	158,007
Total	**426,751**	**333,015**
Allocation of expenditure		
Theme 1 - People Keeping Well in their Local Community	(9,033)	(9,756)
Theme 2 - Active Support and Recovery	(51,458)	(52,399)
Theme 3 - Independent Living Solutions	(6,303)	(6,213)
Theme 4 - Ongoing Care	(186,410)	(202,825)
Theme 5 - Adult inpatient Medical Emergency Admissions	(65,177)	(59,230)
Theme 6 - Mental Health	(105,637)	0
Theme 7 - Capital Grants	(2,733)	(2,592)
Total	**(426,751)**	**(333,015)**

37. Members' Allowances

The Council paid the following amounts to Council Members and Co-optees during 2017/18:

2016/17		2017/18
£000		£000
	Councillors:	
984	Basic Allowance	990
242	Special Responsibility Allowance	268
32	Expenses	30
1,258		**1,289**
	Co-optees:	
4	Basic Allowance	4
1,262	**Total**	**1,293**

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

38. Officers' Remuneration

Under the Accounts and Audit Regulations 2015, Local Authorities are required to disclose information on their employees' remuneration in two sections.
The first section must contain the details of those officers defined in the Regulations as senior employees whose salary is above £50,000 per annum. Senior employees are typically categorised as statutory chief officers (i.e. Chief Executive also known as the head of paid service, Director of Children's Services, Director of Adult Social Services, Section 151 Officer, etc.) or non-statutory chief officers. The latter category typically includes those officers who report directly to the Chief Executive (excluding those whose duties are solely secretarial). In addition, those senior officers whose salary is above £150,000 are required to be named in this section.

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

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

2017/18

Post Holder Information	Note	Salary - including Fees and Allowances £	Expenses Allowances £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive - John Mothersole		186,125	0	186,125	35,364	221,489
Executive Director - People	**1**	127,480	45	127,525	24,221	151,746
Executive Director - Place		139,596	0	139,596	26,523	166,119
Executive Director - Resources		127,192	0	127,192	24,167	151,359
Director of Public Health		108,876	126	109,002	15,656	124,658
Director of Policy and Performance		83,430	0	83,430	15,852	99,282
Total		**772,699**	**171**	**772,870**	**141,783**	**914,653**

Notes:
1 The People portfolio incorporates services from the former Communities and CYPF portfolios.

2016/17

Post Holder Information	Note	Salary - including Fees and Allowances £	Expenses Allowances £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive - John Mothersole		184,283	0	184,283	35,014	219,297
Executive Director - Communities (Interim)	1	132,541	0	132,541	25,183	157,724
Executive Director - Resources (Interim)		121,437	0	121,437	23,074	144,511
Executive Director - Place	2	129,254	456	129,710	21,828	151,538
Executive Director - Children Young People and Families	3	130,537	93	130,630	24,802	155,432
Director of Public Health		106,076	175	106,251	15,169	121,420
Director of Policy and Performance		82,066	0	82,066	15,593	97,659
Total		**886,194**	**724**	**886,918**	**160,663**	**1,047,581**

Notes:

1 The Interim Executive Director of Communities became Executive Director of Place as of 20th February 2017.

2 The Executive Director of Place left his position as of 19th February 2017.

3 The Executive Director of Children, Young People and Families is additionally the Executive Director of the People Portfolio as of 20th February 2017.

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

2016/17 Teachers	2016/17 Other	2016/17 Total	Remuneration Band	2017/18 Teachers	2017/18 Other	2017/18 Total
31	32	**63**	£50,000 - 54,999	33	38	**71**
33	38	**71**	£55,000 - 59,999	27	37	**64**
23	9	**32**	£60,000 - 64,999	15	11	**26**
19	18	**37**	£65,000 - 69,999	24	22	**46**
8	4	**12**	£70,000 - 74,999	12	9	**21**
5	5	**10**	£75,000 - 79,999	2	3	**5**
6	10	**16**	£80,000 - 84,999	3	7	**10**
5	3	**8**	£85,000 - 89,999	5	4	**9**
0	3	**3**	£90,000 - 94,999	2	3	**5**
1	1	**2**	£95,000 - 99,999	1	2	**3**
0	2	**2**	£100,000 - 104,999	0	0	**0**
0	0	**0**	£105,000 - 109,999	0	0	**0**
0	0	**0**	£110,000 - £114,999	0	0	**0**
1	0	**1**	£120,000 - 124,999	0	0	**0**
0	1	**1**	£135,000 - £139,999	0	0	**0**
0	1	**1**	£175,000 - £179,999	0	0	**0**
132	127	**259**	**Total**	124	136	**260**
130	**110**	**240**	**Total Excluding redundancies**	**123**	**126**	**249**

39. Termination Benefits

The Council terminated the contracts of a number of employees in 2017/18 incurring liabilities of £1.6m (£5.3m in 2016/17). This includes redundancy and pension payments.

This amount was payable to 53 people (202 people in 2016/17) from across the Council, who were made redundant as part of its strategy to reduce the workforce in order to achieve budget savings. This included 6 people whose termination benefits were funded by the Housing Revenue Account.

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

2016/17 Total number of exit packages by cost band	2016/17 Total cost of exit packages in each band £000	Exit package cost band (including special payments)	2017/18 Total number of exit packages by cost band	2017/18 Total cost of exit packages in each band £000
125	1,060	£0 - £20,000	28	312
36	1,093	£20,001 - £40,000	14	422
17	861	£40,001 - £60,000	4	174
11	771	£60,001 - £80,000	2	139
6	529	£80,001 - £100,000	3	256
7	1,011	£100,001 - £180,000	2	259
202	**5,325**	**Total**	**53**	**1,562**

The table above includes 4 people in 2017/18 who were made compulsory redundant with a total value of £34k (7 people in 2016/17 with a total value of £125k).

40. External Audit Fees

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

2016/17 £000		**2017/18 £000**
187	Fees payable with regard to external audit services carried out by the appointed auditor	201
26	Fees payable for the certification of grant claims and returns	44
22	Fees payable in respect of any other services provided over and above those listed above	6
235	**Total**	**251**

41. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2016. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2017/18 are as follows:

2017/18	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**
Final DSG for 2017/18 before Academy recoupment	51,702	349,648	**401,350**
Academy figure recouped for 2017/18	0	(186,201)	**(186,201)**
Total DSG after Academy recoupment for 2017/18	51,702	163,447	**215,149**
Brought forward from 2016/17	7,305	0	**7,305**
Carry forward to 2018/19 agreed in advance	0	0	**0**
Agreed initial budgeted DSG distribution in 2017/18	59,007	163,447	**222,454**
In year adjustments	(22,111)	18,504	**(3,607)**
Final budgeted distribution for 2017/18	36,896	181,951	**218,847**
Less Actual central expenditure	(27,678)	0	**(27,678)**
Less Actual ISB deployed to schools	0	(181,951)	**(181,951)**
Plus Council contribution for 2017/18	0	0	**0**
Carry forward to 2018/19	**9,218**	**0**	**9,218**

2016/17 Comparative Information	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2016/17 before Academy recoupment	49,887	338,591	**388,478**
Academy figure recouped for 2016/17	0	(165,418)	**(165,418)**
Total DSG after Academy recoupment for 2016/17	49,887	173,173	**223,060**
Brought forward from 2015/16	6,543	0	**6,543**
Carry forward to 2017/18 agreed in advance			
Agreed initial budgeted DSG distribution in 2016/17	56,430	173,173	**229,603**
In year adjustments	(17,245)	16,461	**(784)**
Final budgeted distribution for 2016/17	39,185	189,634	**228,819**
Less Actual central expenditure	(31,880)	0	**(31,880)**
Less Actual ISB deployed to schools	0	(189,634)	**(189,634)**
Plus Council contribution for 2016/17			
Carry forward to 2017/18	**7,305**	**0**	**7,305**

42. Grant Income

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

2016/17 £000		2017/18 £000
	Credited to Services:	
(20,069)	Clinical Commissioning Group	(20,407)
(7,051)	Department for Business, Energy and Industrial Strategy	(3,453)
(6,610)	Department for Communities and Local Government	(19,695)
(963)	Department for Culture, Media and Sport	(948)
(258,179)	Department for Education	(241,769)
(765)	Department for Environment, Food and Rural Affairs	(653)
(196,049)	Department for Work and Pensions	(189,275)
(38,013)	Department of Health	(37,183)
(14,888)	English Local Government	(5,776)
(1,744)	Home Office	(2,439)
(1,002)	Ministry of Justice	(944)
(2,511)	Other	(1,707)
(547,844)	**Total**	**(524,249)**
	Credited to Taxation and Non Specific Grant Income:	
	Non-ring fenced Government Grants:	
(185,691)	Department for Communities and Local Government	(168,492)
(23,975)	Education Funding Agency	(23,975)
0	Other	(529)
(209,666)		**(192,996)**
0	Donated Assets	**(245)**
	Capital Grants and Contributions:	
(1,110)	Department for Communities and Local Government	(5,315)
(2,953)	Department for Culture Media and Sport	(1,373)
(15,981)	Department for Education	(29,450)
(6,655)	Department for Environment, Food and Rural Affairs	(1,207)
0	Department for Transport	(97)
(15,664)	Sheffield City Region Combined Authority	(14,510)
(7,410)	Other	(9,666)
(49,773)		**(61,618)**
(259,439)	**Total**	**(254,859)**

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

31 March 17 £000		31 March 18 £000
	Revenue Grants Receipts in Advance:	
(3,326)	Department for Business, Energy and Industrial Strategy	(1,904)
(256)	Department for Communities and Local Government	(375)
(965)	Department for Education	(1,178)
0	Department for Environment, Food and Rural Affairs	(506)
(1,198)	Department for Works and Pensions	(683)
(443)	Home Office	(528)
(1,000)	Department for Transport	(850)
(335)	Other	(724)
(7,523)	**Total**	**(6,748)**

31 March 17 £000		31 March 18 £000
	Capital Grants Receipts in Advance:	
(3,558)	Department for Culture Media and Sport	(3,543)
(4,720)	Department for Communities and Local Government	(1,162)
(23,717)	Department for Education	(13,901)
(10)	Department for Environment, Food, and Rural Affairs	(6)
(2)	Department for Transport	(560)
(2,044)	Department of Health	(4,925)
(2,161)	English Local Government	(455)
(125)	HM Treasury	0
(15,775)	Other	(19,660)
(52,112)	**Total**	**(44,212)**

43. Related Party Transactions

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

For Sheffield City Council, the main categories of related parties are other public bodies, or those organisations over which a Sheffield City Council Member or Chief Officer holds a position of general control or management. Sheffield City Council's material related party transactions in year amounted to net payments of £144m (£266m for 2016/17). All such material related party transactions are disclosed either individually or in aggregate below.

Council Members

In respect of financial year 2017/18 a number of Council Members had a position of general control or management in organisations which generated related party transactions with the Council. Positions of general control or management can arise by way of ownership, or by acting as a director, trustee, board member, or partner of an organisation.

2017/18							
Related Party	**Notes**	**Receipts £000**	**Payments £000**	**Net Receipts/ Payments £000**	**Receivables £000**	**Payables £000**	**Net Assets /Liabilities £000**
Aspiring Communities Together	**1**	0	90	**90**	(1)	0	**(1)**
Autism Plus	**2**	(2)	1,209	**1,207**	0	(4)	**(4)**
DLA Piper LLP	**3**	(7)	379	**372**	0	276	**276**
Seven Hills Leisure Trust	**4**	(29)	276	**247**	8	40	**48**
Sheffield City Trust	**5**	(24)	18,523	**18,499**	8	0	**8**
Sheffield Futures	**6**	(166)	3,650	**3,484**	55	0	**55**
Sheffield Housing Company	**7**	(1,269)	568	**(701)**	860	0	**860**
Sheffield Industrial Museums Trust	**8**	(23)	761	**738**	0	0	**0**
Sheffield International Venues	**9**	(38)	1,395	**1,357**	9	(92)	**(83)**
Sheffield Theatres Trust	**10**	(217)	319	**102**	6	1	**7**
SOAR	**11**	(2)	674	**672**	1	(27)	**(26)**

Notes relating to significant transactions:

1 Funding for cost of Adult & Community Learning across the year - all invoices less than £10k.
2 90% of supplier invoices under £10k. Purchases within Learning Disabilities Commissioning.
3 Purchases of buildings within Sheffield Retail Quarter. £602k for compulsory purchase order.
4 £105k grant funding paid.
5 £6.3m bond interest, £12.1m bond principal repayments.
6 £3.3m for Futures Core Contract - targeted Youth Support.
7 £555k CHAPS payment & £1.2m of receipts under various housing improvement contracts between SCC/Sheffield Housing Co collaboration.
8 £852k payments under service agreements and grants.
9 £1.3m grant funding paid including 18/19 Q1 payment.
10 £292k grant prepayment for 18/19
11 Payments of £336k to Community Wellbeing Program, £175k to Working Locally in disadvantaged areas, £40k to Social Prescribing and £75K to community education.

2016/17							
Related Party	**Notes**	**Receipts £000**	**Payments £000**	**Net Payments /Receipts £000**	**Receivables £000**	**Payables £000**	**Net Assets /Liabil-ities £000**
Autism Plus	**1**	(2)	1,500	**1,498**	0	0	**0**
DLA Piper	**2**	0	3,872	**3,872**	0	0	**0**
Kier	**3**	(720)	31,335	**30,615**	11	0	**11**
Sheffield City Trust	**4**	(41)	18,519	**18,478**	8	0	**8**
Sheffield Futures	**5**	(115)	3,929	**3,814**	24	0	**24**
Sheffield Housing Company	**6**	(36)	12,166	**12,130**	15	0	**15**
Sheffield Industrial Museums Trust	**7**	(24)	591	**567**	0	0	**0**
The Source (Meadowhall)	**8**	(1)	213	**212**	0	(10)	**(10)**
Sheffield International Venues	**9**	(16)	2,504	**2,488**	1	(2)	**(1)**
Sheffield Theatres Trust	**10**	(262)	2,152	**1,890**	36	0	**36**
Shelter	**11**	(1)	1,345	**1,344**	0	0	**0**
SOAR	**12**	(4)	747	**743**	1	(47)	**(46)**
SYPTE	**13**	(10,592)	1,028	**(9,564)**	1,964	(2)	**1,962**
University of Sheffield	**14**	(2,856)	10,697	**7,841**	2,421	(89)	**2,332**

Notes relating to significant transactions:

1 Purchases within Learning Disabilities Commissioning.
2 Purchase of buildings within Sheffield Retail Quarter.
3 Repairs and maintenance contract payments.
4 £18.5m bond interest and principal.
5 £3.3m for Futures Core Contract.
6 £12.1m of payments for housing improvement contracts.
7 £0.6m payments under service agreements.
8 Predominately Skills Made Easy payments and funding agreement payments.
9 £3.2m grant funding paid.
10 £1.8m management service payment.
11 £1.3m payments for services in Housing Related Support.
12 Small projects.
13 £4.0m grant received relating to Bus Rapid Transport, £2.3m LTP funding received (£0.8m owed). Paid £0.6m for zero-fare bus passes, £0.2m safety camera partnership contribution.
14 £10m investment in Lightweighting project.

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

Transactions with Other Public Bodies

The UK Government exerts significant influence over Sheffield City Council through legislation and grant funding. Transactions with central government and precepts and levies raised on behalf of other public bodies are detailed in notes to the Consolidated Income and Expenditure Account and Collection Fund. However, the following table shows the significant transactions with public bodies in the area:

2017/18							
	Notes	**Receipts**	**Payments**	**Net Payments/ Receipts**	**Receivables**	**Payables**	**Net Accruals**
Related Party		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Sheffield City Region Combined Authority Group	**1**	(18,879)	26,543	**7,664**	1,005	0	**1,005**
South Yorkshire Passenger Transport Executive (SYPTE)	**2**	(8,247)	1,191	**(7,056)**	5,062	(1)	**5,061**
Environment Agency	**3**	0	6,518	**6,518**	0	0	**0**
South Yorkshire Fire and Rescue Authority	**4**	(8)	11,370	**11,362**	4	0	**4**
South Yorkshire Pensions Authority	**5**	(16)	27,367	**27,351**	0	0	**0**
South Yorkshire Police and Crime Commissioner	**6**	(630)	22,468	**21,838**	8	0	**8**
NHS bodies	**7**	(2,783)	26,709	**23,926**	1,364	(494)	**870**
Other Local Authorities	**8**	(3,872)	30,662	**26,790**	760	(56)	**704**

Notes relating to significant transactions

1 £23.8m Transport Levy payments, £0.4m LEP subscriptions and £1.6m Enterprise Zone fees for 16/17 and 17/18
2 £4.3m grant received relating to the Better Buses capital scheme, £2.9m LTP funding (£0.6m owed) and £0.4m Safety Camera and Safer Roads partnership funding. Paid £0.6m in zero-fare bus passes,
3 £6.1m CHAPS payment for refund of overpayment in relation to Lower Valley Flood Protection
4 £1.8m share of NNDR, £9.5m Council tax precept and surplus payment
5 £15.2m contributions, £6.7m levy
6 £21.8m Council tax precept payment
7 £9.5m expenditure relates to SLA payments to Children's Hospital and £5.2m to Sheffield Teaching Hospitals.
8 £20.2m payment to Northumberland Unitary Authority in relation to bonds and loan payments.

2016/17

Related Party	Notes	Receipts £000	Payments £000	Net Payments/ Receipts £000	Receivables £000	Payables £000	Net Accruals £000
South Yorkshire Pensions Authority	**1**	(16)	109,086	**109,070**	0	0	**0**
Sheffield City Region Combined Authority Group	**2**	(23,583)	29,405	**5,822**	2,334	(25,838)	**(23,504)**
South Yorkshire Police and Crime Commissioner	**3**	(109)	21,677	**21,568**	94	(2)	**92**
South Yorkshire Fire and Rescue Authority	**4**	(18)	11,257	**11,239**	0	0	**0**
NHS bodies	**5**	(5,151)	32,354	**27,203**	1,895	(901)	**994**
Other Local Authorities		(2,136)	16,924	**14,788**	321	(202)	**119**

Notes relating to significant transactions

1 £65.1m pension deficit early prepayment, £30.2m salary advances, £10.8m former employee pension costs.
2 Received following capital contributions: £10m Lightweighting Project, £2.5m relating to Sheffield Retail Quarter, £3.9m relating to Olympic Legacy Park, £2.1m Brookhill, £0.7m Grey to Green projects. Paid £25m PTA levy, £0.4m LEP subscriptions. £0.8m designated area rates retention payable.
3 £20.8m Council tax precept payment.
4 £2.3m share of NNDR, £8.9m Council tax precept.
5 £9.7 expenditure relates to SLA payments to Children’s Hospital. Income relates to £0.8m for joint packages of care within Learning Disabilities.

44. Capital Expenditure and Capital Financing

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

2016/17 Restated £000		2017/18 £000
	Capital Investment	
219,607	Property, Plant and Equipment*	237,145
0	Intangible Assets*	905
99	Heritage Assets*	58
11,446	Sheffield City Trust - prepayment	12,173
27,849	Revenue Expenditure Funded from Capital Under Statute	15,827
259,001		**266,108**
	Sources of Finance	
72,430	Government Grants and Other Contributions	60,987
47,059	PFI Lease Liability	19,598
57,487	Major Repairs Reserve	52,212
16,372	Capital Receipts Reserve	12,897
65,653	Borrowing	120,414
259,001		**266,108**
	Capital Financing Requirement	
1,333,411	Opening Balance	1,414,063
65,653	Borrowing in Year	120,414
(32,668)	Statutory / Voluntary provision for repayment of debt (MRP / VMRP)	(50,942)
47,059	PFI Liabilities recognised in year	19,598
608	Other Adjustments	(432)
1,414,063	**Closing Balance**	**1,502,701**

* These figures match to the additions lines in Notes 17, 18 and 20 detailing movements on the non-current assets balances.

45. Leases and Lease Type Arrangements

Council as Lessee

Finance Leases

The Council has not classified any leases as Finance Leases.

Operating Leases

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

2016/17 £000		2017/18 £000
394	Not later than one year	337
483	Later than one year and not later than five years	1,237
2,650	Later than five years	2,652
3,527	**Total**	**4,226**

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

Council as Lessor

Finance Leases

The Council has not classified any leases as Finance Leases.

Operating Leases

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

2016/17 £000		2017/18 £000
2,070	Not later than one year	2,123
7,496	Later than one year and not later than five years	7,380
73,317	Later than five years	73,282
82,883	**Total**	**82,785**

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

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

PFI and Similar Contracts

At 31 March 2018 the Council had seven long term contracts under Private Finance Initiative (PFI) arrangements. No new contracts were entered into in 2017/18. The financing models have the same methodology as set up in 2012/13.

The first PFI contract is for the provision of office accommodation at Howden House for a period of 30 years from February 2001. Payments will continue for the duration of the contract, subject to availability and performance related deductions and to contractually agreed inflation adjustments.

Five other PFI contracts are for the provision of schools. Schools Phase One PFI contract is for the provision of two primary schools and four secondary schools that opened during the financial year 2001/02. The contract is for 25 years. The Schools Phase Two PFI contract is for the provision of two secondary schools. The contract is for 25 years and became fully operational during the financial year 2005/06. The Schools Phase Three PFI contract for the provision of three secondary schools, which is for 25 years, became operational during the financial year 2006/07. The Building Schools for the Future (BSF) Wave One contract is for the provision of one secondary school for 25 years. It became operational in January 2009. The Bradfield School PFI contract, which is for 25 years, became operational during the financial year 2012/13.

The seventh PFI is the Highways PFI which is for 25 years and became operational during the financial year 2012/13. It covers the improvement and on-going maintenance of the city’s roads, footways, highway trees, traffic signals, street lights, street furniture and street name plates. It also covers street cleaning, winter gritting and landscape maintenance.

The Council has another long term arrangement that is not PFI funded. This is for the collection and disposal of municipal waste and was entered into in August 2001, originally for 30 years but extended during 2004/05 to 35 years. The contract has now been extended to 37 years in 2017/18 resulting in the re-profiling of the principal and interest payments. In general, future payments are projected to increase in line with inflation, expected waste tonnages and increases in Landfill Tax. In addition the contractor has introduced improved disposal facilities in order to meet statutory recycling and recovery targets, which resulted in peaks in the payments between 2005 and 2010 which have flattened out. The payments may be reduced by any shares in growth in the contractor's third party income and are subject always to any deductions for poor performance. This model has also been restated in year.

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

Payments made during the Year

The payments made during the year are summarised in the table below:

2016/17	2017/18					
Total	**Repayment of Current Liability**	**Interest Charge**	**Service Charge**	**Contingent Rents**	**Lifecycle Costs**	**Total**
£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
106,183	11,820	42,361	57,802	20,051	9,411	**141,445**

PFI Assets

The assets held under PFI and similar contracts are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant and Equipment balance in Note 17.

PFI Finance Lease Liability

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

2016/17 £000		**2017/18 £000**
(395,229)	Value of the liability as at 1 April	(426,156)
(47,059)	Recognition of fixed assets	(11,113)
16,132	Finance lease rental	11,820
0	Reprofiling	15,810
(426,156)	**Value of liability as at 31 March**	**(409,639)**
	Comprising of:	
(10,746)	Short Term	(8,792)
(415,410)	Long Term	(400,847)
(426,156)		**(409,639)**

PFI Payments Due to be Made

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

2016/17 Total £000		2017/18 Repayment of Current Liability £000	Repayment of Future Liability £000	Interest Charge £000	Service Charge £000	Contingent Rents £000	Lifecycle Costs £000	Total £000
127,947	Within one year	8,792	0	42,062	56,954	5,850	16,550	130,208
547,723	Between two and five years	65,754	0	157,661	243,906	30,800	47,481	545,602
738,869	Between six and ten years	98,616	0	158,238	336,196	45,267	84,946	723,263
735,441	Between eleven and fifteen years	113,513	0	109,750	333,924	46,991	104,371	708,549
650,517	Between sixteen and twenty years	121,352	0	46,200	261,815	49,633	85,451	564,451
34,202	Between twenty-one and twenty-five years	1,611	0	494	2,136	2,896	0	7,137
2,834,699	**Total**	**409,639**	**0**	**514,405**	**1,234,931**	**181,437**	**338,799**	**2,679,210**

The details of the payments due under PFI contracts above are shown based on an estimate of the cash amounts that will actually be paid. Figures for 2017/18 show the estimated payments due calculated by the models in 2017/18 for 2018/19 onwards to the end of the contract's life.

47. Long Term Contracts

In addition to the PFI and similar contracts disclosed in Note 46, the Council has a number of other Long Term Contracts in place.

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

- HR Transactions
- Payroll Services
- Revenues and Benefits
- Financial Business Transactions
- ICT

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

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

As of October 2017 the HR and Payroll service was insourced to the Council and the Business Case Team ceased to operate. This has resulted in Capita now only providing the ICT, Revenues and Benefits and Finance Business Transactions services.

Payments to Capita Business Services Limited under the contract in 2017/18 totalled £27.5m (£28.8m in 2016/17).

With effect from 1 July 2009 the Council entered into a contract with Kier Limited to provide corporate property and facilities management services. The £55m contract was for an initial period of seven years, with an option to extend by up to a further six years. Following a detailed investigation into the future provision of the duties within the Kier Asset Partnership contract, a Cabinet decision was made not to extend the current contract with Kier beyond its end date on 30 June 2016.

From the 1 July 2016, rather than an "integrated property related contract" (as with the Kier contract) the delivery areas have been split into five key areas (Property Services, Cleaning, Catering, Security & Events and Facilities Management Delivery). These individual services are being delivered by a mix of In-House and specialist contractors.

Total Payments to Kier Limited under the contract in 2017/18 were nil (£1.9m in 2016/17).

No payments (£32.5m in 2016/17) were made to Kier in 2017/18 for delivery of the contract for Council housing repairs and maintenance as this contract, which commenced in April 2003, ended in March 2017 when the housing repairs and maintenance service was transferred back to the Council.

In previous years the Council was in agreement with Sheffield City Trust (SCT) to meet the cost of arrangements that they had entered into with certain leasing banks in respect of the provision of funding for sporting facilities in the city. During 2013/14 the Council made prepayments of £101m to SCT in respect of this commitment with the objective of removing the bank from the revised arrangements. The revised arrangements comprise an annual payment of £18.5m from the Council to SCT which will continue for a further nine years. Payments to SCT in year are detailed in Note 43, Related Party Transactions.

48. Impairment Losses

In 2017/18 there were no impairment charges for non-current assets, however a gain of £20.1m (£299.3m in 2016/17) was credited to the HRA for improvements in the valuation of previously impaired assets.

49. Post-Employment Benefits

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

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

Teachers' Pension Scheme

In 2017/18 the City Council paid £10.8m (£12.3m 2016/17) to Department for Education (DfE) in respect of Teachers' pension costs, which represented 16.48% (16.48% 2016/17) 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 2017/18 these amounted to £4.0m (£4.1m 2016/17), representing 6.12% (5.65% 2016/17) of pensionable pay.

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

NHS Pension Scheme

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

In 2017/18 the City Council paid £132k (£165k 2016/17) to NHS pensions in respect of NHS pension costs, which represented 14.38% (14% 2016/17) of NHS pensionable pay.

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

Local Government Pension Scheme

Transactions Relating to Post-Employment Benefits

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

2016/17 £000	Comprehensive Income and Expenditure Statement	2017/18 £000
	Cost of Services:	
41,500	Current service cost	62,801
62	Past service costs	13
(18,725)	(Gains) and Losses on Settlements	(4,764)
3,288	Curtailments	913
26,125	**Charge to (Surplus) / Deficit on Continuing Operations**	**58,963**
	Other Operating Expenditure:	
724	Administration expenses	771
724		771
	Financing and Investment Income and Expenditure:	
85,865	Interest cost on pension liabilities	72,623
(59,957)	Interest on plan assets	(51,038)
25,908		21,585
26,632	**Charge to the (Surplus) / Deficit on the Provision of Services**	**22,356**
	Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:	
147,281	Re-measurements of the net defined benefit liability	(165,667)
147,281		(165,667)
200,038	**Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement**	**(84,348)**

2016/17 £000	Movement in Reserves Statement	2017/18 £000
(52,757)	Reversal of net charges made to the (Surplus) / Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(81,319)
	Actual amount charged against the General Fund for pensions in the year:	
98,462	Employer's contributions payable to scheme	36,636

The cumulative amount of actuarial (gains) and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2018 is a loss of £371.5m (£537.2m loss in 2016/17).

The employers' contributions payable to the scheme has decreased from £98m in 2016/17 to £37m in 2017/18. During 2016/17 the Council made a significant early payment of the planned 2017/18 to 2019/20 pension deficit contributions in return for a substantial reduction in the amount due.

Assets and Liabilities in Relation to Post-Employment Benefits

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

2016/17 £000		2017/18 £000
(2,498,584)	Opening Balance at 1 April	(2,944,254)
(41,500)	Current service cost	(62,801)
(85,865)	Interest cost	(72,623)
(11,789)	Contributions by scheme participants	(12,334)
(412,017)	Re-measurements	132,158
87,580	Benefits Paid	88,291
(62)	Past Service Costs	(13)
(3,288)	Curtailments	(913)
21,271	Settlements	5,358
(2,944,254)	**Closing Balance at 31 March**	**(2,867,131)**

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

2016/17 £000		2017/18 £000
1,702,602	Opening Balance at 1 April	2,046,696
59,957	Interest on plan assets	51,038
264,736	Re-measurements	33,509
(724)	Administration expenses	(771)
98,462	Contributions by Employer	36,636
11,789	Contributions by scheme (plan) participants	12,334
(87,580)	Benefits paid	(88,291)
(2,546)	Settlements	(594)
2,046,696	**Closing Balance at 31 March**	**2,090,557**

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

The actual return on scheme assets in the year was a gain of £84.6m (£381.7m 2016/17).

Local Government Pension Scheme assets comprised:

	31 March 2017 £000	31 March 2018 £000
Equities:		
UK quoted	366,561	310,867
Overseas quoted	881,103	857,128
Bonds:		
UK Government Fixed	0	0
UK Government indexed	236,189	237,069
Overseas Government Fixed	55,670	53,936
UK Other	90,669	98,883
Overseas Other	36,636	55,400
Property:		
UK direct	165,578	165,781
Property Funds	26,198	25,296
Alternatives:		
Pooled investment vehicles	155,754	185,014
Cash:		
Cash accounts	32,338	101,183

Scheme History

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Present value of liabilities	(2,189,155)	(2,585,920)	(2,498,584)	(2,944,254)	(2,867,131)
Fair value of scheme assets	1,491,597	1,729,513	1,702,602	2,046,696	2,090,557
Surplus / (deficit) in the scheme	**(697,558)**	**(856,407)**	**(795,982)**	**(897,558)**	**(776,574)**

The liabilities show the underlying commitments that the Council has, in the long run, to pay post-employment benefits. The total liability of £777m (£898m 2016/17) has a substantial impact on the net worth of the Council as recorded on the Balance Sheet, reducing the balance from £1.9bn to £1.1bn (£1.8bn to £896m 2016/17). 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 2019 is approximately £30m.

Basis for Estimating Assets and Liabilities

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

2016/17		2017/18
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.9 years	Men	23 years
25.7 years	Women	25.8 years
	Longevity at 65 for future pensioners:	
25.1 years	Men	25.2 years
28.0 years	Women	28.1 years
	Financial assumptions:	
2.3%	Rate of CPI inflation	2.1%
3.55%	Rate of increase in salaries	3.35%
2.3%	Rate of increase in pensions	2.2%
2.6%	Rate for discounting scheme liabilities	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2015/16.

Change in Assumptions at 31 March 2018	**£000**
Increase in life expectancy (1 year increase)	56,897
Rate of inflation (0.1% increase)	48,923
Rate of increase in salaries (0.1% increase)	6,727
Rate of discount (0.1% increase)	(48,103)

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserves in 2017/18 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2018:

	2013/14 %	**2014/15 %**	**2015/16 %**	**2016/17 %**	**2017/18 %**
Differences between the expected and actual return on assets	-3.7	8.3	-2.3	12.9	1.6
Experience gains and losses on liabilities	-7.6	13.5	-5.5	14.0	-4.6

50. Contingent Liabilities

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

Guarantees

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

Exposure 2016/17 £000		Exposure 2017/18 £000
882	Sheffield City Trust City Hall	513
28	Sheffield Science Park Co Ltd	0
910		**513**

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

Museums Sheffield

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

Academies

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

Equal Pay

The Council has embarked upon a process of settlement negotiations in relation to back dated Equal Pay claims. This process will continue through 2018/19. However, due to being proactive in the settlement of claims the Council believes that only a small number may still be due for which a provision has been taken.

Grant Claw Back

The Council has undertaken the accountable body role, or has guaranteed that capital and revenue schemes funded by grant will continue to comply with their terms and conditions in relation to a number of projects. These projects have been funded from a variety of grant regimes including European Union funding. In the event of such projects not complying with their terms and conditions grants can be subject to 'claw back' by the funding organisations. These projects are subject to appropriate monitoring and in a situation where any liability of the Council is agreed, it will be disclosed and an appropriate provision made in the relevant year's Accounts.

Pensions

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

It is 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.

Tax - Building Schools for the Future

The Council has indemnified Notre Dame Academy against the potential for Her Majesty's Revenue & Customs (HMRC) to challenge the basis under which the school issued a VAT zero-rate certificate to the Council in September 2013. As part of the Building Schools for the Future (BSF) programme the Council, via a contractor, supplied new-build construction works to the school. These works can be supplied by the Council at the zero-rate for VAT purposes if the recipient of the works agrees to only use the new-build elements of the work for educational or charitable purposes for at least ten years. In issuing the certificate the school agreed to these provisions.

By issuing the certificate the school was able to mitigate paying £900k to HMRC in VAT costs. Had the certificate not been issued, the Council would have been obliged to fund this cost on the school's behalf during the financial year 2013/14. HMRC have agreed the process by which the certificate was issued.

The contingent risk for the Council lies in the school's continued commitment to only use the newly constructed buildings for charitable or educational purposes over the next ten years. Should the school not fulfil these commitments HMRC would seek to recover some of these VAT costs from the school. The indemnity passes this risk onto the Council. The Council's contingent liability will decrease by 10% for every year the conditions of the certificate are complied with. At March 2018 this risk could be valued at £590k.

Termination Benefits

A provision has been recognised in the 2017/18 accounts for individuals whom the Chief Officer Panel have approved to leave the Council, via voluntary early retirement and voluntary redundancy, but as at 31 March 2018 have not yet left the Council (see Note 39).

There will be further redundancies during 2018/19 which have not yet been confirmed. The Council holds a budget of £5.5m to cover such costs.

Business Rates Appeals

The Council is required to provide an estimate of how much business rates income it will collect and therefore how much it will rely upon in setting the budget every year. This involves the Council's own assumptions about the levels of refunds that may be given and the levels of outstanding appeals. Both of these carry significant risk and will involve assumptions about performance in 2018/19 that will be based on experience of recent years and the use of the most up to date information available.

The total Collection Fund provision for losses due to appeals amounted to £27.2m in 2016/17 and was based on information relating to the level of outstanding appeals, assumptions about the likely level of "success" for the claimant and potential further claims lodged. In 2017/18 the total Collection Fund provision was adjusted to take account of known appeals according to the latest information available from the Valuation Office Agency (VOA) at the end of March. The total Collection Fund provision has risen to £35.0m based on the increased value of appeals and specific threats such as the planned Meadowhall development and ATM appeals.

It is extremely difficult to predict how many other appeals have been lodged since then, and what the likely level of success would be. Furthermore, the Council is affected by decisions taken at a national level due to case law, for instance the potential ruling on the automatic teller machines and associated properties. It is not possible to estimate with certainty what the probable cost of these issues will be.

Housing Revenue Account (HRA)

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

Housing Revenue Account Income and Expenditure Statement

2016/17 £000		Note	2017/18 £000
	Expenditure:		
35,960	Repairs and maintenance		34,615
50,203	Supervision and management		48,539
1,350	Rents, rates, taxes and other charges		1,246
(278,425)	Depreciation and impairment / losses of non-current assets	8 / 9	20,136
210	Debt management costs		206
1,063	Movement in the allowance for Bad or Doubtful Debts		2,163
(189,639)	**Total Expenditure**		**106,905**
	Income:		
(149,012)	Dwelling rents	11	(146,506)
(1,494)	Non-dwelling rents - garages, garage sites, shops	11	(1,471)
(6,419)	Charges for services and facilities		(6,161)
(905)	Contributions towards expenditure		(917)
(157,830)	**Total Income**		**(155,055)**
(347,469)	Net Income / Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement		**(48,150)**
543	HRA share of Corporate and Democratic Core		649
(346,926)	**Net Income / Cost of HRA Services**		**(47,501)**
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:		
(6,086)	(Gain) or loss on sale of HRA non-current assets		(2,441)
13,314	Interest payable and similar charges		13,194
(254)	Interest and investment income		(268)
(339,952)	**(Surplus) / Deficit for the year on HRA services**		**(37,016)**

Movement on the Housing Revenue Account Statement

2016/17 £000		Note	2017/18 £000
(8,176)	**Balance as at 1 April**		**(9,199)**
(339,952)	(Surplus) / Deficit on the HRA Income and Expenditure Statement		(37,016)
(1,322)	Other Comprehensive Income and Expenditure	1	0
324,254	Adjustments between accounting basis and funding basis under regulation	2	6,973
(17,020)	**Net (increase) / decrease before transfers to reserves**		**(30,043)**
15,997	Transfer to / from reserves	3	29,975
(1,023)	**(Increase) / decrease in year on the HRA**		**(68)**
(9,199)	**Balance as at 31 March**		**(9,267)**

Notes to the Housing Revenue Account

01. Other Comprehensive Income and Expenditure

2016/17

The 2016/17 figure represents a draw down and contribution to reserves.

02. Adjustments Between Accounting Basis and Funding Basis Under Regulation

2016/17 £000		2017/18 £000
294,803	Impairment / revaluation losses on HRA non-current assets	3,451
6,086	Net gain / (loss) on sale of HRA non-current assets	2,441
954	Difference between interest payable and similar charges (including amortisation of premiums and discounts determined in accordance with Statute)	1,054
22,384	Revenue Contribution to Major Repairs Reserve	0
27	Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statutory HRA requirements	27
324,254	**Total**	**6,973**

03. Transfer to / (from) Reserves

This note sets out the amounts set aside from the HRA balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to the HRA to meet expenditure in 2017/18.

2016/17 £000		2017/18 £000
15,603	Transfer to / (from) the Major Repairs Reserve	29,975
394	Transfer to / (from) the HRA Earmarked Reserve	0
15,997	**Total**	**29,975**

04. Housing Stock

The Council was responsible for managing, on average 39,745 dwellings during 2017/18 (40,064 for 2016/17). The movement in stock can be summarised as follows:

2016/17		2017/18
40,197	Housing Stock as at 1 April	39,930
(384)	Less: Sales	(393)
(16)	Less: Demolitions and other deductions	(24)
133	Add: New build and acquisitions	46
39,930	**Housing Stock as at 31 March**	**39,559**

The housing stock can be analysed by type as follows:

2017/18	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	11,937	1,690	13,627
2 Bedrooms	5,580	8,585	14,165
3 Bedrooms	837	10,189	11,026
4 Bedrooms	13	361	374
5 Bedrooms	1	19	20
6 Bedrooms or more	1	3	4
Bedsits	341	2	343
Total	**18,710**	**20,849**	**39,559**

2016/17 – Comparative Information	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	11,975	1,692	13,667
2 Bedrooms	5,619	8,686	14,305
3 Bedrooms	875	10,346	11,221
4 Bedrooms	14	357	371
5 Bedrooms	1	19	20
6 Bedrooms or more	1	3	4
Bedsits	340	2	342
Total	**18,825**	**21,105**	**39,930**

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

2016/17			2017/18	
Value at 1 April £000	Value at 31 March £000		Value at 1 April £000	Value at 31 March £000
913,987	1,245,721	Council Dwellings	1,245,721	1,267,168
8,365	8,413	Other Land and Buildings	8,413	5,721
32,019	30,926	Surplus Assets	30,926	29,459
6,079	5,568	Assets Held for Sale	5,568	6,978
0	0	Community Assets	0	5
960,450	**1,290,628**	**Total**	**1,290,628**	**1,309,331**

05. Vacant Possession

The vacant possession value of Council Dwellings as at 1 April 2017 was £3.04bn (£2.96bn at 1 April 2016).

The difference between the vacant possession value of dwellings and the Balance Sheet value represents the economic cost to government of providing council housing at less than open market rents.

06. Major Repairs Reserve

The Major Repairs Reserve was created on 1 April 2002 in accordance with the statutory provision (Section 3 Local Authorities Capital Finance and Accounts England Regulations

2000). This reserve is held to provide funding for the substantial future planned HRA Capital Investment Programme.

The table below shows the movement on the reserve:

2016/17 £000		2017/18 £000
(71,827)	Balance at 1 April	(69,311)
(16,985)	Transfers from the Capital Adjustment Account (re. Depreciation)	(23,587)
(22,384)	Transfers from the HRA (re. Revenue Contribution)	0
(15,602)	Transfers from the HRA (re. Additional Revenue Contribution)	(29,975)
57,487	Expenditure on capital assets	52,212
(69,311)	**Balance at 31 March**	**(70,661)**

07. Capital Expenditure

During the financial year total capital expenditure was £53.7m (£62.8m in 2016/17) split between houses £53.1m (£62.3m in 2016/17) and other property and land within the Housing Revenue Account £0.6m (£0.5m in 2016/17).

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

2016/17 £000		2017/18 £000
57,487	Major Repairs Reserve	52,212
4,521	Usable Capital Receipts Reserve	556
750	Capital Grants and Other Contributions	882
62,758	**Total**	**53,650**

Capital receipts amounting to £19.3m (£16.8m in 2016/17) were generated in the financial year from the disposal of land, houses and other property within the Council's HRA.

08. Depreciation

A depreciation charge of £23.6m (£17m 2016/17) was made to the HRA during the financial year. The spilt of the depreciation charge is detailed below:

2016/17 £000		2017/18 £000
16,904	Council Dwellings	23,508
70	Other Land and Buildings	73
11	Surplus Assets	6
16,985	**Total**	**23,587**

09. Impairment

There were no impairment charges in 2017/18 or 2016/17. However, there were reversals of previous impairments amounting to £20.1m in 2017/18 (£299.3m reversals in 2016/17) representing an improvement to a previous impairment value for Council Dwellings.

10. Rent Arrears

Rent arrears (excluding amounts collectable on behalf of other agencies) as at 31 March 2018 amounted to £9.5m (£8.6m as at 31 March 2017).

The provision for doubtful debts in respect of these rent arrears is £6.8m (£6.2m as at 31 March 2017).

11. Rent Income

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

	2016/17				**2017/18**	
Dwellings	**Non-Dwellings**	**Total**		**Dwellings**	**Non-Dwellings**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(151,501)	(2,431)	(153,932)	Gross rent income before allowances	(149,088)	(2,248)	(151,336)
2,489	937	3,426	Less vacant properties	2,582	777	3,359
(149,012)	**(1,494)**	**(150,506)**	**Gross rent income after allowances**	**(146,506)**	**(1,471)**	**(147,977)**

12. Dwellings Rents

This represents rent income due from tenants. The average rent per week at 31 March 2018 was £75.02 (50 week basis) compared with £75.71 per week at 31 March 2017, a decrease of £0.69 or 0.9%.

13. Rebates

Rent rebates are available through the Housing Benefits scheme. As at 31 March 2018, 64% (65% as at 31 March 2017) of Council tenants were receiving assistance from the scheme.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and National Non-domestic Rates (NNDR).

2016/17 Restated Non-domestic Rates £000	2016/17 Restated Council Tax £000	2016/17 Restated Total £000		Notes	2017/18 Non-domestic Rates £000	2017/18 Council Tax £000	2017/18 Total £000
			Income:				
0	(220,131)	**(220,131)**	Council Tax Receivable	1	0	(233,272)	**(233,272)**
(217,720)	0	**(217,720)**	NNDR Receivable	2	(211,857)	0	**(211,857)**
(217,720)	**(220,131)**	**(437,851)**	**Total Income**		**(211,857)**	**(233,272)**	**(445,129)**
			Expenditure:				
			Precepts and Demands:				
105,413	180,431	**285,844**	- Sheffield City Council		95,702	191,035	**286,737**
0	20,256	**20,256**	- SY Police Authority		0	21,153	**21,153**
2,151	8,944	**11,095**	- SY Fire and Rescue Authority		1,953	9,223	**11,176**
107,565	0	**107,565**	- Central Government share of NNDR		97,655	0	**97,655**
215,129	209,631	**424,760**			195,310	221,411	**416,721**
			Apportionment of Previous Years' Surplus:				
(4,893)	5,176	**283**	- Sheffield City Council		(5,919)	6,325	**406**
0	585	**585**	- SY Police Authority		0	712	**712**
(100)	262	**162**	- SY Fire and Rescue Authority		(121)	314	**193**
(4,993)	0	**(4,993)**	- Central Government share of NNDR		(6,040)	0	**(6,040)**
(9,986)	6,023	**(3,963)**			(12,080)	7,351	**(4,729)**
			Charges to Collection Fund:				
506	0	**506**	Non-domestic Transitional Protection Payments		11,466	0	**11,466**
			Non-domestic Rates Supplement:				
			Impairment of debts:				
1,425	3,998	**5,423**	- Write Offs	1	0	2,169	**2,169**
2,283	(1,013)	**1,270**	- Allowance for impairment Appeals		1,643	3,199	**4,842**
3,342	0	**3,342**	- Allowance for impairment		7,745	0	**7,745**
778	0	**778**	Cost of Collection		765	0	**765**
1,069	0	**1,069**	Renewable Energy Disregarded		1,073	0	**1,073**
783	0	**783**	Enterprise Zone Growth		758	0	**758**
0	0	**0**	Enterprise Zone Relief		0	0	**0**
0	0	**0**	New Development Deal Growth		0	0	**0**
10,186	2,985	**13,171**			23,450	5,368	**28,818**
215,329	**218,639**	**433,968**	**Total Expenditure**		**206,680**	**234,130**	**440,810**
(2,391)	**(1,492)**	**(3,883)**	**Movement on the Fund**		**(5,177)**	**858**	**(4,319)**
17,279	**(10,844)**	**6,435**	**Opening Fund Balance**		**14,888**	**(12,336)**	**2,552**
14,888	**(12,336)**	**2,552**	**Closing Fund Balance**		**9,711**	**(11,478)**	**(1,767)**

Notes to the Collection Fund

01. Council Tax

There are an estimated 244,642 (243,038 for 2016/17) 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 133,743.89 for 2017/18 (132,253.72 for 2016/17). After allowing for non-collection, the calculation of Council Tax at band D is made so as to be sufficient to generate the estimated income required to be taken from the Collection Fund by the City Council and the South Yorkshire Joint Authorities. The amount of Council Tax set at band D is £1,655.48 for 2017/18 (£1,581.27 for 2016/17). This excludes parishes but includes Police and Fire and is converted to determine the level of Council Tax for the other seven bands.

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

2017/18						
Band	**Number of Properties in Band**	**Exemptions and Reliefs**	**Chargeable Dwellings**	**Adjusted Chargeable Dwellings**	**Proportion of Band D Tax**	**Band D Equivalent Dwellings**
Disabled Band A		269.71	269.71	236.71	05:09	131.51
A	142,935	(37,540)	105,395	89,582	06:09	59,721.33
B	38,972	(4,904)	34,068	31,234	07:09	24,293.25
C	30,937	(3,759)	27,178	25,329	08:09	22,515.08
D	15,697	(1,670)	14,027	13,183	09:09	13,182.69
E	9,002	(447)	8,555	8,143	11:09	9,952.96
F	4,177	(52)	4,125	3,950	13:09	5,705.89
G	2,739	(53)	2,686	2,572	15:09	4,286.88
H	183	(51.5)	131.5	124.75	18:09	249.50
	244,642	(48,206.79)	196,435.21	174,354.46		140,039.09
Less: Allowance for non-collection						(6,301.76)
Add: Defence-exempt properties						6.56
Tax Base for the calculation of 2017/18 Council Tax						**133,743.89**

Those properties qualifying for Council Tax support are no longer included in the tax base figures from 2014/15.

2016/17						
Band	**Number of Properties in Band**	**Exemptions and Reliefs**	**Chargeable Dwellings**	**Adjusted Chargeable Dwellings**	**Proportion of Band D Tax**	**Band D Equivalent Dwellings**
Disabled Band A		277	277	244.78	5:9	135.99
A	142,051	(37,583)	104,468	88,449.09	6:9	58,966.06
B	38,736	(4,977)	33,759	30,921.79	7:9	24,050.28
C	30,761	(3,766)	26,995	25,136.36	8:9	22,343.43
D	15,557	(1,664)	13,893	13,037.39	9:9	13,037.39
E	8,902	(449)	8,453	8,040.10	11:9	9,826.79
F	4,130	(49)	4,081	3,895.52	13:9	5,626.86
G	2,721	(58)	2,663	2,547.84	15:9	4,246.40
H	180	(50)	130	122.75	18:9	245.50
	243,038	(48,319)	194,719	172,395.62		138,478.70
Less: Allowance for non-collection						(6,231.54)
Add: Defence-exempt properties						6.56
Tax Base for the calculation of 2016/17 Council Tax						**132,253.72**

The income of £**231.1m** for 2017/18 (£216.1m 2016/17), which is net of write offs, is broken down as follows:

2016/17 £000		**2017/18 £000**
(220,131)	Billed to Council Tax Payers	(233,272)
3,998	Write Offs	2,169
(216,133)	**Total**	**(231,103)**

02. National Non-Domestic Rates (NNDR)

Under statutory arrangements, NNDR is collected locally on the basis of a nationally determined rate in the pound charged on the rateable value of the property. The multiplier is set nationally by Central Government and local rateable values are provided by the Valuation Office Agency (VOA). In 2017/18 the Standard Rate was 47.9p (49.7p in 2016/17) and the Small Business Rate was 46.6p in 2017/18 (48.4p in 2016/17). Subject to the effects of transitionary arrangements, local businesses pay rates are calculated by multiplying their rateable value by these amounts. The Council is responsible for collecting rates due from the ratepayers in its area but pays 50% to Government and 1% to South Yorkshire Fire and Rescue Authority.

The NNDR income of £211.9m for 2017/18 (£217.7m 2016/17) was based on a total rateable value for the Council's area of £543.5m for the year (£534.9m for 2016/17).

Glossary

Term	Definition
Abbreviations	The symbol 'k' following a figure represents £thousand. The symbol 'm' following a figure represents £million. The symbol 'bn' following a figure represents £billion.
Accounting Period	The period of time covered by the Council's accounts. Normally 12 months, beginning on 1 April. Also known as the Financial Year.
Accounting Policies	These are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
Accruals Concept	Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.
Added Years	A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers must exercise this discretion in accordance with the national regulations and the City Council's own policies.
Amortisation	An accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement over a period of years rather 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.
Beacon	A group of Council dwellings / properties with similar characteristics, such as design, age, type and construction. A sample property, "the beacon" is selected, which is representative of the group, and a detailed inspection and valuation carried out.
Capital Expenditure	Expenditure that is incurred to acquire, create or add value to a non-current asset.
Capital Financing Requirement	It measures an authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend or over the longer term. Alternatively, it means capital expenditure incurred but not yet paid for.
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.

Cash	Comprises cash on hand and demand deposits.
Cash Equivalents	These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Co-optees	Individuals appointed to serve as members of committees of the Council, but who are not Members of the Council (i.e. not Councillors).
Collection Fund	A fund administered by the Council recording receipts from Council Tax, National Non-Domestic Rates and payments to the General Fund.
Community Assets	Non-current assets that the Council intends to hold forever and which may have some restrictions on their disposal, e.g. parks and historic buildings.
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	Amounts owed by the Council for work done, goods received or services rendered, for which no payment has been made at the date of the Balance Sheet.
Debtors	Amounts owed to the Council for work done, goods received or services rendered, for which no payment has been received at the date of the Balance Sheet.
Defined Benefit Scheme	A pension or other retirement benefit scheme, other than a Defined Contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
Defined Contribution Scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in

	the current and prior periods.
Depreciation	The measure of the wearing out, consumption or other reduction in a non-current asset either as a result of its use, ageing or obsolescence.
Fair Value	Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Finance Lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.
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 “financial instrument” covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivable (debtors) and trade payables (creditors) and the most complex ones such as derivatives.
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.
Heritage Asset	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
Impairment	A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset’s market value and evidence of obsolescence or physical damage to the asset.
Intangible Assets	Non-financial assets that do not have physical substance but are identified and are controlled by the entity through custody or legal rights. The two broad types of intangible non-current assets applicable to local authorities are goodwill and other intangible assets. Examples of other intangible assets might be patents or software licences.
International Financial Reporting Standards (IFRS)	Accounting standards developed by the International Accounting Standards Board which determine the standards to be adopted in the preparation and presentation of the Council’s accounting records.

Inventories	Inventories are assets: • in the form of materials or supplies to be consumed in the production process or consumed or distributed in the rendering of services • held for sale or distribution in the ordinary course of operations • in the process of production for sale or distribution
Investment Property	Property held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations.
Materiality	Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.
Net Book Value	The amount at which non-current assets are included on the Balance Sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.
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 multiplier and the Valuation Office Agency determine the rateable value of each business property. Business Rates are collected by the Local Authority and paid into their collection fund, this amount is then distributed 49% to the Local Authorities General Fund, 1% to the South Yorkshire Fire and Rescue Authority and 50% to Central Government. The Central Government share is then redistributed nationally, partly back to Local Authorities through Revenue Support Grant.
Operating Lease	A lease other than a Finance 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 (PFI)	A contract in which the private sector is responsible for supplying services that are linked to the provision of a major asset and which traditionally have been provided by the Council. The Council will pay for the provision of this service, which is linked to availability, performance and levels of usage.
Property, Plant and Equipment	Tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.
Provisions	Amounts charged to revenue during the year for costs with uncertain timing, though a reliable estimate of the cost involved can be made.
Prudence Concept	Requires that revenue is not anticipated until realisation can be assessed. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.
Public Works Loan Board (PWLB)	A government agency, which provides loans to authorities at favourable rates.
Related Party	The definition of a related party is: A person or a close member of that person's family related to a reporting entity if that person: • has control or joint control over the reporting entity; • has significant influence over the reporting entity; or • is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
Remuneration	All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.
Reserves	Result from events that have allowed monies to be set aside, surpluses, decisions causing anticipated expenditure to have been postponed or cancelled, or by capital accounting arrangements.
Revenue Expenditure	Expenditure incurred on the day-to-day running of the Council, 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 a Council needs to spend in order to provide a standard level of service.
Specific Government Grants	These are designed to aid particular services and may be revenue or capital in nature. They typically have specified conditions attached to them such that they may only be used to fund expenditure which is incurred in pursuit of defined objectives.
Termination Benefits	These are benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.
Unsupported (Prudential) Borrowing	Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Annual Governance Statement

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 efficiently, economically 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, which includes arrangements for the management of risk.

Sheffield City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the *CIPFA / SOLACE Framework Delivering Good Governance in Local Government*. A copy of the code is on our website: *https://www.sheffield.gov.uk/home/your-city-council/council-operates*. This statement explains how Sheffield City Council has complied with the code. It also meets the requirements of Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an Annual Governance Statement.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Sheffield City Council for the financial year ended 31 March 2018 and up to the date of approval of the Sheffield City Council annual report and statement of accounts.

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

The Sheffield City Council Governance Arrangements

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

Internal Control Environment

The system of internal control as described below has been in place at Sheffield City Council for the year ended 31 March 2018 and up to the date of approval of the Annual Report and Statement of Accounts.

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

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

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

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

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

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

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

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

The Corporate Plan and minutes of Council meetings are publicly available through the Council's website – www.sheffield.gov.uk.

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

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

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

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

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

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

The Constitution sets out the framework of operation and responsibilities for the Council's statutory officers and the Leader's and portfolio schemes of delegation set out the decision making frameworks of the Council including those of the Head of Paid Service.

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

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

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

The Council has a range of partnership arrangements that are governed in a variety of ways, for example via contractual terms and conditions or by joint committee. Each service maintains a centrally available list of its significant partnership arrangement whether formal or informal, identifying the purpose, and the officer with responsibility for the relationship. This list is updated at least annually as part of the annual governance statement process. In addition the Democratic Services team maintain a list of Member appointments to third party organisations which is reviewed annually.

The Internal Audit Service of the Council delivers an assurance function that provides an independent and objective opinion on the control environment. The Head of Internal Audit (HIA) is responsible for reviewing and reporting on the adequacy of the control environment, including the arrangements for achieving value for money. Through the annual internal audit opinion and other reports, the HIA gives assurance to the Leadership Team and others, and makes recommendations for improvement.

A comprehensive suite of counter-fraud and anti-corruption policies are in place and have recently been reviewed and ratified by Members. On an annual basis, in line with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, the Fraud Manager, Internal Audit reports to the Audit and Standards Committee to outline the work undertaken by the service to detect fraud and to pro-actively mitigate fraud risks.

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

As part of the Council's commitment to the highest possible standards of openness, probity and accountability, the Council encourages employees and others with genuine concerns about any of the Council's work, to come forward and voice those concerns. A Whistleblowing Policy is in place that is intended to encourage and enable employees to raise such concerns within the Council rather than overlooking a problem. This policy document makes it clear that employees can do so without fear of reprisals. The procedure accords with the requirements of the Public Interest Disclosure Act 1998 and is compatible with the conventions in the Human Rights Act 1998.

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

4) **Ensuring the efficient, economic and effective use of resources**

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

The Corporate Plan 2015 – 2018 acknowledges that it's more important than ever to make the best use of public money. The Council will continue to ensure that it prioritises its efforts and resources for the greatest impact; by having an agreed, prioritised set of strategic changes that it will make, to achieve its long term goals.

5) **Financial management of the Council**

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

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

6) **Performance management and its reporting**

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

The Human Resources Service support portfolios at respective People Boards to ensure that employee matters are central to the performance management of our organisation and a Strategic Workforce Board was established at a corporate level to ensure that there is clear governance.

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

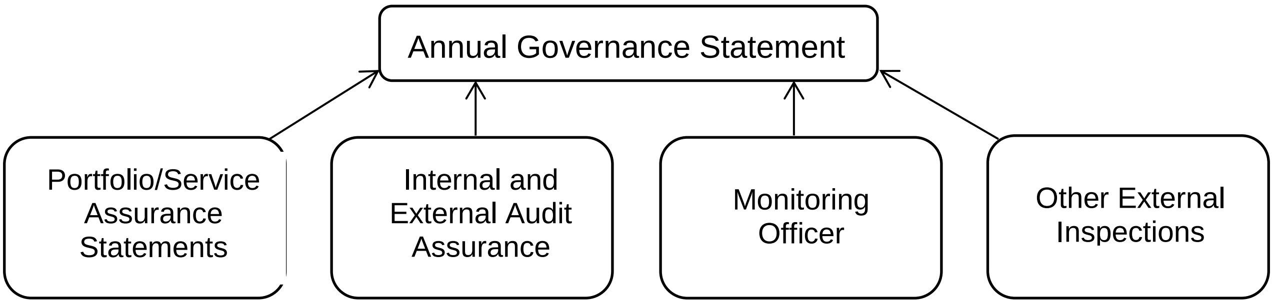
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

Review of Effectiveness

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

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

The Council's EMT agreed a process of positive verification of the system of internal control in order to formally fulfil the requirements of the Accounts and Audit Regulations. The overall process has been summarised in the diagram below:



All Service Directors have provided written assurance to the effect that they are adhering to the Council's corporate policies, such as 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 has commenced. Items raised by managers in the previous year's process have been followed up and confirmation has been received that action has been taken to progress the issues raised.

The role of the Council's internal auditors is to provide an independent assurance 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. Internal Audit also undertakes fraud investigations and other ad hoc responsive investigations relating to the Council's control framework. An annual internal audit opinion is provided by the Senior Finance Manager (Internal Audit) to the Audit and Standards Committee providing an objective assessment of the framework of governance, risk management and control.

Internal Audit 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). This was confirmed via an external assessment in March 2017. The service works closely with the external auditors (KPMG) and has undertaken a programme of preventative work to mitigate the potential for fraud.

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

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

The Council is responsible for setting the overall objectives of the Council and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the financial year 2017/18 all these duties have been performed.

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

During the year, the Council has been inspected by a number of external agencies. 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.

For all of the inspections, where recommendations were made, assurance has been received through the annual governance declarations, that appropriate management action is being taken.

A number of schools within the city have been the subject of OFSTED inspections. The School Improvement Service follows up on each review to give advice and support to these schools.

The Council's external auditors, KPMG, issued an unqualified opinion regarding the Council's Accounts for 2016/17. The accounts were presented to the Audit and Standards Committee on 14 September 2017.

The following significant inspection reports were received:

Service	**Inspection**	**Date carried out - result**
All Council	External Audit - Statutory Accounts 2016/17	July-September 2017 – unqualified opinion but certificate yet to be issued due to objections on the 2016/17 accounts
Revenues & Benefits	External Audit – Housing Benefits	August-November 2017 – qualified opinion and certificate issued
CYP	External Audit – Teachers Pensions	November 2017 – Assurance Letter issued

Housing	External Audit – Pooling of Housing Capital Receipts	November 2017 – Assurance Letter issued
All Council	External Audit - Statutory Accounts 2017/18	Interim Audit (part-year February 2018) – A verbal update provided with no significant issues identified.

The Audit and Standards Committee that was formed in September 2016 merged the functions of the former Audit and Standards Committees. The Committee is made up of 7 non-Executive elected Members. 3 non-voting independent co-opted members are also appointed to the Committee to bring additional experience, independence and an external view to the Committee's work. In addition, the three Parish and Town Councils are invited to jointly send one representative when Standards matters are to be considered.

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

The Committee is also responsible for promoting high standards of conduct by Councillors and co-opted members, overseeing the Members' Code of Conduct and considering complaints where a Member may have breached the Code.

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

Development of the Governance Framework

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

- The current financial climate has led to significant reductions in the money available for support services such as the finance service. However, the firm foundations laid in previous years of improvements to financial systems, controls and governance mean that the Council is relatively well placed to cope with these reductions and to report effectively on the budget and savings required.

- The Council continues to closely monitor its most significant external relationships in relation to risk and governance arrangements, and are incorporated within the reports on Risk Management Updates to the Audit and Standards Committee.

Ensuring that appointed Members receive appropriate officer support remains an important area of activity.

Governance Issues

In a large and complex organisation such as Sheffield City Council, there will always be opportunities to improve services. In the financial year 2017/18, 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.

This review of effectiveness has highlighted the following issues that the Executive Management Team wish to continue to actively monitor and manage arrangements across the Council:

1) **Business Continuity:** To remain assured that the Council's arrangements in the event of a disruption are robust, adequately resources and do not impact on its ability to deliver services.

2) **HR and Financial Management Manager Compliance:** That adequate processes and support systems are in place to enable managers to comply with their responsibilities.

3) **Fraud Risk Management:** That relevant staff are sufficiently trained to identify and minimise risks in this area.

Significant Governance Issues

The following significant control weakness has been identified through the Annual Governance process.

1) **The ability to comply with Subject Access Requests (SARs) requirements**

   Risks relating to the management and performance of SARs remain significant and problematic. The number of services that hold client/customer (personal information) in various locations and formats (e.g. applications, network drives, email, paper) impacts upon the ability to collate information when a request is made.

   Requests made to social care are generally more complex and large in volume, with some historic records commonly held as family not individual files and although a number of changes have already been made, including new council-wide process, procedures and additional resources, this area remains challenging due to demand and complexity.

   An action plan addressing a range of concerns including those of the Information and Knowledge Management, Business Strategy, Children and Families and Internal Audit services is in place and progress is monitored monthly by the Head of Information Management and the relevant Assistant Director and Service Manager.

Statement

Over the coming year, Sheffield City Council proposes to take remedial actions to address all the issues that have been identified, with regular updates on the progress of this work being made available to the Executive Management Team and the Council Leader.

We have been advised on the review of the effectiveness of the governance framework by the relevant Officers and a plan to enhance the Council's ability to identify and resolve weaknesses in its controls, whilst ensuring continuous improvement of the framework will commence.

We will monitor and review this implementation and operation of any new governance framework as part of our annual review.

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

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

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

Trade Union (Facility Time Publication Requirements) Regulations 2017

The Trade Union (Facility Time Publication Requirements) Regulations 2017 took effect from 1 April 2017. The regulations were laid following the enactment of the Trade Union Act 2016.

One of the elements of the Act is the requirement for employers in the public sector to publish information on facility time, which is the provision of paid or unpaid time off from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative.

To comply with these requirements, the Council must publish the data on the Council's website and on a website maintained by, or on behalf of the Government by 31 July each year. The data must also be included in the annual Statement of Accounts.

Table 1 - Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
56	49.77

Table 2 - Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	14
1-50%	24
51%-99%	5
100%	13

Table 3 - Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time	£419,717
Provide the total pay bill	£228,515,273
Provide the percentage of the total pay bill spent on facility time	0.24

Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours	Unable to provide this figure held at Individual level by the Reps

Education function return

Table 1 - Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
11	8.62

Table 2 - Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	0
1-50%	4
51%-99%	1
100%	6

Table 3- Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time	£108,002
Provide the total pay bill	£248,187
Provide the percentage of the total pay bill spent on facility time	0.08

Independent Auditor's Report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sheffield City Council ('the Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Executive Director of Resources is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Executive Director of Resources' responsibilities

As explained more fully in the statement set out on pages 13 and 14 the Executive Director of Resources is responsible for: the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Sheffield City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Sheffield City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Sheffield City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

Due to work on the WGA Return not being completed by the 31st July 2018

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Due to matters brought to our attention by a local authority elector

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by a local authority elector relating to 2016/17. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Timothy Cutler
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

30 July 2018