

Audit Committee

**Thursday 24 September 2015 at 6.00
pm**

**To be held at the Town Hall, Pinstone
Street, Sheffield, S1 2HH**

The Press and Public are Welcome to Attend

Membership

Councillors Steve Jones (Chair), John Campbell, Tony Damms, Rob Frost, Dianne Hurst, Joe Otten (Deputy Chair) and Sioned-Mair Richards.

Independent Co-opted Members

Rick Plews and Liz Stanley.

PUBLIC ACCESS TO THE MEETING

The Audit Committee is a key part of the Council's corporate governance arrangements. The Committee has delegated powers to approve the Council's Statement of Accounts in accordance with the Accounts and Audit Regulations 2003 and consider the Annual Letter from the Auditor in accordance with the Accounts and Audit Regulations 2003 and to monitor the Council's response to individual issues of concern identified.

A copy of the agenda and reports is available on the Council's website at www.sheffield.gov.uk. You can also see the reports to be discussed at the meeting if you call at the First Point Reception, Town Hall, Pinstone Street entrance. The Reception is open between 9.00 am and 5.00 pm, Monday to Thursday and between 9.00 am and 4.45 pm. on Friday. You may not be allowed to see some reports because they contain confidential information.

Recording is allowed at Audit Committee meetings under the direction of the Chair of the meeting. Please see the website or contact Democratic Services for details of the Council's protocol on audio/visual recording and photography at council meetings.

If you require any further information please contact Dave Ross in Democratic Services on 0114 273 5033 or email dave.ross@sheffield.gov.uk.

FACILITIES

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall. Induction loop facilities are available in meeting rooms.

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

**AUDIT COMMITTEE AGENDA
24 SEPTEMBER 2015**

Order of Business

- 1. Welcome and Housekeeping Arrangements**
- 2. Apologies for Absence**
- 3. Exclusion of Public and Press**
To identify items where resolutions may be moved to exclude the press and public.
- 4. Declarations of Interest** (Pages 1 - 4)
Members to declare any interests they have in the business to be considered at the meeting.
- 5. Minutes of Previous Meeting** (Pages 5 - 12)
To approve the minutes of the meeting of the Committee held on 21 July 2015.
- 6. Information Commissioner's Office Consensual Audit** (Pages 13 - 22)
Report of the Interim Executive Director, Resources.
- 7. Internal Audit Annual Report 2014/15** (Pages 23 - 50)
Report of the Senior Finance Manager (Internal Audit).
- 8. 2014/15 Statement of Accounts and the External Auditor's Report to Those Charged with Governance (ISA 260)** (Pages 51 - 244)
Report of the Interim Executive Director, Resources.
- 9. Markets High Opinion Audit Report Follow Up** (Pages 245 - 250)
Report of the Executive Director, Place.
- 10. Adult Social Care Progress Update**
The Interim Director Business Strategy, Communities to report.
- 11. Work Programme** (Pages 251 - 256)
Report of the Director of Legal and Governance.
- 12. Dates of Future Meetings**
To note that meetings of the Committee will be held at 5.00 p.m. on:-
 - 12 November 2015
 - 10 December 2015 (additional meeting if required)
 - 14 January 2016

- 11 February 2016 (additional meeting if required)
- 10 March 2016 (additional meeting if required)
- 14 April 2016
- 14 July 2016

ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

If you are present at a meeting of the Council, of its executive or any committee of the executive, or of any committee, sub-committee, joint committee, or joint sub-committee of the authority, and you have a **Disclosable Pecuniary Interest (DPI)** relating to any business that will be considered at the meeting, you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business, or
- participate in any vote or further vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

You **must**:

- leave the room (in accordance with the Members' Code of Conduct)
- make a verbal declaration of the existence and nature of any DPI at any meeting at which you are present at which an item of business which affects or relates to the subject matter of that interest is under consideration, at or before the consideration of the item of business or as soon as the interest becomes apparent.
- declare it to the meeting and notify the Council's Monitoring Officer within 28 days, if the DPI is not already registered.

If you have any of the following pecuniary interests, they are your **disclosable pecuniary interests** under the new national rules. You have a pecuniary interest if you, or your spouse or civil partner, have a pecuniary interest.

- Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner undertakes.
- Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period* in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

*The relevant period is the 12 months ending on the day when you tell the Monitoring Officer about your disclosable pecuniary interests.

- Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority –
 - under which goods or services are to be provided or works are to be executed; and
 - which has not been fully discharged.

- Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.
- Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.
- Any tenancy where (to your knowledge) –
 - the landlord is your council or authority; and
 - the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.
- Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -
 - (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
 - (b) either -
 - the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
 - if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

If you attend a meeting at which any item of business is to be considered and you are aware that you have a **personal interest** in the matter which does not amount to a DPI, you must make verbal declaration of the existence and nature of that interest at or before the consideration of the item of business or as soon as the interest becomes apparent. You should leave the room if your continued presence is incompatible with the 7 Principles of Public Life (selflessness; integrity; objectivity; accountability; openness; honesty; and leadership).

You have a personal interest where –

- a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing (including interests in land and easements over land) of you or a member of your family or a person or an organisation with whom you have a close association to a greater extent than it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the Authority's administrative area, or
- it relates to or is likely to affect any of the interests that are defined as DPIs but are in respect of a member of your family (other than a partner) or a person with whom you have a close association.

Guidance on declarations of interest, incorporating regulations published by the Government in relation to Disclosable Pecuniary Interests, has been circulated to you previously.

You should identify any potential interest you may have relating to business to be considered at the meeting. This will help you and anyone that you ask for advice to fully consider all the circumstances before deciding what action you should take.

In certain circumstances the Council may grant a **dispensation** to permit a Member to take part in the business of the Authority even if the member has a Disclosable Pecuniary Interest relating to that business.

To obtain a dispensation, you must write to the Monitoring Officer at least 48 hours before the meeting in question, explaining why a dispensation is sought and desirable, and specifying the period of time for which it is sought. The Monitoring Officer may consult with the Independent Person or the Council's Standards Committee in relation to a request for dispensation.

Further advice can be obtained from Gillian Duckworth, Director of Legal and Governance on 0114 2734018 or email gillian.duckworth@sheffield.gov.uk.

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Audit Committee

Meeting held 21 July 2015

PRESENT: Councillors Steve Jones (Chair), John Campbell, Tony Damms, Dianne Hurst and Joe Otten.

Officers in attendance

John Mothersole (Chief Executive)
Eugene Walker (Interim Executive Director, Resources)
Gillian Duckworth (Director of Legal and Governance)
David Phillips (Interim Director of Finance)
Kayleigh Inman (Senior Finance Manager, Internal Audit)
Clair Sharratt (Acting Senior Finance Manager, Strategic Finance)
Sue Sunderland (Director, KPMG)
Dave Ross (Principal Committee Secretary)

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1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillors Rob Frost and Sioned-Mair Richards and Co-opted Independent Members Rick Plews and Liz Stanley.

2. EXCLUSION OF PUBLIC AND PRESS

2.1 No items were identified where resolutions may be moved to exclude the press and public from the meeting.

3. DECLARATIONS OF INTEREST

3.1 There were no declarations of interest.

4. APPOINTMENT OF DEPUTY CHAIR

4.1 **Resolved:** That Councillor Joe Otten be appointed as Deputy Chair of the Committee for 2015/16.

5. MINUTES OF PREVIOUS MEETING

5.1 28 April 2015

5.1.1 The minutes of the meeting of the Committee held on 28 April 2015 were approved as a correct record.

5.2 20 May 2015

5.2.1 The minutes of the meeting of the Committee held on 20 May 2015 were approved as a correct record with the start time of meetings provisionally changed to 5.00 p.m., subject to consultation with the Co-opted Independent Members.

6. ANNUAL GOVERNANCE STATEMENT 2014/15

- 6.1 Gillian Duckworth, Director of Legal and Governance, submitted a report that contained the Annual Governance Statement (AGS) for 2014/15 that formed part of the Council's Statutory Accounts. The report explained that the Council had approved and adopted a Code of Corporate Governance and the AGS explained how the Council complied with that Code. Two key elements of the governance arrangements were the Council's internal control arrangements and how it demonstrated these arrangements to its citizens and service users.
- 6.2 The Director stated that the report was used to highlight non-compliance and there were no significant control weaknesses to report this year. She referred to the governance issues set out in the report relating to the Transparency Code, Reports in Relation to Rotherham Council and the Assessment of Child Sexual Exploitation Services (CSE) in Sheffield, Fraud Risk Management, Information Governance, Adult Social Care, Capital Project Management and Human Resources People Management. Although these were not being highlighted as areas with serious control weaknesses, the report was acknowledging that they were areas where governance issues had been raised and were being addressed and monitored.
- 6.3 In response to a question from a Member of the Committee regarding sickness monitoring and the myView system, the Director indicated that there was a non-compliance issue in 2013/14 but not in 2014/15. There were new systems and procedures in place from April 2015 and the issues relating to the myView system were being addressed. These arrangements would be monitored during the year.
- 6.4 The Director responded to a further question relating to the review of Sheffield's use of Scrutiny Committees and the extent of Member development that would be carried out in 2015/16, arising from the report on the Assessment of CSE Services in Sheffield, and indicated that a training package had been put in place immediately.
- 6.5 The Chair of the Committee commented that the issues relating to Adult Social Care would be addressed by the Committee during the year.
- 6.6 **Resolved:** That the Committee:-
- (a) notes the Annual Governance Statement 2014/15 that forms part of the Statutory Annual Accounts and that this has been signed by the Council Leader, Chief Executive and the Interim Executive Director, Resources; and
 - (b) requests the Director of Legal and Governance to submit a progress report to the Committee in six months' time on the issues raised in the report.

7. SUMMARY OF THE 2014/15 STATEMENT OF ACCOUNTS

- 7.1 Clair Sharratt, Acting Senior Finance Manager (Strategic Finance), introduced a report of the Interim Executive Director, Resources that provided a summary of the

2014/15 Statement of Accounts. The report also explained the core statements and a number of the key notes to the accounts and gave details of the key issues for 2014/15 relating to net worth and usable reserves. The Statement of Accounts was subject to audit by KPMG, the Council's auditors, and their findings would be submitted to the September meeting of the Committee. There was a period for public inspection of the accounts from 13 July to 7 August.

7.2 The Acting Senior Finance Manager also referred to the Government's intention to bring forward the deadline for preparing the draft accounts to 31 May and the final accounts to 31 July from 2017/18.

7.3 Officers responded to questions relating to the deficit on the Income and Expenditure Statement of £109.3m and explained the treatment of capital charges and pensions' evaluation in the accounts and that there was a move to international reporting standards and having a number of items on an accruals base. The Government allowed local authorities to 'reverse out' non-cash items.

7.4 In response to a question relating to the increase in usable assets and whether they could be used towards frontline services, officers stated that capital could not be used towards revenue and the Housing Revenue Account (HRA) reserves could only be used for HRA purposes. The Council had one of the lowest amounts of un-earmarked reserves and the General Fund Balance of £11.186m was low for an organisation of this Council's size. Officers also responded to further questions relating to the pension forecast for 2016/17.

7.5 At the request of the Chair, there was discussion on whether to have a Member training session on the Accounts.

7.6 **Resolved:** That the Committee:-

(a) notes the report; and

(b) requests the Acting Senior Finance Manager (Strategic Finance) to arrange a training session on the Accounts for members of the Committee in early September 2015.

8. **CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2013/14 AND COMPLETED ACTION PLAN**

8.1 Sue Sunderland, Director KPMG, submitted the 2013/14 annual report for the certification work that KPMG had undertaken on the grant claims and returns in relation to the Housing Benefit Subsidy and the Pooling of Housing Capital Receipts. Appended to the report were the action plan, follow up from the recommendations from the work and the agreed action plan.

8.2 In response to a question from a member of the Committee, the Director indicated that there would be further standard testing of the Housing Benefit Subsidy claim.

8.3 **Resolved:** That the report is noted.

9. PROGRESS ON HIGH OPINION AUDIT REPORTS

9.1 Kayleigh Inman, Senior Finance Manager (Internal Audit), introduced a report providing an update on progress made against recommendations in audit reports that had been given a high opinion and proposing that two audits were removed from the action tracker. She indicated that :-

- Service officers were to attend the September meeting of the Committee to report on the progress in implementing the outstanding recommendations from the Markets Service audit report.
- Audit officers would be attending meetings of the City Wide Learning Body and the Schools Forum and would be contacting the Chair of Governors to progress the outstanding recommendations from school themed reviews.
- Further to the attendance of service officers at the meeting of this Committee in November 2014, there were three recommendations still outstanding from the Parking Services audit for which there was a revised implementation date. There would also be a further full review undertaken by Internal Audit.

9.2 The Chair of the Committee highlighted the mixed picture in terms of progress and the areas that required follow up. He referred to the questions in relation to the Markets service submitted by Liz Stanley (Independent Co-opted Member) who was unable to attend the meeting. The Senior Finance Manager agreed to circulate a written response to those questions to members of the Committee.

9.3 The Senior Finance Manager responded to questions relating to the audits of Schools Attendance, Waste Management Contract, Short Term Intervention Team and Markets Service and indicated that:-

- Attendance by Internal Audit officers at the City Wide Learning Body etc. would capture a larger population of schools and provide the opportunity to stress the importance of implementing the recommendations. The item would remain on the tracker until satisfactory progress had been made.
- The outstanding recommendations relating to the audit of the Waste Management Contract would be followed up and remain on the tracker.
- A large amount of the work relating to the implementation of the recommendations from the audit of the Short Term Intervention Team was included in the Adult Social Care Recovery Programme. This item would remain on the tracker and be included in the progress report to the meeting of the Committee in January 2016.
- The Markets Service Business Plan needed to be validated and there would be an opportunity at the next meeting of the Committee to ask service officers questions on the Plan.

9.4 In response to a question on the Statutory Responsibilities Health Check, the Director of Legal and Governance indicated that the Annual Governance Statement process had been reviewed and the changes would be fully implemented by April 2016. This included services confirming their statutory responsibilities.

9.5 **Resolved:** That the Committee:-

- (a) notes the report;
- (b) agrees that the audits relating to the Adoption Service and Subject Access requests are removed from the action tracker;
- (c) notes that the Director of Capital & Major Projects and Head of Markets would be attending the next meeting of the Committee and submitting a report on progress in implementing the outstanding recommendations from the audit of the Markets Service; and
- (d) notes that there would be a progress report on the High Opinion Audit reports to the meeting of the Committee in January 2016.

10. UPDATE ON THE FINANCE SERVICE ACTIONS ARISING FROM THE KPMG REPORT ON ADULT SOCIAL CARE

10.1 David Phillips, Interim Director of Finance, introduced a report providing assurance that the issues raised within the KPMG report "Adult Social Care – Financial Grip" were being appropriately addressed within the Finance Service. The report provided an update on the key finance actions that had been identified relating to:

- Improvements to monthly monitoring and reporting
- A detailed review of the forecasting process
- A review of finance business partnering activity across Communities
- Communications around Communities' financial performance
- A review of financial governance

10.2 The report also provided an update on the finance input into a number of other initiatives which would support and facilitate better financial management within the Communities Portfolio and across the Council as a whole.

10.3 The Interim Director referred to the improved key performance indicators that had been developed that would enable management to monitor and control value for money and joint working with the Clinical Commissioning Group.

10.4 **Resolved:** That the Committee notes the report.

11. UPDATE ON THE ADULT SOCIAL CARE CHANGE PROGRAMME

11.1 David Phillips, Interim Director of Finance, introduced a report that provided an update on the Adult Social Care Change Programme and included the progress to date and the next steps for each workstream (Information Advice and Carers, Prevention, Assistive Technology and Equipment, Enablement and Intermediate Care, Assessment, Support, Planning and Review, Long Term Care and Enabling workstreams). He stated that Adult Social Care was not included as a significant control weakness in the Annual Governance Statement for 2014/15 but that there

was further work to do and this would be undertaken jointly with the health service. There would be a further progress report to the next meeting of the Committee.

- 11.2 The Chief Executive suggested that, rather than providing a generic update, the progress reports should focus on the risks associated with the service and the actions being taken to address these. He also stated that the Government had deferred the introduction of the lifetime cap on care costs in England until 2020.
- 11.3 In response to a question from the Chair of the Committee, the Interim Executive Director, Resources indicated that the circumstances had significantly changed since the original closed report was considered by this Committee last year. He outlined the reasons for the delay in making the report publicly available and that there was a need to publish that report and focus on what needs to be monitored. The Director of Legal and Governance added that there were still a number of issues to be resolved and publication of the report would be discussed with the Chair of the Committee.
- 11.4 The Director, KPMG commented that their value for money work this year would focus on the progress on Adult Social Care and this would be included in the Report to Those Charged with Governance to be submitted to the next meeting of this Committee.
- 11.5 **Resolved:** That the Committee notes:-
- (a) the report and that the update report to be submitted to the September meeting of the Committee would focus on the risks associated with the Adult Social Care service and the actions being taken to address these; and
 - (b) that consideration was being given by the Monitoring Officer to publication of the closed report on Adult Social Care considered by the Committee in July 2014 and this would be discussed with the Chair of the Committee.

12. WORK PROGRAMME

- 12.1 The Director of Legal and Governance submitted a report providing details of the Committee's draft work programme to April 2016.
- 12.2 **Resolved:** That the Committee approves the work programme with the addition of a progress report on the Annual Governance Statement to be submitted to the meeting in January 2016.

13. DATES OF FUTURE MEETINGS

- 13.1 It was noted that, subject to consultation with the Committee's Co-opted Independent Members, meetings of the Committee would be held at 5.00 p.m. on the following dates:
- 24 September 2015
 - 12 November 2015

Meeting of the Audit Committee 21.07.2015

- 10 December 2015 (additional meeting if required)
- 14 January 2016
- 11 February 2016 (additional meeting if required)
- 10 March 2016 (additional meeting if required)
- 14 April 2016
- 14 July 2016

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Audit Committee Report

Report of: INTERIM EXECUTIVE DIRECTOR, RESOURCES
EUGENE WALKER

Date: 24 SEPTMEBER 2015

Subject: INFORMATION COMMISSONER'S OFFICE (ICO)
CONSENSUAL AUDIT

Author of Report: JOHN L CURTIS HEAD OF INFORMATION AND
KNOWLEDGE MANAGEMENT

Summary:

The paper attached outlines the recommendations following a consensual audit undertaken by the Information Commissioner's Office in March 2015.

This audit focused on Freedom of Information, Subject Access requests and Information Sharing mainly within Communities, and Children & Young People.

The attached paper outlines the recommendations from the consensual audit. An action plan is now in place to ensure that work is undertaken to address these recommendations.

Recommendations:

To note the contents of the ICO Executive Summary report attached.

Background Papers:

EXECUTIVE SUMMARY ICO CONSENSUAL AUDIT

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
NO Cleared by:
Legal Implications
NO Cleared by:
Equality of Opportunity Implications
NO Cleared by:
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
N/A
Relevant Cabinet Portfolio Lead
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

INFORMATION COMMISSIONERS OFFICE (ICO) CONSENSUAL AUDIT

1.0 INTRODUCTION

- 1.1 Sheffield City Council is committed to meeting its statutory duties around how it handles, processes and deals with requests for information (personal and non-personal information). This has been demonstrated through revised and improved council wide processes around how we process and handle requests for Information. Sheffield City Council has a legal responsibility as a Data Controller to ensure it meets its statutory duties.
- 1.2 Sheffield City Council has also acknowledged the value and importance of appropriate, safe and secure information sharing to support service delivery and change and has demonstrated this through its work and commitment to this area.
- 1.3 The Information Commissioners office (ICO) who act as the regulator for primarily the Data Protection and Freedom of Information Acts, wrote to the council to offer a free consensual Audit. This offer which is commonly offered to Public Bodies was accepted and took place in March 2015. Further reference should be made to the Executive Summary attached.

2.0 SUMMARY

- 2.1 The ICO Consensual Audit reviewed three areas. These areas were Freedom of Information (FOI) and Subject Access Requests as well as Information Sharing. Communities, and the Children's and Young People portfolios, and Information and knowledge Management within Business Change and Information Solution, Resources were audited.
- 2.2 The Executive Summary attached provides a summary of good practice identified, assessment score and areas for improvement. An action plan is in place to ensure that areas of improvement are addressed. This action plan is governed by the Information Governance Board.

3.0 MAIN BODY OF THE REPORT

- 3.1 The ICO Consensual Audit which took place within March 2015 made a number of recommendations. These recommendations were based upon a series of interviews and documents (eg procedures) which the ICO auditor reviewed.
- 3.2 The initial recommendations from the ICO Consensual Audit were reviewed and all recommendations have been accepted or partially accepted. An action plan has been developed and work is ongoing.
- 3.3 It should be noted that two of the three areas (subject access and FOI) that were audited had from process perspective only recently been

reviewed with new council wide processes put into place.

3.4 There are no known financial implications at the time of writing this report.

4.0 RECOMMENDATIONS

4.1 To note the contents of this covering report and Executive Summary report from the ICO.

Eugene Walker
Interim Executive Director, Resources

Sheffield City Council

Data protection and Freedom of information audit report

Executive summary
August 2015

1. Background

The Information Commissioner is responsible for enforcing and promoting compliance with the Data Protection Act 1998 (the DPA). Section 51 (7) of the DPA contains a provision giving the Information Commissioner power to assess any organisation's processing of personal data for the following of 'good practice', with the agreement of the data controller. This is done through a consensual audit.

The Information Commissioner's Office (ICO) sees auditing as a constructive process with real benefits for data controllers and so aims to establish a participative approach.

Sheffield City Council (the Council) has agreed to a consensual audit by the ICO of its processing of personal data.

An introductory meeting was held on 13 June 2014 with representatives of the Council to identify and discuss the scope of the audit. At that meeting it was established that the Council had recently implemented new Council-wide processes for handling both Subject Access Requests (SARs) and Freedom of Information Requests, it was therefore agreed that the ICO's site visit would be postponed from August 2014 to March 2015.

2. Scope of the audit

Following pre-audit discussions with the Council, it was agreed that the audit would focus on the following areas:

a. Freedom of Information Governance - The extent to which responsibilities, policies and procedures, performance measurement controls, and reporting mechanisms to monitor compliance with the Freedom of Information Act 2000 (FOIA) and the Environmental Information Regulations 2004 (EIR) are in place and in operation throughout the organisation.

b. Subject Access Requests - The procedures in operation for recognising and responding to individuals' requests for access to their personal data.

c. Data Sharing - The design and operation of controls to ensure the sharing of personal data complies with the principles of the Data Protection Act 1998 and the good practice recommendations set out in the Information Commissioner's Data Sharing Code of Practice.

3. Audit opinion

- 3.1 The purpose of the audit is to provide the Information Commissioner and the Council with an independent assurance of the extent to which the Council, within the scope of this agreed audit is complying with the DPA.
- 3.2 The recommendations made are primarily around enhancing existing processes to facilitate compliance with the DPA.

Overall Conclusion	
Limited assurance	<p>There is a limited level (medium priority) of assurance that processes and procedures are in place and are delivering data protection compliance. The audit has identified considerable scope for improvement in existing arrangements to reduce the risk of non-compliance with the DPA.</p> <p>We have made one reasonable (Freedom of Information -Low Priority) and two (subject Access and Information Sharing - Medium Priority) limited assurance assessments where controls could be enhanced to address the issues which are summarised below and presented fully in the 'detailed findings and action plan' in section 7 of the audit report.</p>

4. Summary of audit findings

Areas of good practice

There are a series of automatic chasers, (2 sent via email, with a final phone call) to the allocated manager of an FOI request, to ensure that information is returned in a timely fashion. If no response is received within 15 days the request is escalated to the Information and Knowledge Management Team for further action.

Subject access requests are initially received by a dedicated Business Support Team who are responsible for ensuring that the requestor has provided the requisite fee and necessary information before passing it to the relevant service.

At local level the Multi Agency Group for Information Sharing has developed a good process for the development of information sharing agreements for the Children's and Young People's Department.

Areas for improvement

There is no consistent reporting of FOI or SAR performance to the Information Governance Board or the Information Governance Working Group.

The council has a number of e-learning modules which are delivered to staff on induction and refreshed annually thereafter. A module on Information Access was amongst these but has recently been removed from the list of core modules as it conflicts with the new FOI process.

The council does not currently have a comprehensive central log of information sharing agreements in place and there is no corporate level process for reviewing information sharing agreements on a periodic basis to ensure they are still fit for purpose.

There is no one within the Knowledge and Information Management Team specifically assigned operational responsibility for information sharing for the Council.

Privacy Impact Assessments are not completed for new information sharing agreements to ensure that privacy risks have been identified and mitigated prior to the commencement of sharing.

The matters arising in this report are only those that came to our attention during the course of the audit and are not necessarily a comprehensive statement of all the areas requiring improvement.

The responsibility for ensuring that there are adequate risk management, governance and internal control arrangements in place rest with the management of Sheffield City Council.

We take all reasonable care to ensure that our audit report is fair and accurate but cannot accept any liability to any person or organisation, including any third party, for any loss or damage suffered or costs incurred by it arising out of, or in connection with, the use of this report, however such loss or damage is caused. We cannot accept liability for loss occasioned to any person or organisation, including any third party, acting or refraining from acting as a result of any information contained in this report.



Audit Committee Report

REPORT OF	Senior Finance Manager (Internal Audit)	DATE 24 th Sept 2015
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SUBJECT	Internal Audit Annual Report 2014/15
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SUMMARY	The purpose of this annual Internal Audit report to Members is to highlight the work that has been undertaken by Internal Audit during the year and supports the Council's Annual Governance Statement (AGS).
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RECOMMENDATIONS	That the Audit Committee notes the content of the report and the opinion of the Chief Audit Executive (Senior Finance Manager).
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That member approve the Internal Audit Charter.

FINANCIAL IMPLICATIONS CLEARED BY	No K Inman	PARAGRAPHS
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BACKGROUND PAPERS

CONTACT POINT FOR ACCESS	Kayleigh Inman	TEL NO. 273 4435
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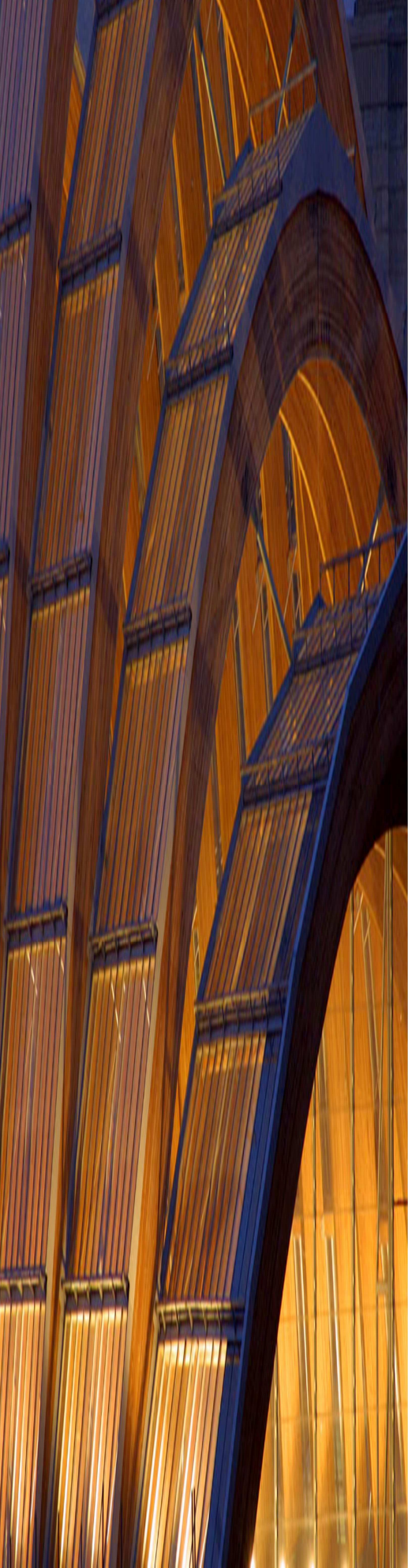


**CATEGORY OF
REPORT**

Open

Statutory and Council Policy Checklist

Financial implications
YES /NO Cleared by: K Inman
Legal implications
YES /NO
Equality of Opportunity implications
YES /NO
Tackling Health Inequalities implications
YES /NO
Human rights implications
YES /NO
Environmental and Sustainability implications
YES /NO
Economic impact
YES /NO
Community safety implications
YES /NO
Human resources implications
YES /NO
Property implications
YES /NO
Area(s) affected
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council? YES/NO
Press release
YES /NO



Sheffield City Council

Finance

Internal Audit

**Senior Finance Manager's
Internal Audit Annual Report
2015**

**Kayleigh Inman
Senior Finance Manager
Finance
Town Hall
Sheffield
S1 2HH**

24th September 2015

REPORT TO SHEFFIELD CITY COUNCIL AUDIT COMMITTEE

24th September 2015

Purpose of the Report

1. The purpose of this annual report to Members is to highlight the work that has been undertaken by Internal Audit during the year and supports the council's Annual Governance Statement (AGS).

Introduction

2. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that an annual report is produced on the work undertaken by the Internal Audit section. This report has been prepared by the council's Senior Finance Manager (Internal Audit).
3. It is not the intention of this report to give a detailed summary of every audit that has been undertaken during the previous year, rather to give a broad review of the control arrangements.

Executive Summary of Audit Opinion

4. From the work undertaken by Internal Audit during the year (2014/15), as Senior Finance Manager, I am satisfied that the core systems include control arrangements which are currently adequate to allow the council to conduct its business appropriately.
5. The council's Annual Governance Statement (AGS) previously circulated to the audit committee (July 2015) includes no areas of significant control weakness. However, there are 6 governance issues where the AGS process identified that further work is required to improve compliance with governance controls.
6. The governance issues were compliance with the Transparency Code, reports in relation to Rotherham Metropolitan Borough Council, fraud risk management, information governance, adult social care, and human resources people management. Officers are responsible for putting in place action plans to address these area and their activities (as in previous years) will continue to be monitored by the audit committee.
7. Internal Audit has undertaken a number of counter fraud investigations involving the housing/council tax benefit claims of households containing council employees. In addition, Internal Audit has investigated or assisted service managers to investigate other allegations of irregularity and associated disciplinary procedures throughout council services (refer to para 43, 73 - 77 for further details).

8. Internal Audit undertook planned pro-active initiatives in areas of perceived high fraud risk to seek assurance that the selected processes contained robust counter fraud controls and made recommendations where vulnerability was identified.
9. The internal audit service co-ordinated the data submission to the Audit Commission (now Cabinet Office) as part of the biennial National Fraud Initiative (NFI).
10. A total of 6 audit assignments (compared to 13 for 2013/14) were given an audit opinion of high risk of failing to deliver objectives, and these have been reported to the audit committee. These audits will/have been subject to follow up reviews to consider improvements and compliance with audit recommendations, and the outcomes of follow-up work are also reported to the audit committee via the high opinion recommendation tracker.
11. From the routine planned internal audit work undertaken and reported upon during 2014/15, management's response to control issues arising from individual reviews has been very positive overall, with actions to further enhance controls being agreed and formally accepted.
12. Assurance has been taken from the certification of internal control completed by Directors of Service under the AGS arrangements. Legal Services co-ordinated the compilation of the AGS on behalf of the council whilst ensuring that responsibility for items included within the statement lies with the senior management of the council.
13. As the Senior Finance Manager (Internal Audit) of the council I am not aware of any other significant control weaknesses that have not been included within the council's Annual Governance Statement.

Legislation Surrounding Internal Audit

14. The Internal Audit section is an integral part of the Finance Service, which contributes to satisfying the Executive Director – Resources' statutory responsibilities. There are two principal pieces of legislation that impact upon Internal Audit in local authorities, these are:
 - Section 151 of the Local Government Act 1972 requires that "every local authority ... make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs". The Council has designated the Acting Executive Director - Resources as the Responsible Financial Officer in relation to this section and one of the ways he exercises responsibility for financial administration is through the work of Internal Audit.

- Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2006 (last updated 2011), which state in respect of Internal Audit that:

“A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices”.

Professional Requirements

15. In addition to legislation, Internal Audit is governed by policies, procedures, rules and regulations established by Sheffield City Council (the council). These include the council’s constitution, financial regulations, standing orders, and conditions of service, codes of conduct for members and officers and other procedural rules.
16. The Internal Audit section also has to meet the standards laid down by professional bodies such as the CIPFA and Chartered Institute of Internal Auditors (CIIA).
17. The PSIAS came into force on 1 April 2013, and replaced the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom*, 2006. For the financial year 2014/15 Sheffield City Councils’ Internal Audit service complied with the majority of the requirements of the PSIAS.
18. Positive steps to ensure further compliance with the requirements of the standard are being taken. We are currently exploring the feasibility of ‘peer reviews’ within the core cities chief auditors group for independent external assessments, and are looking to conduct these in 2016/17.
19. The only areas where Internal Audit differs from the PSIAS is that there is an expectation that the ‘chief audit executive’ (CAE) will report directly to a member of the management board (EMT), and the remuneration of the CAE is determined by ‘the board’ (audit committee).
20. At present the Senior Finance Manager (SFM) reports to the Interim Director of Finance, who subsequently reports to the S151 Officer (Acting Executive Director – Resources). This point has previously been brought to the attention of the audit committee. The SFM does have unrestricted access to other senior officers, including the Chief Executive and to the Chair of the audit committee, where required.
21. The reporting arrangements for Internal Audit are in line with those operated in most other local authorities, including all of the core cities. Similarly remuneration is determined as per the human resources pay structure and pay and grading.

22. On an annual basis, members are asked to approve an Internal Audit charter. The charter for 2015/16 is attached at appendix A. It sets out the objectives, framework and services delivered by SCC Internal Audit and details the relationship with the audit committee, our objectives and the statutory requirements.

Review by External Audit

23. External audit continues to place reliance on the work of internal audit for the purpose of certifying the council's published financial statement. External audit assesses the adequacy of any work undertaken by internal audit on which they place reliance.
24. Internal Audit have quarterly 'liaison' meetings with external audit representatives to discuss and share work programmes, progress of work and key findings and recommendations.

Internal Audit Resources

25. Internal Audit had an agreed budget for 2014/15 (which was reduced by 6%) as outlined in the table below, which also summarises the end of year budget position. The increasing reductions and pressures continue to compress days available for audit work.

	£	£	£
	Outturn	Budget	Variance
Total	490,000	563,000	(73,000)

26. Comparative statistics collated from south and west Yorkshire local authorities in the past, showed that for the relative size of the council, the cost of the audit function in Sheffield is one of the lowest. Comparisons undertaken with other core cities in the past have showed similar results.
27. The core cities comparison has also identified that the coverage per auditor within Sheffield City Council is amongst the highest, with only Liverpool auditors covering more per person (refer to table below).

Core City	£m Net Revenue Costs (NRC) per Full Time Equivalent (FTE)
Liverpool	77.36
Sheffield	74.93
Birmingham	71.6
Newcastle	50.76
Bristol	50.66
Leeds	45.93
Nottingham	42.83

Structure

28. The structure of the section has not changed for 2014/15, with the total being 12.11 whole time equivalents (WTE). The Internal Audit structure has reduced significantly over the last 4 years and 12.11 WTE is considered to be the minimum level the authority can reduce to maintain an 'adequate service'. Unplanned work had a significant impact and during 14/15 when a management review was required within the Communities portfolio; Internal Audit had to pay for an investigator for 4 days a week for 4 months to review this area, as this review could not be accommodated within the reduced audit structure.
29. The current structure of the section is shown in appendix B to this report. It should be noted that within the first quarter of 2015/16, 2.5 WTE officers have been promoted, either permanently or temporarily to other sections within finance. As a result, we had 2.5 (WTE) vacancies within internal audit. Recruitment has been undertaken in August and the section will have a full-time trainee accountant, along with 2 new finance officers (FTE 1.8). This loss of staff in quarter 1 will have an impact on the delivery of the 2015/16 audit plan.
30. The Internal Audit section strives to maintain high professional standards by employing and training appropriately qualified staff who are members of or actively studying for professional qualifications. The majority of internal audit staff are either professionally qualified, or are actively studying for relevant qualifications. The section includes members of the Chartered Institute of Public Finance and Accountancy (CIPFA), Chartered Institute of Management Accountants (CIMA), Association of Chartered Certified Accountants (ACCA), Chartered Institute of Internal Auditors (CIIA), and Association of Accounting Technicians (AAT).
31. The 2014/15 original tactical plan contained 143 reviews. At the mid-year point, 20 reviews were deferred or deleted due to timing issues and/or other priority reviews being identified within portfolios. A further 29 new areas were added to the original tactical plan during the year. The service completed 91% of its agreed work plan. As Senior Finance Manager I am confident that enough coverage has taken place during the year for me to give a reasonable assurance on the council's overall control arrangements at the end of the 2014/15 financial year.

Planning Processes and Performance Monitoring

32. Historically, internal audit plans have been developed in line with the risk assessment model for evaluating and ranking the auditable areas. This system was adequate when internal audit resources were sufficient to at least cover the highest scoring risk areas, the so called 'A' risk audits. However, since the reduction of 37.5% in workforce and increasing financial risk across the authority arising from budget reductions, this approach identified that significant numbers of 'A' rated audits were being excluded from the plan.

33. The table below highlights the reduction in the number of audit days since 2011/12.

	2011/12	2012/13	2013/14	2014/15	2015/16
Total Audit Days	3118	2670	2252	1918	1882

34. The new planning strategy, (presented to audit committee May 2012) commenced for the 2012/13 planning cycle and internal audit work focussed on some specific key areas of activity (i.e. risk management, annual governance statement, performance management framework etc) which could provide assurance that risk and internal control issues are being properly managed by directors in service areas.
35. The 2014/15 tactical plan saw a reduction in the number of audits planned in these areas. This reduction occurred because we adopted a strategic overview approach in the first year (12/13) followed by detailed portfolio testing to validate/confirm the adequacy of internal controls in place in the second year (13/14). We considered the audit coverage in these areas over the last few years was sufficient and therefore, for 2014/15 the number of audits was reduced to 2 compliance reviews.
36. We revised our approach further for 2014/15, to concentrate on key strategic processes and therefore we undertook 4 audits in each portfolio in relation to outcome planning, business planning, budget setting and implementation of savings and directors' assurance.
37. These 4 strategic audits were considered critical and highly sensitive areas to review and therefore the audits were cross cutting and involved interviews and testing across all portfolios and public health. (refer to paras 77-83 for the outcome of these reviews).
38. The audit plan is discussed with senior managers and ultimately agreed with the Acting Executive Director - Resources.
39. It is anticipated that with a reduction in resources and an increase in demand in some service areas, that the risks faced by the council in providing its services are likely to rise over the next few years. The plan is therefore subject to review and amendment during the year to allow the inclusion of any emerging relevant risk issues.
40. The Internal Audit service uses a risk based approach to audit; this is now used almost exclusively for our reviews. This requires closer working with management to identify the risks inherent in the council's activities and then to test the controls that are in place to mitigate these.

41. Internal Audit has now moved to a 15 month model to measure the completion of the audit plan. The audit plan delivery for 2014/15 is as follows:

Audit Area	Original plan	Revised plan	Completed
Corporate	12	12	10
CYPF	23	27	24
Place	18	22	21
Communities	32	36	29
Resources & ICT	31	29	23
Main Financial Systems & Main Corporate Systems	14	10	8
Benefits	1	1	1
Pro-active Work & Reviews	12	15	14
Total (Planned Reviews)	143	152	130
Investigations			32
Total			162

42. A total of 130 reviews were completed out of a revised plan of 152 or 86%. Using the total number of reviews included in the original agreed plan, 91% of the plan had been completed by June 2015. Many of the remaining reviews were deferred/deleted due to issues that only became apparent towards the end of the year after the plan had been agreed.
43. In addition, Internal Audit completed 7 re-active investigations and assisted managers to conduct a further 25 re-active investigations. Of the 32 investigations, 3 related to benefit investigations*. 10 of the 32 investigations were ongoing from the previous period, with 22 new referrals. 26 investigations were concluded during this period. There were also 2 resignations and 11 dismissals resulting from these investigations.
- * It should be noted that since 1st February 2015 all benefit related fraud investigations are now undertaken by the DWP's Single Fraud Investigation Service (SFIS).
44. Internal Audit also co-ordinated the data submission to the Audit Commission (now Cabinet Office) for the statutory biennial NFI (National Fraud Initiative), along with co-ordinating and monitoring the release of the NFI data match work undertaken by other teams across the council.
45. As the Senior Finance Manager, I am satisfied that the coverage undertaken of the Council's activity by Internal Audit in the past year has been sufficient for me to be able to give an overall opinion on the Council's internal control system/environment.

Audit Reporting

46. Internal Audit reports are typically made up of a number of findings and recommendations. Dependent upon the nature of these findings, the recommendations are given one of four categories – critical, high, medium or efficiency/effectiveness.
47. All Internal Audit reports are then given an overall opinion as to the likelihood of the service/system under review being able to meet its objectives. There are four categories of opinion. These are:
- The risk of the activity not achieving its objectives is **high**. Internal Audit’s overall opinion is that controls to manage the operational risks are not present or ineffective.
 - The risk of the activity not achieving its objectives is **medium – high**. Internal Audit’s overall opinion is that controls to manage the operational risks are inadequate or operating poorly.
 - The risk of the activity not achieving its objectives is **medium – low**. Internal Audit’s overall opinion is that the controls to manage the operational risks are mostly in place but there are some weaknesses in their operation.
 - The risk of the activity not achieving its objectives is **low**. Internal Audit’s overall opinion is that controls to manage the operational risks are in place and operating effectively.
48. The opinions relate to the system at the time of the review and do not take into account the effects of the agreed recommendations. Internal Audit follow-up on the recommendations made, in a process that increases in relation to the significance of the opinion.
49. To give an indication of the risk profile, for audits carried out following the standard risk based approach, results were:

High	6 reports
Medium High	34 reports
Medium Low	34 reports
Low	4 reports

In addition, Internal Audit undertook 35 pieces of productive work across the council that did not generate an opinion therefore do not appear in the breakdown above – for example grant work and archives and archaeology accounts work. Furthermore, 17 pieces of follow-up work were completed during 2014/15, which did not generate a revised audit opinion.

50. It should be noted that although the vast majority of recommendations made by Internal Audit are agreed by management, there are occasions where recommendations are not agreed. In such instances Internal Audit outline the potential risks. A judgement is drawn by management in Internal Audit and where the risk is significant this will always be escalated

to senior management to ensure that they are aware of the decisions made. Ultimately non-agreement of recommendations can be reported to the audit committee to enable managers to justify their actions.

Review Process/ Quality Control

51. Internal Audit has a robust process of quality control that ensures that all of the reports produced are of a high and consistent standard.
52. The council's Internal Audit section was accredited for a number of years by the British Standards Institute (BSI). Budget pressures have impacted on this independent accreditation, which has not been maintained since January 2011. In order to ensure the service is still meeting the requirements consistent with the BSI quality standard, an internal review is undertaken annually - thus despite not retaining the official accreditation, we have sought to ensure that the quality control processes used within the section are of a robust standard.

Reporting Arrangements

53. All audit assignments are subject to formal feedback to management in an appropriate format. Draft reports are sent to the managers responsible for the area under review for agreement to the factual accuracy of findings and recommendations. After agreement, a formal implementation plan containing management's agreed actions, timeframe for implementation and comments will be issued to the directors/ head of service of the service under review. Internal Audit also performs follow-up reviews to track implementation of recommendations.
54. In order to formalise this process, Internal Audit has an agreed protocol. This document sets out the roles, responsibilities and processes that have been agreed to deliver the maximum benefit to the council.

Reviewing the Service

55. Internal Audit is constantly striving to improve the service that it provides to the council. Listed below are the processes that the service undertakes to encourage improvement:
 - Internal Audit work on the main financial systems is subject to some level of examination by the council's external auditors. They need to be assured that the service meets the standards required in order that they may place reliance on the work of Internal Audit for the final accounts audit.
 - Internal Audit has a number of performance indicators which it uses to improve performance. The key targets are highlighted within the annual finance service plan and are shown below.

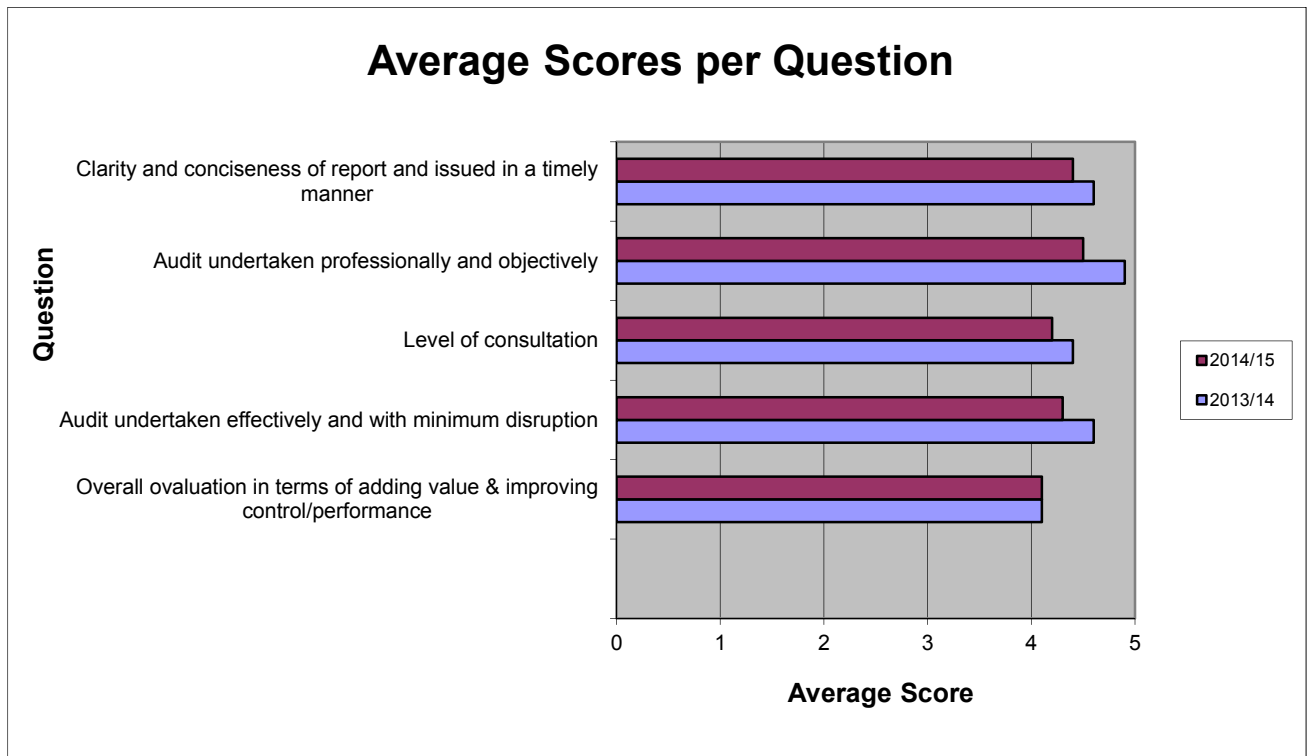
- All audit reports are issued with a standard questionnaire which requests client feedback on a number of aspects of the audit process including usefulness and conduct of the audit (see graph at para 58). The questions are analysed and submitted and used as part of the core cities comparisons.

56. The achievement of the performance targets is shown in the table below:

	2014/15 Target	2014/15 Achievement	2013/14 Achievement
PERFORMANCE TARGETS			
▪ Progress work to agreed work programme	90%	91%	86%
▪ Final reports to be issued within 3 months of the terms of reference being agreed.	80%	50%	56%
▪ Quality measures – average >85% scoring good or better on customer questionnaire (for details see graph overleaf).	85%	100%	100%

57. The figures above show we have sustained our 100% positive customer feedback questionnaires and the performance figure for progressing work to agreed work programme has increased to 91%.

58. Customer satisfaction questionnaires scores are seen to be excellent. Any low scores are followed up with the individual service managers and action is taken where appropriate to constantly strive to improve these. A blank copy of the full audit questionnaire is shown at Appendix C.



59. The individual scores for questions when compared with the previous year are slightly lower. However, the overall score is above target and Internal Audit will strive to maintain this position.
60. There was a slight deterioration in the other target area. In response to this deterioration a conscious decision was made by the management team to prioritise completion of the agreed plan over the 3 month target. The timeliness of the reports has been examined and action has been taken to help address the issues, for example through the development of an escalation policy. Changes within portfolios due to spending cuts across the council, staff reductions and changing/increased workloads have had an impact on delivery of final reports within the 3 month target.
61. Internal Audit managers review the performance indicators on a quarterly basis and determine what action can be taken. The performance indicators are also discussed with all audit staff at service planning meetings, to help identify ways of improving service delivery and performance targets.

Summary of Activity

62. During the year Internal Audit has undertaken risk based audit (RBA) reviews across the broad range of council services. The following sections outline the main blocks of work undertaken that are not portfolio/service specific.

Main Financial Systems

63. As part of the audit review cycle Internal Audit undertakes a programme of reviews that cover the main financial systems of the council. The work in these areas has been examined by the council's external auditors and reliance is placed upon this work for the council's annual accounts. This method of working reduces duplication of work and means that external audit does not undertake further expensive checking in these areas.
64. The key systems covered are noted below:-

Payroll

This audit covered the controls within the payroll system to ensure payments and deductions are made accurately and are supported with appropriate documentation. The overall opinion given was medium-high, as there was one high priority recommendation that required action. The 15/16 audit will consider progress against the previously agreed recommendations as well as areas from the annual rolling programme. The audit included transaction testing for the combined authority work.

Debtors

This audit covered the controls within the Council's OEO system and reconciliation processes in place. As per our rolling programme, Internal Audit followed up the previously agreed recommendations and a sample of debtor accounts was included. Seven recommendations were made, one of which was high priority, all were agreed. An overall opinion of medium - high was given. The audit included debtors transactions for the combined authority.

Creditors – Purchase to payment (P2P)

This audit covered the P2P process and controls and followed up on the previous year's recommendations. This resulted in four recommendations which were agreed. The overall opinion given was medium-low. The audit included transaction testing for the combined authority work.

National Non Domestic Rates (NNDR)

This audit covered the business rates system in place, and followed up previous years recommendations. A medium – low opinion was given with eight recommendations being made. Of these four were good practice recommendations.

Council Tax

The annual council tax audit concluded with a medium-low opinion, with all recommendations made being agreed.

Housing and Council Tax Benefit System

The benefits service, including council tax support, and the council tax service are contracted out to Capita and administered on a joint IT

system. A risk based audit and an annual transaction testing review were conducted on the benefits service during the year. From the work completed it was found that controls in the benefit service are basically sound however recommendations for improvement were agreed with the contract administrator (revenue and benefits client team) and Capita.

Schools

65. Effective from April 2011, Internal Audit revised the approach taken to school audits with the introduction of themed reviews. Themes are based on areas previously included within the detailed schools programme. Additionally, risk management issues surrounding certain non-financial areas were assessed and identified.
66. In 2014/15, Internal Audit carried out themed reviews of the following areas :
- School Improvement Planning
 - Critical Incident Planning
 - Declaration of Pecuniary Interest
 - Business Continuity Planning
 - Cash Handling
67. The Schools Financial Value Standard (SFVS) is in place and is expected to inform the regular internal audit processes of local authorities. Consideration has been given to the questions and responses included within the SFVS when devising themes to review for 2014/15. Also, prior to each themed review commencing, the SFVS self-assessment returns are examined to help select the sample schools to visit.
68. For the 2014/15 financial year, in the Dedicated Schools Grant (DSG) outturn statement, the Interim Director of Finance has given a general assurance that schools have a system of audit in place which gives adequate assurance over school's standards of financial management and the regularity and propriety of their spending.
69. The follow-up process with audit recommendations within schools has been hindered by the lack of engagement from a number of schools. Therefore, for Independent Payroll Providers follow-up review a report was presented to the Schools Forum (19.3.15) to help raise awareness and emphasise the importance of responding to an audit request for an updated position regarding the implementation of recommendations.
70. Going forward, Internal Audit plan to make more use of existing networks such as the Schools Forum and the City Wide Learning Body to impress on schools the importance of complying with audit recommendations.

Counter Fraud

71. During 2014/15 Internal Audit had a part-time member of staff within the section that undertook counter fraud work in addition to an audit programme. They dealt with potential fraud allegations made against employees and council members and provided advice and assistance to managers in all portfolios.
72. Nationally, housing and council tax benefits are subject to a significant level of fraudulent activity. On 1st February 2015 the team of counter fraud specialists employed by Capita to deter, investigate and sanction incidents that occur within Sheffield, were transferred to the Department for Work and Pensions (DWP) Single Fraud Investigation Service (SFIS). This service is now responsible for benefit fraud investigation.
73. Pro-active counter fraud exercises were undertaken, which were intended to strengthen the council's control framework and maintained links to the police and other statutory investigative services. Additional audits were also undertaken following the outcome of investigation and National Fraud Initiative (NFI) work completed in year, to enable council process and procedures to be sufficiently robust and fit for purpose.
74. As highlighted in the council's counter fraud policies, the management of fraud risk does not rest with internal audit. The role of internal audit is to deliver an opinion on the whole of the council's risk management, control and governance processes. In relation to fraud this includes an opinion of the adequacy of arrangements for managing the risk of fraud and ensuring that the organisation actively promotes an anti-fraud culture. Internal auditors are vigilant to the potential of fraud and strive to ensure that there are strategies, policies and controls in place to minimise the occurrence or impact of fraud.

ICT Audit

75. During the year a number of reviews were undertaken and recommendations made for which a generally positive response was received.
76. Internal Audit has also used computer auditors from Salford City Council who have a large specialist team that provides computer audit services to other councils to undertake additional work in this area to augment in-house provision.

Strategic Reviews

77. The strategic outcome planning review examined how the outcome planning processes drives the council in achieving its objectives. This

audit was not a review of controls/probity, it was a review of a process that ultimately reflects the culture of the council and how well portfolios had embraced outcome planning and the challenges it posed for planning across the council.

78. The overall opinion given was high because of the strategic nature of the outcome planning process and because it spanned the breadth of council activity. In many ways the opinion reflects the ambitious nature of the objective, it is a new way of looking at the council (specifically developed for Sheffield) and how it can plan its medium to long term ambitions. It was recognised that the landscape of the council is changing and will continue to do so and that improvements in the process, in line with the recommendations, will take time to embed within the council. The Chief Executive has undertaken to work with the executive management to implement solutions in a suitable timescale.
79. The business planning review considered the process adopted to establish a balanced budget for 2015/16. A forward looking review was undertaken due to changes introduced in the process effective from this financial year. The process for quantifying budget pressures and proposing and challenging budget savings was examined. The overall opinion given was medium-high, again due to the strategic importance of balancing the budget every year. The 2015/16 budget was the fifth year of large-scale budget reductions, which had to be balanced against the desire to preserve the organisations values and outcomes for the city. This makes the business planning process inherently difficult. All those involved in the process recognised that finding savings across the council via a large number of individual schemes is proving increasingly challenging.
80. Given the increasingly difficult resourcing situation, it is recognised by Internal Audit and acknowledged by directors that change is required, and the process behind business planning needs to be amended to identify robust and achievable savings.
81. The budget setting and implementation of savings review examine the success or otherwise of achieving the savings agreed as part of the 2014/15 business planning cycle. Effectively this audit evaluated how well savings agreed to achieve a balanced budget position in 2014/15 had been implemented and what mechanisms existed to identify and rectify any savings that were not on target. Processes for monthly monitoring and reporting were also evaluated.
82. The overall opinion given was medium-high due to the different approaches taken by each of the portfolios to the budgets savings process. The level of information and detail in the savings proposal / project business case / outline business case / equalities impact assessment varied between portfolios. Furthermore, there was a lack of consistency regarding the retention of the information and a lack of ownership by the service for the budget proposals made.

83. The directors' assurance review sought to establish and evaluate the arrangements that enable Executive Directors/Directors to obtain assurance over the discharge of their statutory responsibilities. The overall opinion given was medium-low. This opinion was based on high level interviews with senior management and the provision of limited documentation in support of their comments. These interviews conducted in the main, identified patterns of consistent good practice across the council; however, Internal Audit considers that these processes would be enhanced by the introduction of integrated assurance mapping across all services and portfolios. The directors' assurance report will be provided to the audit committee members as this informs their governance role.

Sheffield City Council's – Annual Governance Statement

84. Sheffield City Council is responsible for ensuring that its business is conducted in accordance with legislation and that proper standards of control are maintained, and that public funds and assets are safeguarded and properly accounted for and are used economically, efficiently and effectively. The 2006 Accounts and Audit Regulations (last updated 2011) place a requirement on the council to produce an annual governance statement.
85. Two audits were delivered in relation to the AGS process and portfolio testing. These reports were both issued with medium-low opinions; meaning that the controls were in place and were for the most part operating soundly.

Chief Audit Executive's (Senior Finance Manager's) Opinion

86. With an organisation as large and complex as the council, some controls will inevitably fail or some risk will materialise which could not reasonably be foreseen.
87. From the work undertaken by Internal Audit during the year however, I am satisfied that the core systems include control arrangements which are adequate to allow the council to conduct its business appropriately.

FINANCIAL IMPLICATIONS

88. There are no direct financial implications arising from the report.

EQUAL OPPORTUNITIES IMPLICATIONS

89. There are no equal opportunities implications arising from the report.

RECOMMENDATIONS

90. That the audit committee notes the content of the report and the opinion of the Senior Finance Manager.
91. That the audit committee approve the Internal Audit charter for 2015/16.

Kayleigh Inman
Senior Finance Manager

SHEFFIELD CITY COUNCIL

INTERNAL AUDIT CHARTER

Definition and Objectives

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Purpose, Authority and Responsibility

Internal Audit forms part of the Resources Portfolio. The Senior Finance Manager (Internal Audit) reports to the Interim Director of Finance, who in turn reports to the Director of Resources.

The Senior Finance Manager (SFM) is the designated 'Chief Audit Executive', as defined in the Public Sector Internal Auditing Standards. 'The Board' is defined as the Audit Committee and 'Senior Management' is defined as the Executive Management Team.

The Interim Director of Finance and Senior Finance Manager report to the Audit Committee on a quarterly basis. There are a number of standard items reported including the annual audit plan, an annual opinion on the standard of internal control within the authority and regular updates on the implementation of high opinion audit report recommendations.

Independence and Objectivity

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner that facilitates impartial and effective professional judgements and recommendations. The Senior Finance Manager, finance managers (Internal Audit) and internal auditors have no operational responsibilities.

Should the need arise the SFM can report directly to the Executive Director Resources, or the Chief Executive. Reports can also be made to the Chair of the Audit Committee if required.

The SFM will confirm to the Audit Committee on an annual basis, within the Annual Report, the organisational independence of the Internal Audit Service.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance.

The scope for Internal Audit is the control environment comprising risk management, control and governance. This effectively includes all of the council's operations, resources, services and responsibilities in relation to other bodies. This description shows the very wide potential scope of Internal Audit. In order to turn this generic description into actual subjects for audit, a risk assessment methodology is applied that allows all high-risk subjects to be identified. The council's fundamental financial systems are subject to a degree of inspection on an annual basis, whilst Internal Audit also identifies other financial and non-financial systems and functions as important areas for review.

Internal auditors will maintain an impartial, unbiased attitude and avoid any conflicts of interest in the performance of audit assignments.

Accountability for the implementation of recommendations made by Internal Audit lies with management, who either accept and implement the advice or formally reject it. A report is made to the Audit Committee of any 'high priority' recommendations that have been rejected by management.

Code of Ethics

All our internal auditors must conform to the Code of Ethics (see Appendix 1). The code promotes an ethical culture in a profession founded on the trust placed in its objective assurance about risk management, control and governance.

The Code of Ethics includes 2 essential components – The Principles and Rules of Conduct (which are an aid to interpreting the principles into practical applications).

Statutory Role

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2003, which state in respect of Internal Audit that:

“ A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices, and any officer or member of that body shall, if the body require:

- Make available such documents of the body which relate to its accounting and other records as appear to be necessary for the purpose of the audit; and
- Supply the body with such information and explanation as the body considers necessary for that purpose.”

The statutory role is recognised and endorsed within the council's Financial Regulations, which provides the authority for access to officers, members, documents and records and to require information and explanation as necessary.

Internal Audit Standards

With effect from 1st April 2013, the CIPFA Code of Practice for Internal Audit was subsumed into the new Public Sector Internal Auditing Standards (PSIAS). SCC is working towards compliance with this new standard. Any non-compliance will be reported to the Audit Committee in the Annual Report.

Internal Audit Resources

Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the standards. Internal auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Senior Finance Manager and interim Director of Finance are responsible for appointing the staff of the Internal Audit section and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

The interim Director of Finance is responsible for ensuring that the resources of the Internal Audit section are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he concluded that resources were insufficient, he must formally report to the Section 151 Officer.

Engagement Planning

For each audit assignment, internal auditors will develop and document a plan including the objectives of the review, the scope, timing and resource allocations. In planning the assignment, auditors will consider, in conjunction with auditees, the objectives of the activity being reviewed, significant risks to the activity and the adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model.

Reporting Accountabilities

A written report will be prepared by the appropriate auditor for every internal audit review. The report includes an opinion on the adequacy of controls in the area that has been audited.

The draft report will be discussed with the auditees and a response obtained for each recommendation stating their agreement/ non agreement to each recommendation and timeframe for implementation. The draft final report will include these management responses and acceptance to the audit recommendations and will be issued to the auditee and relevant Director of Service for final agreement. The auditee and Director of Service have 7 days to reply to the draft final report before it is issued as final.

Internal Audit reports, assigned a high or medium-high opinion are subject to a follow-up, arranged in order to ascertain whether the action stated by management and their response to the report has been implemented.

Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have responsibility for the prevention or detection of fraud or corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Arrangements are in place for Internal Audit to be informed of all suspected or detected fraud, corruption or improprieties. Internal Audit may be requested by management to assist with fraud related work.

Updated July 2015.

Code of Ethics

1) Integrity

Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal Auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility;
- 1.2 Shall observe the law and make disclosure expected by the law and the profession;
- 1.3 Shall not knowingly be a part to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2) Objectivity

Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balance assessment of all the relevant circumstances and are not unduly influence by their own interest or by others in forming judgements.

Rules of Conduct

Internal Auditors;

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement;

2.3 Shall disclose all material facts know to then that, if not disclosed, may distort the reporting of activities under review.

3) Confidentiality

Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct

Internal auditors;

3.1 shall be prudent in the use and protection of information acquired in the course of their duties;

3.2 shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation;

4) Competency

Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct

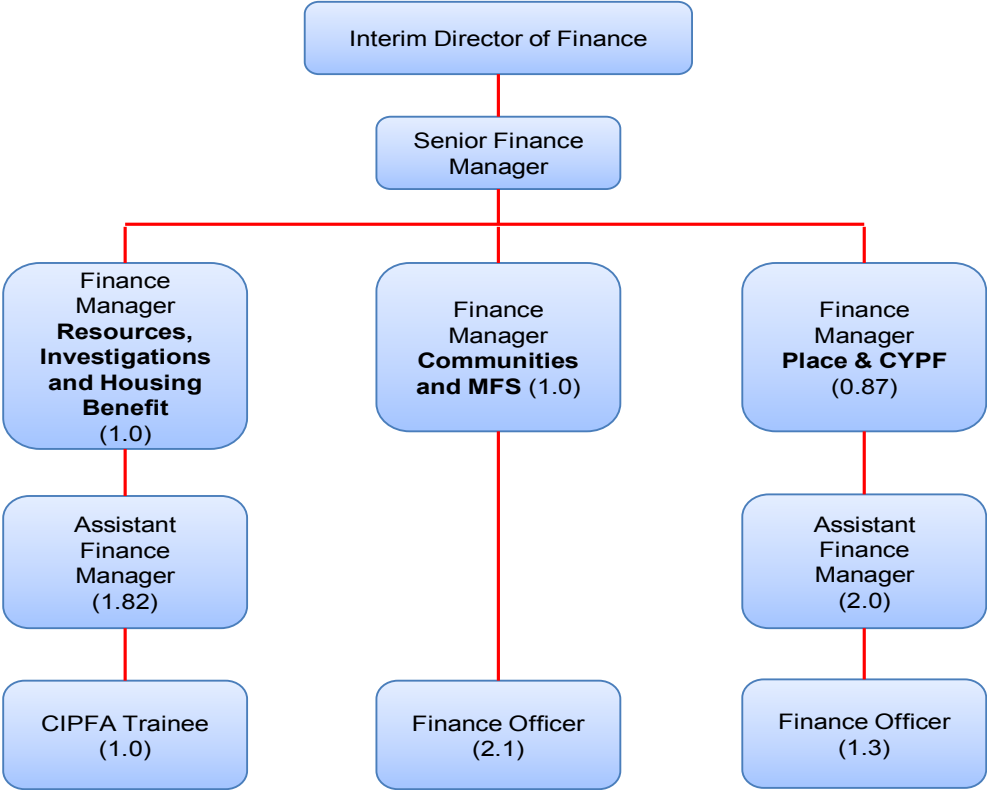
Internal auditors;

4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience;

4.2 Shall perform internal auditing services in accordance with the International Auditing Standards for the Professional Practice of Internal Auditing.

4.3 Shall continually improve their proficiency and effectiveness and quality of their service.

Internal Audit



**INTERNAL AUDIT
POST AUDIT QUESTIONNAIRE**

Audit:

Portfolio:

Date of Issue:

Internal Audit is continuously looking at ways of improving the quality of service that we provide. Please could you complete this questionnaire to help us ensure that the service we provide is of the highest possible standard.

Evaluation

Please indicate a score of 1 - 5, with 1 being poor and 5 being good.

1. Overall evaluation of the audit in terms of added value to your business area and improving control / performance.	<input type="checkbox"/>
2. The level of consultation during the audit.	<input type="checkbox"/>
3. The audit was carried out effectively with minimum disruption.	<input type="checkbox"/>
4. The auditors were professional, objective and worked well with your team.	<input type="checkbox"/>
5. The final report was clear, concise, addressed the key issues and was issued in a timely manner.	<input type="checkbox"/>

Comments:

Form completed by:

Name: _____ Designation: _____

Signature: _____ Date: _____

Thank you for completing this questionnaire. Please return to:

Kayleigh Inman
Senior Finance Manager
Sheffield City Council
PO Box 1283
Town Hall
Sheffield S1 1UJ
Or Email to: Kayleigh.inman@sheffield.gov.uk



Audit Committee Report

Report of:	Eugene Walker Interim Executive Director of Resources, Local Authority Section 151 Officer
Date:	24 September 2015
Subject:	2014/15 Statement of Accounts 2014/15 Report to Those Charged With Governance (ISA 260)
Author of Report:	David Phillips Interim Director of Finance
Summary:	The purpose of the report is to communicate any relevant matters arising from the external audit of the 2014/15 Statement of Accounts to Members.
Recommendations:	To request that approval is given for the Chair of the Audit Committee to conclude the audit by signing the Letter of Management Representations and the Statement of Accounts.
Background Papers:	None
Category of Report:	OPEN

Statutory and Council Policy Checklist

Financial Implications
NO
Legal Implications
NO
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human rights Implications
NO
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
None
Relevant Cabinet Portfolio Leader
Ben Curran
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

AUDIT COMMITTEE – 24 SEPTEMBER 2015

2014/15 STATEMENT OF ACCOUNTS

EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2014/15

Purpose of this Report

1. The purpose of the following report is to communicate any relevant matters arising from the external audit of the 2014/15 Statement of Accounts to members and in acknowledging these findings request that approval is given to allow the auditors to conclude the audit, by signing the Letter of Management Representations and the Statement of Accounts.

Introduction and Background

2. The Council's 2014/15 Statement of Accounts were authorised by the Interim Executive Director of Resources (Section 151 Officer) on the 23 June 2015. At this time the accounts were still subject to External Audit by KPMG. This audit is now complete and the External Auditor's findings have been received.
3. The revised, audited Statement of Accounts is attached at **Annex A** to this report. The Statement of Accounts needs to be approved by the Audit Committee at this meeting.
4. As the Statement of Accounts is a technical document some explanatory notes are attached at **Appendix 1** to this report to aid understanding. These notes explain the purpose of each statement and the peculiarities of Local Authority accounting.
5. External Auditors are required to undertake their work in accordance with International Auditing Standards. Specifically, they are required to communicate any relevant matters relating to the audit to those charged with governance.

Findings from the External Audit of the 2014/15 Statement of Accounts

6. The findings from the external audit review are set out in detail in their Report to those Charged with Governance (ISA 260) 2014/15, which is a separate report, and members are asked to note the contents.
7. As a result of on-going work on the draft accounts produced in June, some minor misstatements and presentational errors have been identified by officers and others have been identified as a result of the external audit. The necessary amendments have been made to the Statement of Accounts and agreed with the auditors.
8. The Report to those Charged with Governance (ISA 260) 2014/15 Appendix 3: Audit Differences identifies a presentational error:
 - PFI Scheme – In the disclosure note for Property, Plant and Equipment (note 14), new expenditure on the Streets Ahead project has been included in the total, but not included in the extract, which details how much of the total relates to PFI schemes. The note has been amended and the comparators restated.
9. The Report to those Charged with Governance (ISA 260) 2014/15 Section 3: Significant Risks and Key Areas of Audit Focus, identifies a transaction applied contrary to new guidance in accounting for schools' assets.
 - Where there are changes to how schools are accounted for, the guidance requires full retrospective application, leading to additional disclosures for both 2014/15 and previous years. The implementation of the new guidance only affected the land and buildings of one Foundation School; given the value £1.2m, which now has to be recognised on the Council's balance sheet, the transaction has been included in 2014/15 figures. However, amendment of the previous year's figures would have involved a significant number of amendments having to be made, so as this amount is below the threshold to be considered trivial by the auditors, previous years have not been amended.
10. The s151 officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices, and he will certify that they give a true and fair view (i.e. that the financial statements present a true and fair view of the financial position of Sheffield City

Council as at 31 March 2015 and its income and expenditure for the year). We understand that the auditors intend to issue an unqualified audit opinion on the accounts.

11. The External Auditors are also required to report on value for money, specifically on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The Report to those Charged with Governance (ISA 260) 2014/15 Section 4 reports an unqualified conclusion.
12. In order to complete their audit and satisfy their auditing standards, the Auditors are requesting written management representation from those charged with governance. Appropriate enquiries have been made with responsible officers within the Authority in order to confirm the representations included. Therefore, attached at **Annex B** is a letter of management representations in the format prescribed by the External Auditors to be signed by the Chair of the Audit Committee.
13. The Auditors are also required to ask those charged with governance to confirm that there are no material uncertainties that cast significant doubt about the ability of the Council to continue as a going concern. Appropriate enquiries have been made within the Council and for other parties in which the Council has an interest and no material uncertainties have been identified.

Publication of the 2014/15 Statement of Accounts

14. As part of their work to complete the audit, the Auditors issue an opinion on the Statement of Accounts and a Certificate of Completion of the Audit. It is intended that an unqualified opinion will be given on the Statement of Accounts and a certificate issued to close the Audit.
15. The 2014/15 Statement of Accounts will be published on the Council's website by 30 September 2015. Once the Certificate of Completion is received an advert will be placed in the local press to inform that the audit has been concluded and the accounts have been published.

Financial Implications

16. There are no financial implications arising from the recommendations set out in this report.

Equal Opportunities Implications

17. There are no equal opportunities implications arising from the recommendations set out in this report.

Property Implications

18. There are no property implications arising from the recommendations set out in this report.

Recommendations

19. It is recommended:

- That the Audit Committee accepts the Report to those Charged with Governance (ISA 260) 2014/15.
- That following the above acceptance the Chair of the Audit Committee provides his signature to the Letter of Management Representations attached at **Annex B** in order to conclude the audit;
- That the Audit Committee approves the Statement of Accounts for 2014/15 attached at **Annex A** and the Chair of the Audit Committee provides signature to the Statement of Accounts.

David Phillips
Interim Director of Finance

11 September 2015

APPENDIX 1

Explanatory Note: Statement of Accounts

1. The purpose of this document is to provide guidance on the interpretation of the Council's Statement of Accounts. The accounts comprise several key statements:
 - Movement in Reserves
 - Comprehensive Income and Expenditure Account
 - Balance Sheet
 - Cash Flow Statement
 - Key Notes to the Core Financial Statements
 - Housing Revenue Account Income and Expenditure Account
 - Collection Fund

Peculiarities of Local Authority Accounting

2. The presentation of Local Authority accounts differs greatly to that of the private sector. Many of these differences occur due to legislative requirements for Local Authority accounts. For example, in the Council's accounts income is shown as a negative figure in brackets and expenditure is shown as a positive figure.
3. There are also significant differences in the way the Council accounts for Capital and Pension Contributions.

Capital

4. Local Authorities account for capital in line with International Financial Reporting Standards (IFRS) on the face of the income and expenditure account. However, the impact of any charges are "reversed" out in an adjustment between accounting basis and funding basis under regulation, so that they do not impact on the amount collected in council tax.

Pensions

5. Local Authorities are required to comply with International Accounting Standards (IAS) 19 on accounting for post-employment benefits, which means accounting for pension liabilities when they are committed to giving them, not when they are actually paid out. The Council complies with IAS 19 and recognises the Council's share of the net liability of South

Yorkshire Pension Scheme in the balance sheet. Within the Comprehensive Income and Expenditure account the cost of service figures have been adjusted so they represent the true costs of pensions earned, IAS 19 does not have any effect on the amount collected in Council Tax as they are reversed out as an adjustment between accounting basis and funding basis under regulation.

Movement in Reserves

6. This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves.
7. The Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.
8. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes, therefore an adjustment is made to the movement in reserves statement for adjustments between accounting basis and funding basis under regulation.
9. The net increase / decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Account

10. 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).
11. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.
12. The presentation of the cost of services is presented using the Service Reporting Code of Practice (SeRCOP) classification, a statutory requirement. This is so comparisons between different Local Authorities can be made.

Balance Sheet

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

14. Reserves are reported in two categories:

- Usable reserves - those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
- Unusable reserves - those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Cash Flow Statement

15. The Cash Flow statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents.

16. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Key Notes to the Financial Statements

17. The notes to the accounts contain information in addition to that presented in the main statements. They provide narrative descriptions, disaggregation of items presented in the statements and further information about items in the statements.

18. The report on the Outturn position at the end of the 2014/15 financial year was considered by Cabinet on 27 May 2015. This reported that there was an overall underspend of approximately £0.6m before Members carry forward requests and movement on reserves. The Statement of Accounts is in line with the outturn report but sets out the more detailed financial

position for the council in a format required by legislation. The following two notes show the reconciliation between the outturn position and the statement of accounts:

- Adjustments between accounting basis and funding basis under regulations – this note details the adjustments that are made to the total comprehensive income and expenditure account in accordance with accounting practice to the resources that are specified by statutory provision as being available.
- Amounts reported for resource allocation decisions – this note reconciles the income and expenditure shown in the comprehensive income and expenditure account to the budget outturn report produced by the Council.

Housing Revenue Account (HRA)

19. 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.

20. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

Collection Fund

21. The Collection Fund is a 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 non-domestic rates.

SHEFFIELD CITY COUNCIL
STATEMENT OF ACCOUNTS
2014/15

(Audited)

For the period
1 April 2014 to 31 March 2015

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Foreword by the Executive Director of Resources

1. INTRODUCTION

Purpose of the Foreword

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 Foreword, 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 2014/15 Code of Practice on Local Authority Accounting (the Code) together with guidance notes as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

The Headlines

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

- In spite of substantial pressures on adult social care and waste management budgets, the Council managed to achieve a broadly balanced budget for 2014/15.
- The Council's net worth has decreased by £109.3m (or 15%) since 2013/14, the main factors being:
 - an increase in the Council's pensions' liability (£158.8m) due to the annual review by the actuary;
 - an increase in the council's liabilities with respect to Private Finance Initiatives (£27.5m), offset by;
 - a net increase in the Council's fixed assets due to revaluations (£39.1m), and;
 - a planned revenue contribution to capital from the Housing Revenue Account (HRA) of £36.4m as part of the approved strategy to prepare for substantial capital expenditure on council housing in the medium term.
- Total usable reserves increased by £45.0m from £212.5m to £257.5m (see section 4 of this Foreword);
- £145.3m of capital investment went through the Capital Programme during the year, up from £116.5m in 2013/14.

2. THE CITY COUNCIL'S CORPORATE AIMS AND OBJECTIVES

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

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

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

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

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

3. KEY SECTIONS INCLUDED IN THE STATEMENT OF ACCOUNTS

Statement of Responsibilities (page 27)

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

Movement in Reserves Statement (page 28)

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

Comprehensive Income and Expenditure Statement (page 31)

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

Balance Sheet (page 32)

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 34)

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

Notes to the Financial Statements (page 35)

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

Housing Revenue Account (HRA) (page 137)

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 144)

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

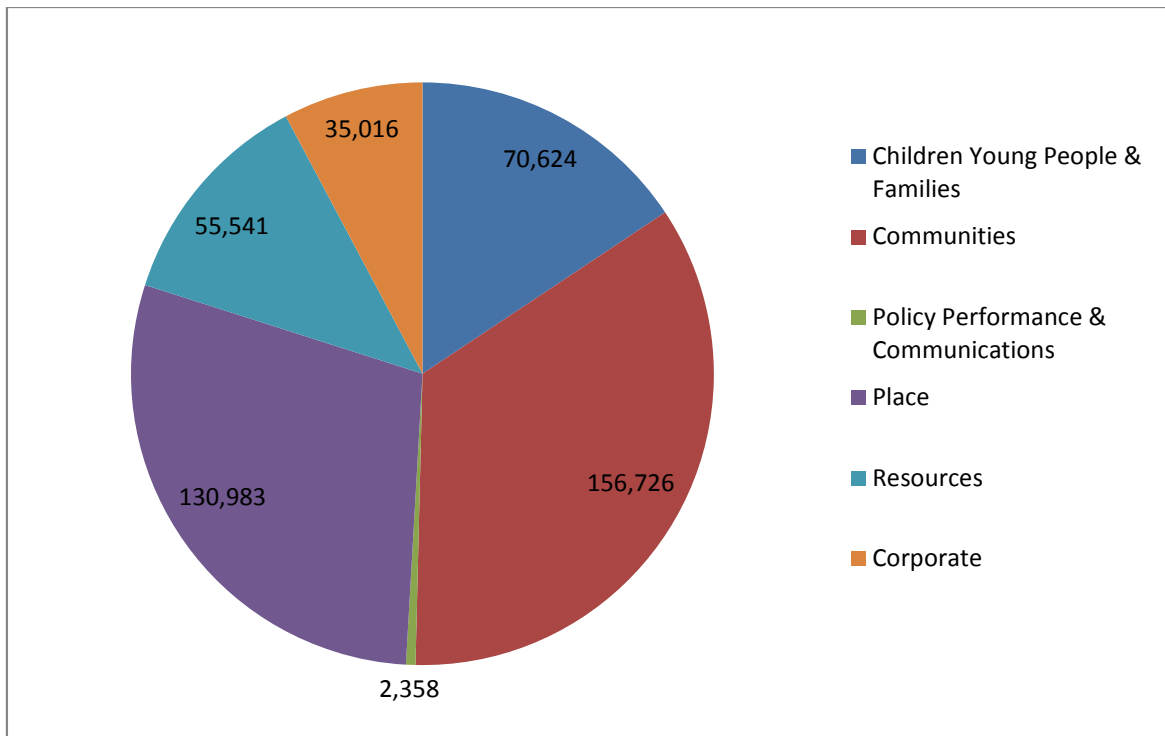
4. FINANCIAL PERFORMANCE FOR THE YEAR

Revenue Expenditure

Revenue expenditure covers the day-to-day running costs of the Council's services which are grouped under five portfolios plus corporate. The net revenue budget for 2014/15, which included a savings programme of £58.4m, was split by portfolio as shown in the chart overleaf. The net expenditure was budgeted to be funded by £157.5m of Revenue Support Grant, £164.4m of Council Tax, £100.9m of the Council's share of National Non Domestic Rates (NNDR), £28.3m of Business Rates Top Up Grant and £171k of Collection Fund Surplus. Council Tax was frozen for the fourth year running.

2014/15 was yet another challenging year in which all portfolios worked hard to deliver the significant savings programme referred to above. 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 27th May 2015) can be found: <http://sheffielddemocracy.moderngov.co.uk/ieListDocuments.aspx?CId=123&MId=5939&Ver=4>

Sheffield City Council 2014/15 Net Revenue Budget by Portfolio (£000)



Portfolio	Variance £000
Children Young People and Families	(782)
Communities	1,965
Policy Performance and Communications	29
Place	967
Resources	(638)
Corporate	(2,189)
Total underspend for the year	(648)
Portfolio carry-forward requests	47
2015/16 priority projects carry-forward requests	600
Net underspend for the year	(1)

As indicated in the table above, the key area of concern is the Communities portfolio which overspent by £2.0m as a result of demand pressures on the Adult Social Care budget, although this is a significant improvement in financial performance compared to 2013/14 when the portfolio overspent by £9.7m.

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 deficit of £109.3m. This deficit represents the total amount by which the Council's net worth has decreased during the year as shown in the Balance Sheet. The following paragraphs explain the four main sections of the CIES, and are supplemented by a table which reconciles the total underspend on the General Fund of £648k to the deficit in the CIES (£109.3m).

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 £390.9m in 2014/15 (£489.0m in 2013/14).

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 £68.5m in 2014/15 (£94.1m in 2013/14).

The third section of the CIES includes £97.2m (£96.0m in 2013/14) of interest paid or received ('Financing') and £613m (£598.8m in 2013/14) of general income due to the Council (local share of NNDR, Council Tax, non-ring fenced Government grants including those used to fund capital expenditure).

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

	£000
Total General Fund Surplus per Outturn report	(648)
Net contributions to revenue reserves	(8,536)
Surplus / Deficit on the Housing Revenue Account	0
Surplus on Schools Accounts	(90)
Total Contribution to Reserves	(9,274)
Removal of debt charges	(30,271)
Removal of pension contributions	(101,754)
<i>Items that do not affect Council Tax:</i>	
Inclusion of accounting charges for depreciation, impairment, holiday pay, PFI, etc.	84,825
Gains & losses on non-current assets, pension assets and other items	165,806
Deficit on Total Comprehensive Income and Expenditure in Accounts	109,332

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 2014/15 Capital Outturn is £145.3m against a revised budget of £164.8m, a variance of £19.5m (12%). The main reason for this is 'slippage' (the extent to which, in terms of expenditure, a capital project is behind schedule) which will be carried forward into 2015/16 (along with the resources identified to fund it).

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

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

The capital expenditure of £145.3m in 2014/15 was funded via four main sources:

- Capital grants and contributions (£67.6m)
- Prudential borrowing (£43.4m)
- Major Repairs Reserve (£25.8m)
- Capital receipts (£8.5m)

A further £39.5m of new capital assets has been delivered by the Streets Ahead programme during the year, which takes total capital expenditure for 2014/15 to £184.8m (see Note 40).

Usable Reserves

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

During the financial year 2014/15, total usable reserves increased by £45m from £212.5m to £257.5m. The key reasons for the increase in this category of reserves are as follows:

- The Major Repairs Reserve, which the Council is required to maintain explicitly for the purpose of funding capital expenditure on HRA assets, increased by £28m as part of the strategy to consolidate revenue contributions to capital from the HRA in anticipation of substantial capital investment in the medium term. This strategy has been approved on an annual basis by Cabinet in the HRA business plan.
- Earmarked General Fund Reserves increased by £9.9m during the year
- Reserves used to fund the capital expenditure on non-HRA assets increased by £5.6m

The Council's usable reserves also include £11.2m of Unallocated Reserves or General Fund Balances. According to the National Audit Office (NAO) Report 2014 'The impact of funding reductions on local authorities', General Fund Balances have remained stable at 6% of net revenue expenditure amongst single tier and county councils. At £11.2m, Sheffield's General Fund Balance is 2.5% of net revenue expenditure, which demonstrates that the General Fund available to Sheffield is well below average; however the Council believes this level to be adequate but acknowledges it should not fall below the March 2015 figure where possible.

At £95.9m, Earmarked General Fund Reserves represented around 37% of total usable reserves as at 31st March 2015. £18m of these reserves are set aside exclusively for schools. The remaining £77.9m of these reserves are earmarked to cover liabilities for

expenditure which is already committed but not yet paid for, a prime example being future increases in unitary charge payments relating to the Streets Ahead project.

Whilst the balance of £95.9m on Earmarked General Fund Reserves may seem significant, this is equivalent to only 21% of the 2014/15 net budget requirement of £451.2m. It is worth noting that the aforementioned NAO report stated that for single tier and county councils, earmarked reserves increased from 19% to 27% of net revenue expenditure in real terms. This highlights that Sheffield's level of earmarked reserves is well below our comparators; however, the Council believes that via its ongoing review of potential future financial risks, sufficient funds have been set aside.

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 25.

5. SIGNIFICANT CHANGES IN ACCOUNTING POLICY

The Council's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies presented in Note 1 are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

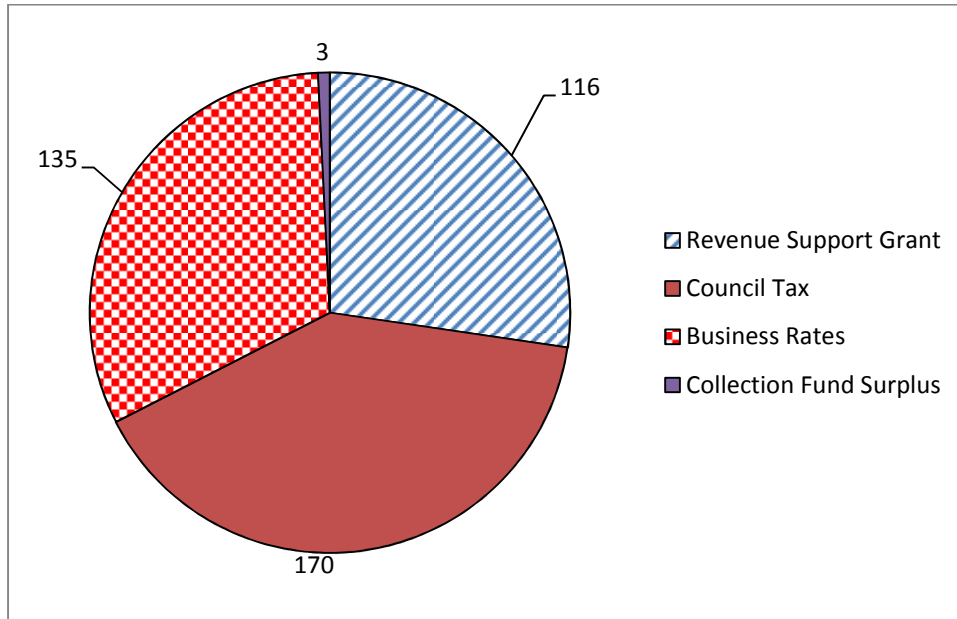
There have been no significant changes in accounting policy during 2014/15.

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 2015/16 Revenue Budget (approved by Full Council on 6th March 2015) and the Medium Term Financial Strategy (MTFS).

Local Government Finance Settlement

After a period of consultation which ended on 15 January 2015, the final Local Government Finance Settlement figures for 2015/16 were confirmed on 3 February 2015.



How the 2015/16 net revenue budget is financed (expressed in £m)

As shown in the chart above, the net revenue budget for 2015/16 totals £424m and comprises three main sources of income, plus a one-off amount of £3m called the “Collection Fund Surplus”. When compared to the 2014/15 net revenue budget, the proportion of each of these income sources has changed significantly, thus indicating the trend of things to come. For example, Revenue Support Grant (RSG) accounted for 35% of the net revenue budget in 2014/15. As a result of RSG being reduced by £42m in the 2015/16 Settlement, it now only accounts for 27% of the net revenue budget in 2015/16. Council Tax is clearly now the primary source of income (at 40% of the total net revenue budget). Business Rates have also overtaken RSG, and account for 32% of net revenue budget.

The Government did not issue any Illustrative Finance Settlement for 2016/17 as part of the Settlement announcement for 2015/16. However, in the Autumn Statement in December 2014, the Chancellor signalled the Government’s intent to continue with the current austerity programme into the next Parliament in order to tackle the national deficit. A number of think tanks have come to the conclusion that it is likely that local authorities can expect to see further reductions in RSG in the order of 20% per annum.

Conclusion

Sheffield City Council has successfully delivered over £240m of General Fund budget savings in the past four years, and it has set a balanced budget for 2015/16 which includes a further £61.5m of savings. However, as outlined above, the Government’s plans to reduce the national budget deficit to zero within the next Parliament will undoubtedly place Council services under further intense pressure for the foreseeable future.

7. FURTHER INFORMATION

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

The Statement of Accounts can be downloaded from the Council's website:

<https://www.sheffield.gov.uk/your-city-council/finance/statement-of-accounts>

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

Please note that local electors and taxpayers have a statutory right to inspect the Council's Statement of Accounts and all related books, deeds, contracts, bills, vouchers and receipts before the external audit has been completed, and to question the auditor. The availability of the accounts for inspection was advertised in the Sheffield Star on 30 June 2015 and on the Council's website.

Annual Governance Statement

THE POSITION FOR THE FINANCIAL YEAR 2014/15

Scope of responsibility

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

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

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

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

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Sheffield City Council for the financial year ended 31 March 2015 and up to the date of approval of the Sheffield City Council annual report and statement of accounts.

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

The Sheffield City Council Governance Arrangements

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

Internal Control Environment

The system of internal control as described below has been in place at Sheffield City Council for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts.

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

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

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

The Council has developed its Corporate Plan 2015 – 2018 (agreed by Cabinet on 18 March 2015) which sets out its vision and corporate priorities, replacing the previous Corporate Plan 2011-2014 ("Standing Up for Sheffield") – agreed by Cabinet on 9 November 2011. The current plan has been developed to clearly show the link between the key aims of the Council and the corporate priorities to achieve these. The Council has a business planning process that is designed to align service activity and objectives to the corporate priorities. A quarterly performance monitoring process continues to track progress against the Council's key priorities and to highlight any potential risks and issues in achieving these.

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

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

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

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

The Corporate Plan and minutes of Council meetings are publicly available through the Council's website – www.sheffield.gov.uk.

2 - The facilitation of policy and decision-making

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

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

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

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

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

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

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

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

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

As part of the Council's commitment to the highest possible standards of openness, probity and accountability, the Council encourages employees and others with genuine concerns about any of the Council's work, to come forward and voice those concerns. A Whistle-blowing Policy is in place that is intended to encourage and enable employees to raise such concerns within the Council rather than overlooking a problem. This policy document makes it clear that employees can do so without fear of reprisals. The procedure accords with the requirements of the Public Interest Disclosure Act 1998 and is compatible with the conventions in the Human Rights Act 1998.

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

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

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

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

5 - The financial management of the Council

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

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

6 - Performance management and its reporting

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

The Council has introduced an Individual Performance Review framework which requires scoring of individual staff and managers against the Council's Imperatives, which are set at Leadership, Service and Individual level. These scores will enable the Council to map performance distribution. The Imperatives were co-produced using a

range of consultative techniques with staff groups in the organisation. Completed reviews will be collated by HR who will gather information which will then be used to identify and consolidate good performance and identify where there is less than optimum performance. Development interventions will be provided to support improvements, where necessary.

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

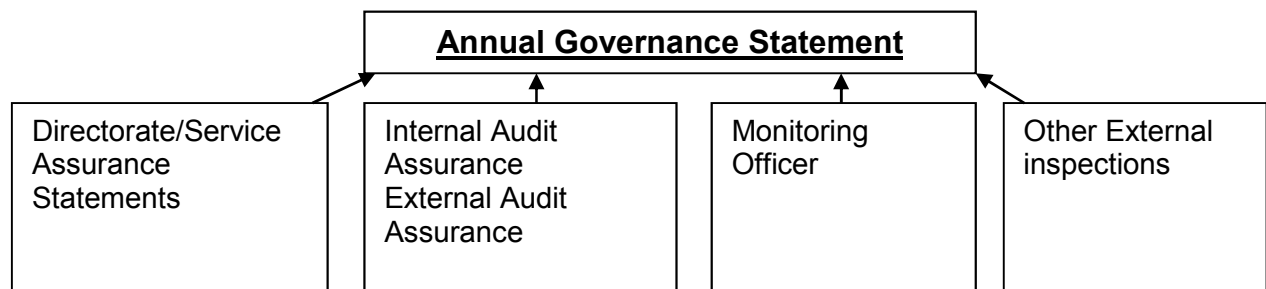
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

Review of Effectiveness

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

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

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



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

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

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

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

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

The Council is responsible for setting the overall objectives of the Council and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the year 2014/15 all these duties have been performed.

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

During the financial year 2014/15 the Council has been inspected by a number of external agencies and a summary of their findings is noted in the following paragraphs. The reports of external inspection agencies are scrutinised to ensure that for any issues raised, the most appropriate senior officer within the Council has been given the responsibility to implement suitable corrective action.

The Council's external auditors, KPMG, issued an unqualified opinion on 26th September 2014 regarding the Council's Accounts for 2013/14.

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

COMMUNITIES – Housing Services	SGS Customer Service Excellence assessment	Achieved full compliance
COMMUNITIES – Housing Services	ISO 18001 health and safety registration through external assessment.	Achieved
PLACE – Capita & Major Projects	ISO9001 accreditation inspection of service management system	Due March 2015 – result unknown
RESOURCES – Finance	HMRC - Compliance Checks	March 2015 –outcome not yet known
RESOURCES – Finance	KPMG – Opinion on the Statement of Accounts, and accompanying report	26/09/14 - Unqualified opinion on the 2013/14 Statement of Accounts
RESOURCES – Finance	KPMG – VFM Conclusion	26/09/14 - qualified conclusion due to concerns within Adult Social Care
RESOURCES – Customer Services	General Register Office carried out stock and security audit.	August 2014 - Recommendations from audit have been implemented.
RESOURCES – Customer Resources	SGS Customer Service Excellence	Compliance Plus – September 2014

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

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

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

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

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

Development of the Governance Framework

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

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

Governance Issues

In a large and complex organisation such as Sheffield City Council, there will always be opportunities to improve services. In the financial year 2014/15, 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.

As part of the 2014/15 Annual Governance Statement process, some issues have been identified that are not felt to be significant control weaknesses but still considered important to note within the Annual Governance Statement.

- **Transparency Code**

The Transparency Code 2015 was published on 27 February 2015.

We are committed to open government, and part of this process is compliance to the Government's Transparency Code.

There has been a working group to ensure compliance. We have clearly stated where we are unable to publish exactly what is required due to either not collecting the data or it not being in a format that enables publication.

Further quality assurance and work to improve the level of compliance is ongoing. The data available is available on: <https://data.sheffield.gov.uk/>

- **Reports in relation to Rotherham Metropolitan Borough Council**

Alexis Jay's Independent Inquiry into Child Sexual Exploitation in Rotherham published in August 2014, further highlighted the need to scrutinise all aspects of governance and practice in relation to Child Sexual Exploitation (CSE). In light of the Jay report findings, Sheffield City's full Council passed a motion on 3 September 2014 requesting an assessment of agencies' responses to CSE in the city. That assessment was completed in November 2014 and concluded:

**Executive Summary:
An Assessment of CSE Services in Sheffield: Overview Report November
2014 - Conclusion**

“CSE has a devastating impact on the lives of children and young people, together with those of their families. Working with the communities of Sheffield, Sheffield Safeguarding Children Board (SSCB) has a responsibility to ensure that they effectively handle CSE and continue to support those who have been subject to it. SSCB and partners will continue to prevent, protect, pursue and prosecute regardless of the gender or ethnicity of the perpetrator or victim. Sheffield has pioneered and commissioned services such as the Sheffield Sexual Exploitation Service (SSES), opened in 2001, and have been recognised for good practice by Ofsted and HMIC.

As a partnership, SSCB recognise that continuous learning is required to react to Sheffield's dynamic population and ever increasing evidenced based best practice in dealing with CSE. Sheffield City Councillors requested this assessment as part of their learning culture and SSCB have co-ordinated the response. Whilst recognising the strengths, SSCB and partners have already begun to address the areas for development identified in this assessment. Agencies will be working together to deliver on an action plan, whilst continuing to listen to those who have the strongest voice, that of the children and young people who have been impacted by CSE.”

On the 10th September 2014, the Secretary of State appointed Louise Casey CB under section 10 of the Local Government Act 1999 to carry out an inspection of the compliance of Rotherham Metropolitan Borough Council with the requirements of Part 1 of that Act, in relation to the Council's exercise of its functions on governance, children and young people, and taxi and private hire licensing.

In undertaking the inspection, Louise Casey CB was directed to consider: In exercising its functions on governance, children and young people, and taxi and private hire licensing, whether the local authority:

- allows for adequate scrutiny by Councillors;
- covers up information, and whether ‘whistle-blowers’ are silenced;
- took and continues to take appropriate action against staff guilty of gross misconduct;
- was and continues to be subject to institutionalised political correctness, affecting its decision-making on sensitive issues;
- undertook and continues to undertake sufficient liaisons with other agencies, particularly the police, local health partners, and the safeguarding board;
- took and continues to take sufficient steps to ensure only ‘fit and proper persons’ are permitted to hold a taxi licence; and
- is now taking steps to address effectively past and current weaknesses or shortcomings in the exercise of its functions, and has the capacity to continue to do so.

The report was published on 4th February 2015.

The Monitoring Officer has taken this report into consideration and in the first instance does not believe that there are any major issues of concern for Sheffield City Council. However, like all reports, we have to recognise that such a situation could happen in other places as there is nothing fundamentally unusual about Rotherham that means such a situation will always be unique to them.

The report provides an opportunity for the Council to better understand the component parts of what makes good governance, and therefore by definition the negative elements that would contribute to bad governance.

A review of Sheffield's use of Scrutiny Committees and the extent of member development will be carried out in 2015/16 to ensure learning from the key strands of good governance that are within that report.

- **Fraud Risk Management**

Whilst Fraud Risk Management has been identified as a concern for a number of service areas, this is mainly in relation to staff not undertaking appropriate fraud awareness training, or records not being available to demonstrate this.

Some services have acknowledged that their fraud risks are not assessed comprehensively and have identified weaknesses in terms of regular reporting of fraud risks to SMT's.

It should be stressed that there are no specific examples of fraud having been identified, however a lack of understanding of the risks and poor controls could create the opportunity for fraud to be committed.

To address these concerns Internal Audit are planning to refresh and re-launch the fraud e-learning module during 2015/16.

- **Information Governance**

Information Governance concerns featured on the Annual Government Statement 13/14. Some operational concerns have still been identified by Service Areas in particular in respect of Document retention and destruction policies and also secure printing given the increase in the use of open plan office spaces.

Over the last year there has been a programme of activities to support an effective Information and Governance approach across the Council. This has included 7 independent reports, including the Information Commissioner's Consensual Audit, covering areas such as statutory responsibilities, and more technical areas such as compliance to the Public Services Network (PSN). This has assisted a programme of work, which has focused more recently on areas around Data Protection, Freedom of Information and Information Security.

A key element to support this work, has been training and education which has included the re-launch of e-learning modules mandated for all staff around protecting information, as well as more focused class room based style sessions

and events around best practices in information security. To support this work and in addition to the strategic Information Governance Board, an Information Governance Working Group has also been established. This group aims to support ongoing work around operational areas (in particular those detailed below) and has membership across the council.

- Document Retention & Disposal - There is ongoing work to support record retention and secure disposal. This has for example included refreshed intranet content and further guidance and training around the use of secure disposal within Moorfoot.

A refreshed retention policy and guidance is being developed and further education and training will be provided. The operational information governance working group will proactively be supporting some aspects of this work.

- Secure Printing - A pilot system change was tested last year which configured secure printing on the printer, rather than being left to the user to set up. This means that the user cannot print to a printer without setting up their own password code and therefore reduces the risks detailed in some of the Non-Compliance submissions.

This pilot was successful and as such further planning is now taking place to see how this control can be put in place across SCC.

- **Adult Social Care**

Adult Social Care has featured on the Annual Governance Statement as a significant control weakness for a number of years. The Council considers this area to have improved to the extent it no longer constitutes an area of significant control weakness, as the Council has confidence that the issues are now being addressed and associated risks are appropriately mitigated.

A Programme Board is continuing to oversee the delivery of the recovery and medium term activity including plans to ensure service users are kept independent safe and well, their unmet eligible critical and substantial needs are met in the most cost effective way, ensuring services are efficient and that staff are deployed in an effective and efficient way.

A number of interventions are well established focusing on Reviews and Reassessments, Continuing Health Care, Refining our Personalisation Offer, Direct Payments Monitoring and Management and Adult Provider Services' Savings Plans. Guidance and regular updates are provided to staff.

The Portfolio outturn in 2014/15 was £2m over-spent which represents a significant reduction in previous levels of over spending within the Portfolio.

Actions are being taken within the Portfolio and corporately to address issues identified in relation to service planning, management information, financial management and commissioning. Actions are also being taken to ensure that better information and processes are in place, this is underpinned by a Business Intelligence project to deliver improvements in management information. The performance management framework has been reviewed and will be further

improved with the implementation of the Business Intelligence project. As of the end of June the Portfolio will have a data cube in place to provide up to date management information to facilitate better performance management and operational and financial management.

- **Capital Project Management**

Capital Project Management has featured on the Annual Governance Statement as a significant control weakness in previous years. The Council considers this area to have improved to the extent it no longer constitutes an area of significant control weakness. The Council has confidence that the issues are being addressed and associated risks are appropriately mitigated.

The Capital Programme Group has led on the review of a revised Capital Gateway Approval Process which was implemented across the Capital Programme on 1st April 2015. This places a robust business case, approved by the appropriate Programme Board, at the heart of the approvals process and will improve the level of review and challenge undertaken at each stage to ensure that projects are fully assured at each Gateway before they can proceed to the next stage. This also places much greater responsibility and accountability on the roles of Project Sponsor and Project Manager, with the boards having a key role of challenge, assurance and responsibility for realising the project benefits. The process will be supported and governed by a Capital Programme Office which is being developed through a restructure of the Capital Delivery Service. EMT will continue to monitor the position through the monthly financial reporting process and the enhanced reporting from the Capital Programme Office referred to above.

There does continue to be pressure as a number of service areas still need to improve how they plan, develop and commission projects. The introduction of a programme-led structure within the Capital Delivery Service seeks to address this through having Programme Managers that will work closely with Portfolio Clients to improve the planning and commissioning of projects as well as their delivery. It is expected that individual programmes may advance at different speeds but, ultimately, all will reach a common standard and uniform approach to programme delivery and management.

- **HR People Management**

There continues to be reports from managers of inconsistent application of HR policies across the Council portfolios. Services have reported non-compliances with IPR's and workforce planning, core manager training, induction processes and potential non-compliances with sickness procedures due to insufficient recording of information.

A number of processes were reviewed in 2014/15 resulting in the following changes:

- A new corporate sickness reporting procedure was introduced and has been re-launched in April 2015. This provides managers with real time absence data so they can manage sickness more effectively. There is also an opportunity to add workflow to the system to prompt managers to

enter the various associated procedures. This provides additional visibility and control for the HR service on how well the procedures are being implemented.

- Work continues in portfolios to support the Managing Absence Procedure (MAP) and remind managers of their responsibilities. In addition there are sickness absence projects in CYPF and Communities to support managers with more challenging cases.
- Occupational health has been outsourced to a specialist provider; we are now starting to see the benefits of improved advice and data in managing health issues. Prevention of sickness absence is now developing into an important area of work for the Council and this is being led via the Employee Health and well-being board who are developing a strategic approach to well-being for the workforce, this has a focus on stress management and keeping active.
- Regular reporting of sickness absence rates at EMT performance meetings, PLTs, to service management teams and to line managers. These reports set out the absence rates, trends of absence over a number of quarters, types of absence and length of absences. Managers are also alerted when staff hit trigger points. HR Business partners challenge sickness absence with PLT's and line managers to ensure that policy is followed robustly.
- Performance information is shared with managers at the quarterly Managers Events, where they are reminded of their role in relation to managing these processes.
- IPRs currently now required to be input into MyView and HR can monitor completion rates through the system to ensure all services and managers are completing IPR's for their staff consistently. There have been issues with the IPR process and the My View system, the Chief Executive commissioned the Director of HR to review both. The review has consulted with managers at focus groups and gained important insights into the process, in addition there have been changes to MyView. However MyView continues to not be fit for purpose in relation to IPR's. Therefore it is proposed to move to the use of TOTARA and learning pool for both IPRs and a learning management system which will enable managers to view and approve attendance on courses and give better information in relation to mandatory training modules such as the Information management training.
- The introduction of an improved system to make manager compliance easier and reinforcement of management behaviours through Managers' Events and Directors' Group is anticipated to produce improved outcomes in this area.

Significant Governance Issues

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

The 6 governance issues listed above constitute the areas where work continues to improve compliance with our governance controls.

Statement

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

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

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

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

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

Statement of Accounts

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Responsibilities of the Executive Director of Resources

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

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

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

The Executive Director of Resources has also:

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

I hereby certify that the Statement of Accounts on pages 28 - 152 gives a true and fair view of the financial position of Sheffield City Council at 31 March 2015 and of its income and expenditure for the year ended 31 March 2015.

Eugene Walker
Interim Executive Director of Resources (Section 151 Officer)
24 September 2015

The Core Financial Statements

Movement in Reserves Statement

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

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

Sheffield City Council – Statement of Accounts 2014/15

2014/2015											
	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Earmarked Housing Revenue Account Reserve £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2014		(10,816)	(86,005)	(13,043)	(1,273)	(32,988)	(43,831)	(24,494)	(212,450)	(509,356)	(721,806)
Movement in reserves during 2014/15:											
(Surplus) / deficit on provision of services	CI&ES	21,614	0	(78,088)	0	0	0	0	(56,474)	0	(56,474)
Other Comprehensive (Income) and Expenditure	CI&ES	0	0	0	0	13	0	0	13	165,793	165,806
Total Comprehensive (Income) and Expenditure		21,614	0	(78,088)	0	13	0	0	(56,461)	165,793	109,332
Adjustments between accounting basis and funding basis under regulations	9	(35,249)	0	76,718	0	(4,002)	(27,819)	1,800	11,448	(11,448)	0
Net (increase) / decrease before transfers to earmarked reserves		(13,635)	0	(1,370)	0	(3,989)	(27,819)	1,800	(45,013)	154,345	109,332
Transfers (to) / from earmarked reserves	10	13,265	(9,905)	1,572	(1,370)	0	(201)	(3,361)	0	0	0
(Increase) / decrease in year		(370)	(9,905)	202	(1,370)	(3,989)	(28,020)	(1,561)	(45,013)	154,345	109,332
Balance at 31 March 2015		(11,186)	(95,910)	(12,841)	(2,643)	(36,977)	(71,851)	(26,055)	(257,463)	(355,011)	(612,474)

Sheffield City Council – Statement of Accounts 2014/15

2013/2014 – Comparative Information											
		General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Earmarked Housing Revenue Account Reserve £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Note	25	25	25	25	25	25	25		26	
Balance at 31 March 2013		(11,183)	(68,519)	(22,528)	0	(30,225)	(9,379)	(26,740)	(168,574)	(492,774)	(661,348)
Movement in reserves during 2013/14:											
(Surplus) / deficit on provision of services	CI&ES	114,228	0	(33,948)	0	0	0	0	80,280	0	80,280
Other Comprehensive (Income) and Expenditure	CI&ES	0	(25)	(8,809)	0	62	0	0	(8,772)	(131,966)	(140,738)
Total Comprehensive (Income) and Expenditure		114,228	(25)	(42,757)	0	62	0	0	71,508	(131,966)	(60,458)
Adjustments between accounting basis and funding basis under regulations	9	(134,369)	0	31,774	0	(2,732)	(15,256)	5,199	(115,384)	115,384	0
Net (increase) / decrease before transfers to earmarked reserves		(20,141)	(25)	(10,983)	0	(2,670)	(15,256)	5,199	(43,876)	(16,582)	(60,458)
Transfers (to) / from earmarked reserves	10	20,508	(17,461)	20,468	(1,273)	(93)	(19,196)	(2,953)	0	0	0
(Increase) / decrease in year		367	(17,486)	9,485	(1,273)	(2,763)	(34,452)	2,246	(43,876)	(16,582)	(60,458)
Balance at 31 March 2014		(10,816)	(86,005)	(13,043)	(1,273)	(32,988)	(43,831)	(24,494)	(212,450)	(509,356)	(721,806)

Comprehensive Income and Expenditure Statement (CI&ES)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (Council Tax). Councils raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. Further analysis is shown in Notes 11, 12, 13 and 30.

2013/14			Notes	2014/15			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
Continuing Operations:							
210,540	(56,600)	153,940	Adult Social Care	188,868	(60,122)	128,746	
489,743	(378,101)	111,642	Children's and Education Services	487,506	(362,250)	125,256	
78,726	(5,398)	73,328	Cultural and Related Services:	7	58,785	(5,334)	53,451
34,818	(10,551)	24,267	Environment and Regulatory Services	36,828	(11,724)	25,104	
103,976	(14,376)	89,600	Highways and Transport Services	92,966	(15,743)	77,223	
109,801	(152,724)	(42,923)	Housing - HRA	67,854	(159,676)	(91,822)	
231,506	(207,536)	23,970	Housing - Other Services	212,836	(204,510)	8,326	
34,055	(17,644)	16,411	Planning Services	30,780	(20,535)	10,245	
33,297	(11,264)	22,033	Central Services	20,015	(8,649)	11,366	
22,170	(5,882)	16,288	Corporate and Democratic Core	48,193	(4,784)	43,409	
(1)	0	(1)	Non-Distributed Costs (NDC)	0	0	0	
25,996	(25,583)	413	Public Health *	29,431	(29,835)	(404)	
1,374,627	(885,659)	488,968	(Surplus) / Deficit on Continuing Operations	1,274,062	(883,162)	390,900	
		94,148	Other Operating Expenditure	11		68,467	
		95,993	Financing and Investment Income and Expenditure	12		97,178	
		(598,829)	Taxation and Non-Specific Grant Income	13		(613,019)	
		80,280	(Surplus) / Deficit on Provision of Services			(56,474)	
		(20,404)	(Surplus) / deficit on revaluation of non-current assets			(39,088)	
		(111,539)	Re-measurements of the pension net defined benefit liability			204,881	
		(8,795)	Other (gains) / losses			13	
		(140,738)	Other Comprehensive (Income) and Expenditure			165,806	
		(60,458)	Total Comprehensive (Income) and Expenditure			109,332	

* On the 1 April 2013 Public Health staff and services transferred from Primary Care Trusts (PCTs) to Local Authorities. See Note 8 for details.

Balance Sheet

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

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

Sheffield City Council – Statement of Accounts 2014/15

As at 31 March 2014 £000		Notes	As at 31 March 2015 £000
2,336,467	Property, Plant and Equipment	14	2,369,956
62,754	Heritage Assets	15	62,769
1,489	Investment Properties		1,495
100,159	Long term Debtors	18	89,280
2,500,869	Long Term Assets		2,523,500
60,000	Short Term Investments	16	45,000
125	Inventories		157
83,451	Short Term Debtors	19	103,088
32,802	Cash and Cash Equivalents	16 / 20	58,722
10,856	Assets Held for Sale	21	29,541
187,234	Current Assets		236,508
(36,717)	Short Term Borrowing	16	(12,488)
(125,582)	Short Term Creditors	22	(141,681)
(38,920)	Short Term Provisions	23	(24,349)
(8,312)	PFI / PPP Finance Lease Liability	16 / 42	(11,444)
(20,702)	Capital Grants Receipts in Advance	38	(23,519)
(230,233)	Current Liabilities		(213,481)
(666,613)	Long Term Borrowing	16	(681,517)
(9,458)	Long Term Provisions	23	(6,900)
(327,293)	PFI / PPP Finance Lease Liability	16 / 42	(351,668)
(697,558)	Net Pension Liability	45	(856,407)
(21,392)	Other Long Term Liabilities	24	(18,619)
(13,750)	Capital Grants Receipts in Advance	38	(18,942)
(1,736,064)	Long Term Liabilities		(1,934,053)
721,806	Net Assets		612,474
(212,450)	Usable Reserves	25	(257,463)
(509,356)	Unusable Reserves	26	(355,011)
(721,806)	Total Reserves		(612,474)

The Statement of Accounts was approved and authorised for issue by the Interim Executive Director of Resources and the Audit Committee, in accordance with the Accounts and Audit (England) Regulations 2011, on 24 September 2015.

These financial statements replace the unaudited financial statements authorised by the Interim Executive Director of Resources on the 22 June 2015.

Eugene Walker
Interim Executive Director of Resources
(Section 151 Officer)
24 September 2015

Councillor Steve Jones
Chair of the Audit Committee

24 September 2015

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.

2013/14		Notes	2014/15
£000			£000
(80,280)	Net surplus or (deficit) on the provision of services		56,474
247,840	- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	27	100,963
(50,161)	- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	27	(81,665)
117,399	Net cash flow from operating activities		75,772
(178,504)	Investing activities	28	(26,479)
(14,429)	Financing activities	29	(23,373)
(75,534)	Net increase / (decrease) in cash and cash equivalents		25,920
108,336	Cash and cash equivalents at 1 April	20	32,802
32,802	Cash and cash equivalents at 31 March	20	58,722

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 2014/15 financial year and its position at the year end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. 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 2014/15 ('the Code') and the CIPFA Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 Regulations.

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

II. Accruals of Income and Expenditure

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

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

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

III. Acquisitions and Discontinued Operations

Acquired Operations

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

Discontinued Operations

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

IV. Cash and Cash Equivalents

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

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

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

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

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

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

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

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

VII. Charges to Revenue for Non-Current Assets

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

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

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

VIII. Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the pension fund attributable to the Council are included on the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate. Details of the rates used and assumptions made are included in Note 45 to the core financial statements.
- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked,
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs,
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the 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 is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

X. Financial Instruments

Financial Liabilities

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

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

Available for Sale Assets

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

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

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

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

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

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

Instruments Entered Into Before 1 April 2006

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

XI. Foreign Currency Translation

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

XII. Government Grants and Other Contributions

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

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

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

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

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

Business Improvement Districts

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

XIII. Heritage Assets

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

Heritage Assets are assets held principally for their contribution to the knowledge, understanding and appreciation of the Council's culture, history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, and these are detailed below. The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also

presented below. For the purposes of the accounts, the Council has grouped its Heritage Assets into four main areas, which are accounted for as follows:

Museums and Galleries

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

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

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

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

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

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

Civic Collections

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

Archives and Libraries

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

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

Public Realm

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

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

General

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

XIV. Inventories and Long Term Contracts

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

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

XV. Investment Property

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

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

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

XVI. Jointly Controlled Operations (Pooled Budgets)

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

XVII. Leases

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

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

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

The Council as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset

recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Lease

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

XVIII. Overheads and Support Services

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

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

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

XIX. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost.

- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- all other assets – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair 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 fair value.

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

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

Recognition is applied as follows:

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

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

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

Disposals and Non-Current Assets Held for Sale

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

Depreciation is not charged on Assets Held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset on the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals net of statutory deductions and allowances is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

XX. Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

XXI. Provisions and Contingent Liabilities

Provisions

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

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

When payments are eventually made, they are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be

required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Accounting for the Costs of the Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the initial 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.

XXII. Redemption of Debt

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

For all capital expenditure incurred, after adjusting for schemes to be deferred for MRP purposes, which will be funded by Supported Borrowing, the MRP policy will be to make a provision of 4% on the outstanding debt balance.

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

In addition, the Council is also required to repay loans outstanding on those assets transferred from the former South Yorkshire County Council, which are repaid on the

basis of a sinking fund rate of 10%. Interest on external loans is charged direct to the Comprehensive Income and Expenditure Account.

XXIII. Reserves

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

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

XXIV. Revenue Expenditure Funded from Capital under Statute

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

XXV. Schools

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

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

In respect of any non-current assets associated with schools the Council has determined that Community schools, Community Special schools and Foundation schools should be on balance sheet, but that Voluntary Aided schools, Voluntary Controlled schools, and Academy schools should not. Voluntary Aided schools and Voluntary Controlled schools non-current assets are not included as ownership and control of the assets lies with the diocese. Non-current assets relating to schools that gain Academy status are

derecognised from the Council's balance sheet when the contract is complete and signed and the specific assets have been handed over / transferred.

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

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

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

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

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

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

XXVII. Value Added Tax (VAT)

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) has introduced several changes in accounting policy as a result of amendments to the following Accounting Standards. These standards have been issued but have not yet been adopted by the Council. If these had been adopted for the financial year 2014/15 there would be no material change, as detailed below.

IFRS 13 Fair Value Measurement (May 2011)

Under IFRS 13 the Council will be required to measure its assets and liabilities and provide disclosures where another section of the Code requires or permits fair value measurement.

The adoption of this standard will not have a material impact on the accounts.

Annual Improvements to IFRSs (2011 – 2013 Cycle)

The issues included in the Annual Improvements to IFRSs 2011-2013 cycle are as follows and it is anticipated that they will not have a material impact on the financial statements:

IFRS 1 – Meaning of effective IFRSs
IFRS 3 – Scope of exceptions for joint ventures
IFRS 13 – Scope of portfolio exception
IAS 40 – Clarification of investment property

IFRIC 21 Levies

This accounting standard provides guidance on levies imposed by Government in the financial statements of entities paying the levy. The IFRIC relates to when to recognise a liability to pay a levy this is accounted for in accordance with IAS 37.

The Council does not currently pay out any levies to Government and as a result the above standard would not alter the figures currently reported in the financial statements.

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. We have complied with the Code and identified our group, which comprises of the City Council, South Yorkshire Property Investment Limited (Local Housing Company) and Digital Region Limited, a company established to deliver high speed broadband to South Yorkshire. However, we have concluded that upon consolidation the value of these entities is not material and therefore the production of all the required statements would not assist the reader.
- Lease arrangements have been reviewed in line with the Code requirements. The property lease review resulted in 1 lease out of 4,601 that would require reclassification to finance leases, with immaterial values in property assets on these leases to be derecognised from the balance sheet. However, due to the immaterial value, the changes have not been implemented. The equivalent review for plant and equipment assets concluded that there are a small number of low value leases remaining, all of which are planned for termination in 2015/16, and those which could be considered for reclassification from operating to finance lease are not deemed to be material.
- Contracts with partners and providers have been considered for embedded leases; the outcome of this review is not to recognise any assets on the Council balance sheet.

- The Council is awaiting the outcome of a number of audits from the European Community regarding the validity of grant claims. In some cases prima facie evidence suggests that the Council may be non-compliant with the grant conditions and some provision based on management judgement has been made. There is as yet no timescale for the EU authorities to deliver a formal response.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	<p>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.</p> <p>See Note 45 for further details.</p>	<p>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 £45.9m. However, the assumptions interact in complex ways. During 2014/15, the Council's actuaries advised that the net pension liability had decreased by £143.0m as a result of estimates being corrected based on experience and increased by £347.9m attributable to updating of the assumptions – a net impact of an increased liability of £204.9m.</p>
Arrears	<p>At 31 March 2015, the Council had a balance for sundry debtors of £40.1m. An impairment of doubtful debts of £16.5m (41%) was considered appropriate, however, it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, an additional impairment of doubtful debts would be required to cover some of the £23.6m of sundry debts currently not provided for.</p>

Business Rates	<p>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 £13.7m which is reasonable given available data sources and historic analysis. However, further information from the Valuation Office Agency (VOA) may lead to a revision of these assumptions and could materially change the required level of provision.</p>	<p>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 2016 and so such a surplus would be made available for distribution to preceptors in the 2016/17 budget. Conversely, an increase in the provision would mean a reduction to available resources in 2016/17.</p>
Future Funding	<p>Like all other local authorities, the Council faces significant uncertainty about the level of funding from Central Government beyond 2016/17. In order to ensure that the Council is well placed to deal with the challenge of future funding cuts, various financial controls have been put in place. These include robust budget monitoring on a monthly basis to ensure that budget savings are implemented, a clearly formulated medium term financial strategy and business planning process embedded in the organisation, a policy of taking prudent provisions and a risk-based reserves strategy.</p>	

05. Prior Period Adjustments

In 2014/15 no prior period adjustments were required to the Council’s Statement of Accounts.

06. Events After the Reporting Date
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The Statement of Accounts was authorised for issue by Eugene Walker, Interim Executive Director of Resources on 24 September 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2015 as it provides information that is relevant to an understanding of the Council's financial position but does not relate to conditions at that date:

Digital Region Limited

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

The company was set up to manage and procure a high speed broadband network in the South Yorkshire region and to undertake the promotion of the network to the service provider market. Due to a range of factors, the shareholders took a decision in August 2013 to commence an orderly and managed closure of DRL. A funding agreement was signed by all shareholders to ensure that sufficient funds would be made available to meet this objective. This has not involved the shareholders having to provide any additional funding to that already committed. In the Council's case this comprises £4m of capital loans, as the Council's contribution towards deployment of the network, and up to a further £15m of loans, of which £12.4m is covered by a capitalisation direction received from the Department of Communities and Local Government (DCLG) in 2011/12. The actual amount advanced to date against the £15m, up to and including 2014/15, was £12.4m.

In order to achieve a solvent liquidation of the company, the company's balance sheet needs to be restructured. To achieve this aim, the company has agreed with its shareholders that loans will be converted into a new class of C shares, further to the standing A shares, which confer voting rights and B shares which entitle the Council a share of profits and losses. A first tranche of loans was converted on 30 June 2014 and the company is now taking the steps for a second tranche to be converted by 30 June 2015, of which the Council's share is £4.9m. Thereafter, a liquidator will be appointed to complete the closure of the company.

The company's latest available accounts are for the period ended 30 September 2014. A copy of the accounts can be obtained from the company's registered office at Electric Works, Sheffield Digital Campus, Sheffield S1 2BJ.

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

2014/2015

There were no exceptional items in 2014/15.

2013/2014

The 2013/14 comparative Comprehensive Income and Expenditure Statement figures include the following exceptional item:

Sheffield City Trust

During the 2013/14 financial year the Council commenced the amortisation of the prepayment to Sheffield City Trust (SCT) that enabled SCT to repay the expensive bank debt held with Lloyds Bank. In addition to this amortisation (£9.1m) the Council also recognised the defrayment of the prepayment it made to SCT in January 2013 for lease rentals payable to Lloyds for the period April – September (£8.5m), and the impairment of the remaining prepayment for the period October – January (£4.3m) and other costs (£0.1m).

The Council also supported the Trust to make payments in respect of the Sheffield Investment Bond during the year (£13.6m).

Taken together, these transactions constitute a material item of expenditure (£35.6m). This expenditure is included within the Cultural and Related Services line in the Comprehensive Income & Expenditure Statement.

From financial year 2014/15 there will be no lease rentals payable as a result of the termination of the bank debt.

08. Acquired and Discontinued Operations

Acquired Operations

2014/15

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

2013/14

In the year to 31 March 2014 Public Health was acquired as follows:

On 1 April 2013 Public Health staff and services were transferred from Primary Care Trusts (PCTs) to local authorities. With the transfer brought a number of commissioning responsibilities for the Council, together with overall responsibility for improving health at local level. The national Public Health Outcomes Framework has been developed, which sets out key outcomes of interest for partners in improving health including some mandatory services including:- the National Child Measurement Programme; NHS health check assessments; comprehensive sexual health services (including testing and treatment for sexually transmitted infections, contraception outside of the GP contract and sexual health promotion and disease prevention); drug and alcohol intervention; the local authority role in dealing with health protection incidents, outbreaks and emergencies; providing public health support to health care commissioners.

To discharge the new public health responsibilities, the Council was provided with a ring-fenced public health grant. A new 'Public Health' line has been included in the Comprehensive Income and Expenditure Statement and this has been credited with this income. Public Health expenditure has also been charged to this line.

Under the new arrangements for Public Health, staff performing Public Health functions who were compulsorily transferred from the PCTs to local authorities and who had access

to the NHS Pension Scheme on 31 March 2013 retained access to that scheme on transfer at 1 April 2013.

No material assets or liabilities were transferred.

Discontinued Operations

There were no discontinued operations during 2014/15 or 2013/14.

09. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

Sheffield City Council – Statement of Accounts 2014/15

2014/15									
		General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Note							26	
Reversal of items debited or credited to the CI&ES:									
Depreciation of Non-current assets		(47,032)	0	0	(17,218)	0	(64,250)	64,250	0
Impairment losses charged to the CI&ES		0	0	0	0	0	0	0	0
Revaluation losses charged to the CI&ES		(58,225)	39,059	0	0	0	(19,166)	19,166	0
Movements in fair value of Investment Properties		6	0	0	0	0	6	(6)	0
Capital grants and contributions credited to the CI&ES		64,392	0	0	0	0	64,392	(64,392)	0
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve		1,457	0	0	0	1,800	3,257	(3,257)	0
Revenue expenditure funded from capital under statute		(8,281)	0	0	0	0	(8,281)	8,281	0
Costs of disposal funded from capital receipts		(135)	0	135	0	0	0	0	0
Net gain / (loss) on sale of non-current assets		(64,505)	289	(15,816)	0	0	(80,032)	80,032	0
Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance with statutory requirements		(160)	954	0	0	0	794	(794)	0
Reversal of items relating to retirement benefits debited or credited to the CI&ES		(55,722)	0	0	0	0	(55,722)	55,722	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		3,729	0	0	0	0	3,729	(3,729)	0

2014/15 (Continued)									
		General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Note							26	
Amount by which officer remunerations costs calculated in accordance with the code are different from the amount of costs calculated in accordance with statutory requirements		418	0	0	0	0	418	(418)	0
Insertion of items not debited or credited to the CI&ES:									
Statutory provision for repayment of debt (MRP)		30,244	0	0	0	0	30,244	(30,244)	0
Voluntary provision for repayment of debt (VMRP)		0	27	0	0	0	27	(27)	0
Revenue Contribution to Major Repairs Reserve		0	36,389	0	(36,389)	0	0	0	0
Capital expenditure charged to the General Fund and HRA		(65)	0	65	0	0	0	0	0
Transfer of Capital Receipts (<£10k) to the General Fund and HRA		(104)	0	104	0	0	0	0	0
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(3,020)	0	3,020	0	0	0	0	0
Employer's contribution to pension scheme		101,754	0	0	0	0	101,754	(101,754)	0
Capital Financing:									
Use of Capital Receipts Reserve to finance new capital expenditure		0	0	8,490	0	0	8,490	(8,490)	0
Use of Major Repairs Reserve to finance new capital expenditure		0	0	0	25,788	0	25,788	(25,788)	0
Other:									
Mortgages transferred from Deferred Capital Receipts Reserve		0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0
Total		(35,249)	76,718	(4,002)	(27,819)	1,800	11,448	(11,448)	0

2013/14 – Comparative Information									
		General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Note							26	
Reversal of items debited or credited to the CI&ES:									
Depreciation of Non-current assets		(48,645)	0	0	(16,463)	0	(65,108)	65,108	0
Impairment losses charged to the CI&ES		0	0	0	0	0	0	0	0
Revaluation losses charged to the CI&ES		(26,622)	(5,473)	0	0	0	(32,095)	32,095	0
Movements in fair value of Investment Properties		0	0	0	0	0	0	0	0
Capital grants and contributions credited to the CI&ES		33,842	0	0	0	0	33,842	(33,842)	0
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve		0	0	0	0	5,199	5,199	(5,199)	0
Revenue expenditure funded from capital under statute		(14,704)	0	0	0	0	(14,704)	14,704	0
Costs of disposal funded from capital receipts		(131)	0	131	0	0	0	0	0
Net gain / (loss) on sale of non-current assets		(95,148)	4,968	(16,307)	0	0	(106,487)	106,487	0
Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance with statutory requirements		(149)	1,066	0	0	0	917	(917)	0
Reversal of items relating to retirement benefits debited or credited to the CI&ES		(61,943)	0	0	0	0	(61,943)	61,943	0
Amount by which Council Tax income adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation		1,258	0	0	0	0	1,258	(1,258)	0

2013/14 – Comparative Information (Continued)									
	Note	General Fund Balance £000	Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
								26	
Amount by which officer remunerations costs calculated in accordance with the code are different from the amount of costs calculated in accordance with statutory requirements		1,434	0	0	0	0	1,434	(1,434)	0
Insertion of items not debited or credited to the CI&ES:									
Statutory provision for repayment of debt (MRP)		28,033	0	0	0	0	28,033	(28,033)	0
Voluntary provision for repayment of debt (VMRP)		0	54	0	0	0	54	(54)	0
Revenue Contribution to Major Repairs Reserve		0	31,153	0	(31,153)	0	0	0	0
Capital expenditure charged to the General Fund and HRA		0	0	0	0	0	0	0	0
Transfer of Capital Receipts (<£10k) to the General Fund and HRA		(95)	0	95	0	0	0	0	0
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(2,709)	0	2,709	0	0	0	0	0
Employer's contribution to pension scheme		50,678	0	0	0	0	50,678	(50,678)	0
Capital Financing:									
Use of Capital Receipts Reserve to finance new capital expenditure		0	0	10,640	0	0	10,640	(10,640)	0
Use of Major Repairs Reserve to finance new capital expenditure		0	0	0	32,360	0	32,360	(32,360)	0
Other:									
Mortgages transferred from Deferred Capital Receipts Reserve		0	6	0	0	0	6	(6)	0
Other		532	0	0	0	0	532	(532)	0
Total		(134,369)	31,774	(2,732)	(15,256)	5,199	(115,384)	115,384	0

10. Transfers (to) / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

	Note	1 April 2013 £000	Transfer Out 2013/14 £000	Transfer In 2013/14 £000	Other 2013/14 £000	31 March 2014 £000	Transfer Out 2014/15 £000	Transfer In 2014/15 £000	Other 2014/15 £000	31 March 2015 £000
General Fund:										
Schools Reserves	25	(16,435)	184	0	(26)	(16,277)	0	(1,741)	0	(18,018)
Revenue Grants and Contributions	25	(529)	129	0	0	(400)	0	0	0	(400)
<i>Other Earmarked Revenue Reserves:</i>	25									
- Insurance Fund		0	0	(9,394)	0	(9,394)	0	(2,125)	0	(11,519)
- New Homes Bonus (NHB)		(1,697)	142	0	0	(1,555)	0	(367)	0	(1,922)
- Major Sporting Facilities		(15,865)	0	(2,131)	0	(17,996)	10,177	0	0	(7,819)
- PFI Future Expenditure		(5,311)	0	(6,864)	0	(12,175)	1,010	0	0	(11,165)
- Public Health Reserves		0	0	0	0	0	0	(2,005)	0	(2,005)
- Service Area Reserves		(6,626)	0	(943)	0	(7,569)	0	(2,861)	0	(10,430)
- Other Reserves		(22,056)	1,417	0	0	(20,639)	0	(11,993)	0	(32,632)
Total		(68,519)	1,872	(19,332)	(26)	(86,005)	11,187	(21,092)	0	(95,910)

11. Other Operating Expenditure

The following table provides a breakdown of Other Operating Expenditure:

2013/14 £000		2014/15 £000
478	Precepts (paid to non-principal authorities)	491
2,709	Payments to the housing capital receipts pool	3,020
90,180	(Gain) / loss on the disposal of non-current assets	64,216
781	Pension Administration Expenses	740
94,148	Total	68,467

12. Financing and Investment Income and Expenditure

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

2013/14 £000		Note	2014/15 £000
64,914	Interest payable and similar charges		68,492
31,910	Pensions interest cost and expected return on pensions assets		28,182
(1,473)	Interest receivable and similar income		(1,075)
667	(Surplus) on Trading Undertakings	31	1,654
(25)	Income from Partnership Organisations		(75)
95,993	Total		97,178

13. Taxation and Non Specific Grant Income

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

£000	2013/14 £000		Note	£000	2014/15 £000
	(165,991)	Council Tax Income			(169,704)
	(95,673)	NNDR Distribution			(100,667)
		<i>Non-ring fenced government grants:</i>	38		
(192,483)		- Revenue Support Grant (RSG)		(157,463)	
(67,039)		- Private Finance Initiative Grant (PFI)		(71,116)	
(1,914)		- Council Tax Freeze Grant		(1,968)	
(9,683)		- Funding from the Health Service		(12,399)	
(5,667)		- New Homes Bonus		(6,387)	
(234)		- Local Support Services Grant		(155)	
(2,597)		- Small Business Rates Relief		(2,733)	
0		- Business Rates Multiplier Cap		(1,640)	
(27,800)		- Business Rates Top-up Grant		(28,342)	
(31)		- Business Rates Transfer		(45)	
		Protection Grant			
0		- Other		(34)	
	<u>(307,448)</u>				<u>(282,282)</u>
	(569,112)				(552,653)
	(29,717)	Capital Grants and Contributions	38		(60,366)
	(598,829)	Total			(613,019)

14. Property, Plant and Equipment (PPE)

Movements on Balances:

Movements in 2014/15									
	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 2014	864,529	768,707	84,328	668,221	35,125	126,760	6,987	2,554,657	287,244
Additions - recognition	0	0	0	0	0	0	0	0	39,528
Additions - programmed investment	26,596	19,669	2,651	99,677	1,217	16,695	8,580	175,085	367
Opening balance corrections	0	0	0	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(10)	(1,718)	5,595	0	288	7,112	0	11,267	(6,489)
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	22,070	(57,429)	0	0	(1,665)	(1,881)	0	(38,905)	(32,467)
De-recognition – disposals	(8,434)	(58,830)	(3,879)	0	(12)	(7,079)	(6,713)	(84,947)	(24,557)
De-recognition – other	0	0	0	0	0	0	0	0	0
Reclassification and transfers	(165)	(218)	0	0	(64)	(18,440)	0	(18,887)	5
Council Dwelling adjustment to re- set Net Book Value (NBV)	0	0	0	0	0	0	0	0	0
At 31 March 2015	904,586	670,181	88,695	767,898	34,889	123,167	8,854	2,598,270	263,631

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

Movements in 2013/14 - Restated									
	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 2013	1,393,912	869,686	85,555	592,522	35,705	129,669	5,067	3,112,116	251,735
Additions - recognition	0	1,074	0	0	0	585	0	1,659	55,552
Additions - programmed investment	35,406	37,159	2,334	75,699	784	1,962	6,873	160,217	250
Opening balance corrections	3	0	0	0	0	41	0	44	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	330	(2,763)	0	0	(381)	6,490	0	3,676	0
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	(14,348)	(25,437)	0	0	(1,398)	(9,855)	0	(51,038)	0
De-recognition – disposals	(6,507)	(95,588)	(3,561)	0	(309)	(3,967)	0	(109,932)	(19,540)
De-recognition – other	0	0	0	0	0	0	0	0	0
Reclassification and transfers	383	(15,424)	0	0	724	1,835	(4,953)	(17,435)	(753)
Council Dwelling adjustment to re- set Net Book Value (NBV)	(544,650)	0	0	0	0	0	0	(544,650)	0
At 31 March 2014	864,529	768,707	84,328	668,221	35,125	126,760	6,987	2,554,657	287,244

Movements in 2013/14 (Continued) - Restated									
	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 2013	(544,650)	(34,620)	(21,972)	(138,490)	0	(11,538)	0	(751,270)	(13,476)
Depreciation charge	(16,161)	(22,776)	(7,791)	(17,672)	0	(683)	0	(65,083)	(6,303)
Depreciation written out to the Revaluation Reserve	89	15,482	0	0	32	1,991	0	17,594	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	16,022	1,488	0	0	0	2,564	0	20,074	0
Impairment (losses) / reversals recognised in the Revaluation Reserve	(44)	(348)	0	0	0	727	0	335	0
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	44	348	0	0	0	0	0	392	0
De-recognition – disposals	50	3,618	1,838	0	0	258	0	5,764	235
De-recognition - other	0	0	0	0	0	0	0	0	0
Reclassification and Transfers	0	4,531	0	0	(32)	4,855	0	9,354	0
Council Dwelling adjustment to re-set Net Book Value (NBV)	544,650	0	0	0	0	0	0	544,650	0
At 31 March 2014	0	(32,277)	(27,925)	(156,162)	0	(1,826)	0	(218,190)	(19,544)
Net Book Value:									
At 31 March 2014	864,529	736,430	56,403	512,059	35,125	124,934	6,987	2,336,467	267,700
At 31 March 2013	849,262	835,066	63,583	454,032	35,705	118,131	5,067	2,360,846	238,259
* 2013/14 total PFI figure has been restated for PFI assets included in Infrastructure assets (£55.6m in 13/14 and £50.9m in 12/13).									

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 2015 the Council has entered into a number of construction contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 onwards. Future years budgeted costs are £96.6m, with similar commitments at 31 March 2014 of £96.0m. The major commitments are:

31 March 2014		31 March 2015
£000		£000
27,898	Schools Refurbishment	21,713
24,365	Decent Homes / Council Housing	18,269
43,777	Other	56,595
96,040	Total	96,577

Revaluations

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

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

Council Dwellings are measured at Existing Use Value - Social Housing based on freehold vacant possession values by Beacon and adjusted by a regional adjustment factor, determined by Communities and Local Government (CLG). The adjustment factor has not been revised during 2014/15.

Since 2005 there has been a programme of modernisation and improvement work to bring the properties up to the Government's Decent Homes Standards. Currently 37,201 dwellings, approximately 92% of the current stock meet the Decent Homes Standards. As part of the 5 year Rolling Programme 20% of the Beacons have been revalued this year on the basis that the properties have been improved.

Where the Decent Homes programme has fallen behind there was a potential shortfall in the 5 yearly revaluation programme affecting the 3,182 properties not yet improved. To address this Kier Asset Partnership Services (KAPS) has valued these properties on the assumption they have met Decent Homes Standards then applied a deflator of 12.5% to

reflect that they are still unimproved. This deflator was derived from analysis of the mean percentage increase of the properties improved this year. The general market adjustment of 6.14% has then been applied to these figures to give a value as at 31 March 2015.

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	0	1,601	8,251	802	10,654
Valued at Fair Value as at:					
31 March 2015	904,586	102,687	60,460	43,459	1,111,192
31 March 2014	0	140,470	2,968	52,115	195,553
31 March 2013	0	166,356	743	12,942	180,041
31 March 2012	0	244,290	10,939	4,714	259,943
31 March 2011	0	14,777	5,334	9,135	29,246
Total Cost or Valuation	904,586	670,181	88,695	123,167	1,786,629

15. Heritage Assets

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

2014/15									
	Reported at Cost				Reported at Valuation				Total Assets £000
	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	
Cost or Valuation:									
At 1 April 2014	26	48	0	0	58,500	1,000	3,182	0	62,756
Additions	222	0	0	57	0	0	0	0	279
Revaluation increases / (decreases) in the Revaluation Reserve	0	0	0	10	0	0	0	0	10
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provisions of Service	(226)	0	0	(57)	0	0	0	0	(283)
Transfers in	0	0	0	10	0	0	0	0	10
At 31 March 2015	22	48	0	20	58,500	1,000	3,182	0	62,772

Depreciation and Impairment:									
At 1 April 2014	(2)	0	0	0	0	0	0	0	(2)
Depreciation	(1)	0	0	0	0	0	0	0	(1)
At 31 March 2015	(3)	0	0	0	0	0	0	0	(3)
Net Book Value:									
At 31 March 2015	19	48	0	20	58,500	1,000	3,182	0	62,769
At 31 March 2014	24	48	0	0	58,500	1,000	3,182	0	62,754

2013/14 Comparative Information									
	Reported at Cost				Reported at Valuation				Total Assets £000
	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	
Cost or Valuation:									
At 1 April 2013	1,079	48	0	0	58,500	1,000	3,182	0	63,809
Additions	3	0	0	0	0	0	0	0	3
Reclassification and Transfers	(1,056)	0	0	0	0	0	0	0	(1,056)
At 31 March 2014	26	48	0	0	58,500	1,000	3,182	0	62,756
Depreciation and Impairment:									
At 1 April 2013	(52)	0	0	0	0	0	0	0	(52)
Depreciation	(25)	0	0	0	0	0	0	0	(25)
Reclassification and Transfers	75	0	0	0	0	0	0	0	75
At 31 March 2014	(2)	0	0	0	0	0	0	0	(2)
Net Book Value:									
At 31 March 2014	24	48	0	0	58,500	1,000	3,182	0	62,754
At 31 March 2013	1,027	48	0	0	58,500	1,000	3,182	0	63,757

Five Year Summary of Movements:

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Cost of Acquisitions of Heritage Assets:					
Museums and Galleries	33	60	76	3	0
Total Cost of Purchases	33	60	76	3	0
Value of Heritage Assets Acquired by Donation:					
Museums and Galleries	0	125	0	0	0
Total Donations	0	125	0	0	0
Disposals of Heritage Assets:					
Museums and Galleries	0	0	0	(1)	0
Carrying Value	33	185	76	2	0

The table above shows acquisitions (purchases and donations) between 2010 and 2015, where individual valuations are available. It is not practicable to gather information for earlier years, given the low value of additions during the period.

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 1 Listed building and a Scheduled Ancient Monument. The buildings and machinery include a crucible shop, water powered tilt hammers, grinding hull, scythe riveting shop, blacking shop along with workers cottages and a manager's cottage.

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

Shepherd Wheel

A restored example of a waterwheel that powered grinding workshops for table, domestic, pocket and pen knives. The wheel is 5.5 metres high by 2 metres wide and made of cast and wrought iron, elm and oak and bronze. The water to turn the wheel comes from the large dam where water is diverted from the River Porter. The waterwheel turned twenty grindstones and several 'glazing' stones. The grindstones were used to create a fine,

sharp cutting edge on the blade. The final smoothing of the blade was done on the glazing stones, before they left Shepherd Wheel for polishing.

Bishops House

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

Civic Collections

The Civic Collections include commemorative items and gifts of silverware and paintings given to the city. There are also examples of products manufactured by Sheffield's industries. The artefacts are displayed throughout the Town Hall and include the statue of the first Lord Mayor of Sheffield, the 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 and the Botanical Gardens (Trust).

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

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

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

16. Financial Instruments

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

Short Term 31 March 2014 £000	Long Term 31 March 2014 £000		Short Term 31 March 2015 £000	Long Term 31 March 2015 £000
(36,717)	(666,613)	Financial liabilities at amortised cost	(12,488)	(681,517)
(36,717)	(666,613)	Total borrowing	(12,488)	(681,517)
(8,312)	(327,293)	PFI and finance lease liabilities	(11,444)	(351,668)
(45,029)	(993,906)	Total other long term liabilities	(23,932)	(1,033,185)
60,370	0	Loans and receivables	45,231	0
24,438	0	Cash and Cash Equivalents	56,154	0
84,808	0	Total investment	101,385	0
0	570	Soft Loans Provided	0	456

Note 1 – Carrying Value

Under accounting requirements the carrying value of the financial instrument value is shown on the Balance Sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets / liabilities where the payments / receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 - Sheffield Galleries and Museums Trust Loan

The Council made a £650k cash flow loan to Sheffield Museums and Galleries Trust (SMGT) in 2010/11 at 0% interest, which was less than market rates of approximately 5.5% and therefore must be accounted for as a soft loan. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from SMGT, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year (the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer (to) or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement). The detailed soft loans information is shown in the table below:

31 March 2014		31 March 2015	
£000		£000	
540	Opening Balance	570	
30	Increase in the Discounted Amount	28	
0	Fair Value Adjustment	(12)	
0	Loan Repayment	(130)	
570	Balance Carried Forward	456	
650	Nominal Value Carried Forward	520	

Financial Instrument Gain / Losses

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

2013/14			2014/15		
Financial Liabilities	Financial Assets Loans and Receivable	Total	Financial Liabilities	Financial Assets Loans and Receivable	Total
£000	£000	£000	£000	£000	£000
(31,917)	0	(31,917)	(34,154)	0	(34,154)
(31,039)	0	(31,039)	(34,338)	0	(34,338)
(62,956)	0	(62,956)	(68,492)	0	(68,492)
0	860	860	0	1,075	1,075
0	860	860	0	1,075	1,075
(62,956)	860	(62,096)	(68,492)	1,075	(67,417)

Fair Value of Assets and Liabilities Carried at Amortised Cost

The borrowings and investments disclosed on 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 rates used were the market rates as at 31 March (using bid prices where applicable) for instruments with the same duration (i.e. equal to the outstanding period from valuation date to maturity), loan structure and terms as that of the comparable instrument.
- As the purpose of the fair value disclosure is to provide a comparison with the carrying value on the Balance Sheet, accrued interest has been included in the fair valuation calculation as this is also reflected in the carrying amount. The accrued interest figure is calculated up to and including the valuation date.
- To calculate the Public Works Loan Board (PWLB) fair value the new borrowing rate has been used, as opposed to the premature repayment rate, as the discount factor for all PWLB borrowing. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.
- Interest is calculated using the most common market convention ACT/365 (366 days in a leap year with the exception of PWLB which are charged on a 365 day basis regardless of leap years).
- 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 greater than 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 2014			31 March 2015	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
(354,053)	(369,653)	PWLB debt	(344,769)	(427,528)
(349,277)	(344,949)	Non-PWLB debt	(349,235)	(443,543)
(703,330)	(714,602)	Total Financial Liabilities	(694,004)	(871,071)

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 commitment to pay interest above current market rate increases the amount that the Council would have to pay (in terms of premiums etc.) if the lender requested or agreed to early repayment of the loans.

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

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

As the investment rates during 2014/15 were lower than the cost of borrowing the Council used accumulated investment balances and short term temporary borrowing (as this is significantly cheaper than long term borrowing) where possible to fund capital expenditure rather than incurring any new long term external borrowing. This reduced the Council's exposure to higher debt charges during the year and also reduced the Council's risk exposure to banks and other financial institutions during a time of economic uncertainty.

The Council maintains written principles / policies (the Treasury Management Practices or TMPs) for overall risk management, covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the CIPFA 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. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Council's investment criteria.

The Council adopts a counterparty list based on a model provided by Sector Treasury Services using credit ratings from all three rating agencies (Fitch, Moodys and Standard and Poors) and also using the following information:

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

This modelling approach combined credit ratings, credit updates, 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 Sector creditworthiness service. On occasions ratings were downgraded when an investment had already been made. The criteria used are such that minor downgrades are extremely unlikely to affect the full receipt of the principal and / or interest.

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

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

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

The following analysis summarises the Council's potential maximum exposure to credit risk as at 31 March 2015, 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 2015	Historical Experience of Default	Adjustment for conditions at 31 March 2015	Estimated Maximum Exposure to Default
	£000			£000
Deposits with A rated counterparties*	45,000	0.00%	0.087%	39
	<u>45,000</u>			<u>39</u>
Customers**	40,050	0.95%	0.95%	380
	<u>85,050</u>			<u>419</u>

* As per the Code guidance the percentage for financial instruments in terms of both historical default are calculated by looking at Sheffield City Council's actual experience of default rather than the general position in the market. In the case of Sheffield there has been no past experience of default and the Council has no exposure to Iceland so the percentage used is 0%. As at 31 March 2015 the Council held £30m as fixed term deposits with Bank of Scotland who were rated A at this time and £15m in a 95 day call account with Santander who were rated A at this time. The adjustment for conditions at 31 March 2015 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 2014/15 write offs as a % of the total amount of invoices raised in 2014/15.

As at 31 March 2015 the Council held £30m in fixed term deposits with Bank of Scotland (a Part Nationalised Bank), which matures on 2 June 2015 and 3 June 2015. A small default risk was attached to this deposit of 0.015% at 31 March 2015. The Council also had £15m in a 95 day call account as at 31 March 2015 which had a default risk of 0.23% as at 31 March 2015. Other funds held at the year-end (£54.1m) 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 investments balance as at 31 March 2015 was £45m, and there was £60m investment at 31 March 2014.

31 March 2015			
Financial Institution	Rating of Counterparty	Country	Amount £000
Bank of Scotland	A	UK	20,000
Bank of Scotland	A	UK	10,000
Santander UK	A	UK	15,000

31 March 2014– Comparative Information			
Financial Institution	Rating of Counterparty	Country	Amount £000
Bank of Scotland	A	UK	20,000
Bank of Scotland	A	UK	10,000
NatWest	BBB	UK	30,000

There is one breach of the Council's counterparty criteria which occurred during 2014/15 which was caused by an investment at a higher level than permitted by the Council's Counterparty policy. This was discovered within a few days and action was taken to rectify the situation. The matter was reported to the Director of Finance as part of the overall governance arrangements. During the reporting period the Council held no collateral as security.

The Council does not allow credit for customers therefore the value of £40.1m for 2014/15 (£31.1m for 2013/14) 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 2014		31 March 2015
£000		£000
15,222	Less than three months	33,410
875	Three to six months	744
827	Six months to one year	1,047
14,203	More than one year	4,849
31,127	Total	40,050

The Council's bad debt impairment at 31 March 2015 is £59.9m (£57.5m for 2013/14) of this £16.5m (£15.7m for 2013/14) relates to the above outstanding debt.

Liquidity Risk

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.

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

All sums owing to the Council from funds deposited in MMFs is £56.1m as at 31 March 2015 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.
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is:

Principal	2013/14			2014/15		Principal plus Interest
	Principal	Accrued Interest		Principal	Accrued Interest	
£000	£000	£000		£000	£000	£000
28,996	15,330	44,326	Less than one year	5,039	15,001	20,040
5,039	0	5,039	Between one and two years	22,249	0	22,249
9,048	0	9,048	Between two and five years	6,799	0	6,799
14,498	0	14,498	Between five and ten years	14,498	0	14,498
630,418	0	630,418	More than ten years	630,418	0	630,418
687,999	15,330	703,329	Total	679,003	15,001	694,004

The maturity analysis of financial assets is:

2013/14				2014/15		
Principal	Accrued Interest	Principal plus Interest		Principal	Accrued Interest	Principal plus Interest
£000	£000	£000		£000	£000	£000
60,000	370	60,370	Less than one year	45,000	231	45,231
60,000	370	60,370	Total	45,000	231	45,231

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

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

Market Risk

Interest Rate Risk

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

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA).

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. Within the strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposures. The Treasury Management and Banking team will monitor market and forecast interest rates within the year to adjust exposures appropriately, e.g. during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods

to secure better long term returns and the drawing of longer term fixed rate borrowing would be postponed when rates rise.

In order to minimise the Council’s exposure to loan interest fluctuations the Council will only have a maximum of 35% variable rate debt as a percentage of total debt. At the 31 March 2015, variable rate debt as a proportion of total debt was 26.21%.

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

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

	£000
Increase in interest payable on variable rate borrowings *	1,780
Increase in interest receivable on variable rate investments **	(1,191)
Impact on (Surplus) or Deficit on the Provision of Services	589
Share of overall impact debited to the HRA ***	782
Increase in fair value of fixed rate investment assets****	52
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)	88,110

Notes:

*All borrowing raised from the PWLB and £160m of Market loans were at fixed rates in 2014/15 and as a result a change in interest rates would have no effect on the interest payable on these loans, the amount of government grant received and on the Comprehensive Income and Expenditure Statement or HRA. There are a number of LOBO loans (£178m) which have moved out of their ‘fixed’ period and onto calls which are shown in the accounts as variable (although in reality they are fixed at each call period until the next call, so are only affected by a change of interest rates when the loan was ‘called’ at which point the Council would have the option to repay the loan without any premiums being payable). There were no LOBOs called during 2014/15. For the purposes of this note the average rate of these loans (5.07%) has been inflated by 1% to show the impact this may have.

** Based on a 1% increase on the weighted average interest rate and investment balance for 2014/15.

*** HRA share is 43.94% 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 two fixed term investments of £20m and £10m held with Bank of Scotland at the year-end. There was also £15m held in a Santander 95 day call account which was classified as fixed. 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.

18. Long Term Debtors

The following is an analysis of Long Term Debtors:

31 March 2014 £000		31 March 2015 £000
7,065	Up Front Contributions for Private Finance Initiative (PFI) Schemes	6,626
1,047	Housing Advances	81
116	Charges Over Assets	117
68	Barnsley Council Transferred Debt	50
82,531	Sheffield City Trust Prepayment	73,361
	<i>Loans to Third Parties:</i>	
375	- Sheffield City Region Local Enterprise Partnership	190
4,888	- Hammerson (New Retail Quarter Development)	4,888
569	- Sheffield Galleries and Museum Trust	467
3,500	- Sheffield International Venues Ltd	3,500
2,000	- Doncaster Council (LEP Growing Places Fund)	2,000
(2,000)	- Loan Provision for LEP Growing Places Fund	(2,000)
100,159	Total	89,280

Sheffield City Trust

On the 30th September 2013 the Council advanced Sheffield City Trust £101m. This cash was used to part fund the repayment of bank debt held by Lloyds Bank in relation to the Major Sporting Facilities (MSF). 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. The Council has accounted for the advance to the Trust as a prepayment of grant that would otherwise have been made if the bank debt were left in place. The prepayment is being amortised over ten years in line with the original lease arrangements.

The total current value of the prepayment is £82.6m, £73.4m is included above as a long term debtor and £9.2m is shown as a short term debtor.

19. Short Term Debtors

The following is an analysis of Debtors:

31 March 2014 £000		31 March 2015 £000
10,005	Central Government Bodies	16,441
0	Less Impairment for Bad Debts	0
10,005	Central Government Bodies (Net of Impairment)	16,441
8,984	Other Local Authorities	2,924
0	Less Impairment for Bad Debts	0
8,984	Other Local Authorities (Net of Impairment)	2,924
3,572	NHS Bodies	791
0	Less Impairment for Bad Debts	0
3,572	NHS Bodies (Net of Impairment)	791
0	Public Corporations and Trading Funds	0
0	Less Impairment for Bad Debts	0
0	Public Corporations and Trading Funds (Net of Impairment)	0
8,723	Housing Tenants	9,008
(6,654)	Less Impairment for Bad Debts	(6,358)
2,069	Housing Tenants (Net of Impairment)	2,650
40,714	Local Taxpayers and NNDR	42,379
(35,071)	Less Impairment for Bad Debts	(36,975)
5,643	Local Tax Payers and NNDR (Net of Impairment)	5,404
5,025	Capital Project	10,977
0	Less Impairment for Bad Debts	0
5,025	Capital Projects (Net of Impairment)	10,977
178	Accumulated Absences	165
0	Less Impairment for Bad Debts	0
178	Other Entities and Individuals (Net of Impairment)	165
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
54,545	Other Entities and Individuals	71,100
(15,740)	Less Impairment for Bad Debts	(16,534)
38,805	Other Entities and Individuals (Net of Impairment)	54,566
140,916	Total Debtors (Gross)	162,955
(57,465)	Less Total Impairment for Bad Debts	(59,867)
83,451	Total Debtors (Net of Impairment)	103,088

20. Cash and Cash Equivalents

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

31 March 2014 £000		31 March 2015 £000
8,274	Cash at Bank	2,505
100	Petty Cash Floats	87
24,428	Short Term Investments	56,130
32,802	Total	58,722

21. Assets Held for Sale

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

2013/14 Current £000		2014/15 Current £000
3,834	Balance at 1 April	10,856
9,431	Assets newly classified as Held for Sale from Property, Plant and Equipment	20,023
(2,703)	Revaluation losses	0
657	Revaluation gains	0
(1,350)	Assets declassified as held for sale	(1,877)
(1,338)	Assets sold	(645)
2,325	Accounting Additions	1,184
10,856	Balance at 31 March	29,541

22. Short Term Creditors

The following is an analysis of Creditors:

31 March 2014 £000		31 March 2015 £000
(27,785)	Central Government Bodies	(29,013)
(4,694)	Other Local Authorities	(4,873)
(2,909)	NHS Bodies	(2,207)
(66)	Public Corporations and Trading Funds	(50)
(2,907)	Housing Tenants	(2,743)
(12,071)	Local Taxpayers and NNDR	(13,517)
(11,334)	Capital Projects	(14,691)
(10,986)	Accumulated Absences	(10,556)
(52,830)	Other Entities and Individuals	(64,031)
(125,582)	Total	(141,681)

23. Provisions and Deferred Credits

The Council maintains the following provisions:

	Insurance	Digital Region	Termination Benefits	HRA - Week 53 Rent Deferred Credit	Other	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2014	(9,577)	(11,509)	(3,583)	(2,902)	(20,807)	(48,378)
Additional Provisions	0	0	(2,022)	483	(3,130)	(4,669)
Amounts Used	2,044	9,809	2,426	0	3,225	17,504
Unused Amounts Reversed	0	0	990	0	3,304	4,294
Balance at 31 March 2015	(7,533)	(1,700)	(2,189)	(2,419)	(17,408)	(31,249)
Comprising of:						
Short Term	(5,747)	(1,700)	(2,189)	(484)	(14,229)	(24,349)
Long Term	(1,786)	0	0	(1,935)	(3,179)	(6,900)
	(7,533)	(1,700)	(2,189)	(2,419)	(17,408)	(31,249)

Insurance

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

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

Digital Region

The provision covers costs, which are attributable to the Council as a shareholder of Digital Region Limited. In August 2013 the decision was taken to commence the managed closedown of the network. The provision is expected to cover the Council's share of expenses, based on the latest available estimates.

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 2015 they have not yet left the Council.

HRA - Week 53 Rent Deferred Credit

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

Other

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

24. Other Long Term Liabilities

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

31 March 2014 £000		31 March 2015 £000
(21,392)	Deferred Liabilities	(18,619)
(21,392)	Total	(18,619)

Deferred Liabilities

The Council has a proportionate share in the interests of the former South Yorkshire Council Debt. As at 31 March 2015 the deferred liabilities of Sheffield City Council amounted to £21.4m (£23.9m in 2013/14), comprising £2.8m (£2.5m in 2013/14) maturing within one year, which has been disclosed in short term creditors – other entities and individuals (Note 22) and £18.6m (£21.4m in 2013/14) after that date as shown in the table above.

25. Usable Reserves

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

General Fund Balance

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

The table below shows the General Fund balance as at 31 March 2014 and as at 31 March 2015:

31 March 2014 £000		31 March 2015 £000
(10,816)	General Balances Available	(11,186)
(10,816)	Total	(11,186)

The General Fund Balance was £11.2m at 31 March 2015, representing only 2.5% of the 2014/15 net budget requirement of £451.2m. If this £11.2m 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. However, the Council believes this level to be adequate but acknowledges it should not fall below the March 2015 figure where possible.

There is no overall formula that can calculate what the level of reserves should be; it is a matter of judgement based on the known risks, budgetary pressures and local factors. The Audit Commission report 'Striking a Balance' indicated that:

“most Chief Finance Officers in our research regarded an amount between 3 and 5 per cent of the council’s net spending as a prudent level for risk-based reserves...”

The National Audit Office Report 2014 'The impact of funding reductions on local authorities' reported that for single tier and county councils Unallocated Reserves or General Fund Balances have remained stable at 6% of net revenue expenditure.

Earmarked General Fund Reserves

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

31 March 2014 £000		31 March 2015 £000
(16,277)	Schools Reserves	(18,018)
(400)	Revenue Grants and Contributions	(400)
	Other Earmarked Revenue Reserves:	
(9,394)	- Insurance Fund Reserve	(11,519)
(17,996)	- Major Sporting Facilities	(7,819)
(1,555)	- New Homes Bonus (NHB)	(1,922)
(12,175)	- PFI Future Expenditure	(11,165)
0	- Public Health	(2,005)
(7,569)	- Service Area Reserves	(10,430)
(20,639)	- Other Earmarked Reserves	(32,632)
(86,005)	Total	(95,910)

Earmarked reserves are set aside to meet known or predicted liabilities, but ones that are not certain enough to create an exact provision in the accounts. The liabilities are, however, likely enough to say 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.
- **Insurance Fund Reserve:** An Insurance Fund Reserve was created during 2013/14 following the 2012/13 external audit. It was recommended that funds relating to potential insurance claims against the Council needed to be split between Provisions and Reserves. Previously all the funds were reported as Provisions within the Statement of Accounts. The balance on the reserve as at 31 March 2015 is £11.5m.
- **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, Don Valley Stadium and Hillsborough Leisure Centre). In the interim, up to £25m of this reserve has been available on a temporary basis and used to fund Invest to Save projects. Invest to Save allows for investment in key projects to deliver transformational change. In the short term, the savings achieved are being used to repay the initial investment from the MSF reserve and will be fully repaid by 2015/16. Any on-going savings will then be available to support the Councils revenue budget in future years. During 2014/15 £8.5m of these reserves were used temporarily to fund the Pension Deficit early payment to deliver £2.6m of savings. These funds will be fully repaid during 2015/16.
- **New Homes Bonus:** The Government is paying all Councils "New Homes Bonus" to incentivise them to bring empty properties back into use or encourage new housing to be built. The Council has agreed to use the payments to create a Local Growth Fund for projects that promote housing and economic growth. This reserve sets aside the payments until required for agreed projects.
- **PFI Future Expenditure:** The PFI reserve exists due to Government funding being received in advance to pay future years' liabilities. This income is set aside in a reserve until needed to ensure sufficient funds are available to cover the cost of contracts in future years. During 2014/15 £9.9m of these reserves were used temporarily to fund the Pension Deficit early payment to deliver £2.6m of savings. These funds will be fully repaid during 2015/16.

- Other Earmarked Reserves: Other Earmarked reserves also include funds which are set aside to cover predicted liabilities such as business rates appeals, redundancies, Equal Pay claims, social care pressures and items earmarked for use by particular services.

Housing Revenue Account Reserves

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

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

31 March 2014 £000		31 March 2015 £000
(13,043)	Housing Revenue Account Balance	(12,841)
(1,273)	Earmarked Housing Revenue Account Reserve	(2,643)
(14,316)	Total	(15,484)

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 2014 £000		31 March 2015 £000
(32,988)	Capital Receipts Reserve	(36,977)
(32,988)	Total	(36,977)

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 2014 £000		31 March 2015 £000
(43,831)	Major Repairs Reserve	(71,851)
(43,831)	Total	(71,851)

The Major Repairs Reserve increased by £28m as part of the strategy to consolidate revenue contributions to capital from the HRA in anticipation of substantial capital investment in the medium term.

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 2014 £000		31 March 2015 £000
(24,494)	Capital Grants Unapplied Reserve	(26,055)
(24,494)	Total	(26,055)

26. Unusable Reserves

The following table summarises the Unusable Reserves balances:

31 March 2014 £000		31 March 2015 £000
	Capital Reserves:	
(368,875)	Revaluation Reserve	(385,624)
(882,191)	Capital Adjustment Account	(865,005)
(56)	Deferred Capital Receipts Reserve	(56)
(1,251,122)		(1,250,685)
	Revenue Reserves:	
36,700	Financial Instruments Adjustment Account	35,906
697,558	Pensions Reserve	856,407
(3,300)	Collection Fund Adjustment Account	(7,029)
10,808	Accumulated Absences Account	10,390
741,766		895,674
(509,356)	Total	(355,011)

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.

2013/14 £000		£000	2014/15 £000
(374,013)	Balance at 1 April		(368,875)
(69,097)	Upward revaluation of assets	(60,016)	
48,693	Downward revaluation of assets and impairment losses	20,928	
<u>(20,404)</u>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(39,088)
7,534	Difference between fair value depreciation and historical cost depreciation	6,856	
19,422	Accumulated gains on assets sold or scrapped	15,483	
<u>(882)</u>	Opening balance adjustment	<u>0</u>	
26,074	Amount written off to the Capital Adjustment Account		22,339
(532)	Other Adjustments		0
(368,875)	Balance at 31 March		(385,624)

Capital Adjustment Account

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

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

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

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

2013/14 £000		£000	2014/15 £000
(964,366)	Balance at 1 April		(882,191)
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:		
65,108	Depreciation of non-current assets	64,250	
0	Impairment of non-current assets	0	
32,095	Revaluation losses of non-current assets	19,166	
0	Movement in fair value of Investment Properties	(6)	
14,704	Revenue expenditure funded from capital under statute	8,281	
106,487	Non-current assets written off on disposal	80,032	
(6)	Other	0	
218,388			171,723
	Adjusting amounts written out of the Revaluation Reserve:		
(7,534)	Difference between fair value depreciation and historical cost depreciation	(6,856)	
(19,422)	Accumulated gains on assets sold or scrapped	(15,483)	
882	Opening balance adjustment	0	
(26,074)			(22,339)
(772,052)	Net written out amount of the cost of non-current assets consumed in the year		(732,807)
	Capital financing applied in the year:		
(10,640)	Use of the Capital Receipts Reserve to finance new capital expenditure	(8,490)	
(32,360)	Use of the Major Repairs Reserve to finance new capital expenditure	(25,788)	
(33,842)	Capital grants and contributions credited to the CI&ES	(64,392)	
(5,199)	Application of grants and contributions from the Capital Grants Unapplied Reserve	(3,257)	
(28,033)	Statutory provision for the repayment of debt	(30,244)	
(54)	Voluntary provision for the repayment of debt	(27)	
(110,128)			(132,198)
(11)	Transfer from the Deferred Capital Receipts Reserve		0
(882,191)	Balance at 31 March		(865,005)

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.

2013/14 £000		2014/15 £000
(45)	Balance at 1 April	(56)
(22)	New loans and mortgages	0
0	Receipt of cash	0
11	Transfer to the Capital Adjustment Account	0
(56)	Balance at 31 March	(56)

Financial Instruments Adjustment Account

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

2013/14 £000		2014/15 £000
37,618	Balance at 1 April	36,700
(833)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(721)
(30)	Soft Loan Amortisation	(16)
(55)	Other movements	(57)
(918)	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(794)
36,700	Balance at 31 March	35,906

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.

2013/14 £000		2014/15 £000
797,832	Balance at 1 April	697,558
(111,539)	Actuarial (gains) or losses on pensions assets and liabilities	204,881
61,943	Reversal of items relating to retirement benefits debited or credited to the CI&ES	55,722
(50,678)	Employer's pensions contributions and direct payments to pensioners payable in the year	(101,754)
697,558	Balance at 31 March	856,407

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.

2013/14 £000		2014/15 £000
(2,042)	Balance at 1 April	(3,300)
(1,258)	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	(3,729)
(3,300)	Balance at 31 March	(7,029)

Accumulated Absences Account

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

2013/14 £000		2014/15 £000
12,242	Balance at 1 April	10,808
(1,434)	Amount by which officer remuneration charged to the CI&ES is different from remuneration chargeable in the year in accordance with statutory requirements	(418)
10,808	Balance at 31 March	10,390

27. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2013/14 £000		2014/15 £000
1,473	Interest Received	1,201
(97,605)	Interest Paid	(96,818)

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:

2013/14		2014/15
£000		£000
65,108	Depreciation	64,250
44,859	Impairment and downward valuations	19,168
15,574	Increase / (Decrease) in creditors	6,148
7,435	(Increase) / Decrease in debtors	(5,554)
(66)	Increase / (Decrease) in inventories	(31)
11,265	Movement in pension liability	(46,032)
106,489	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	80,032
(2,824)	Other non-cash items charged to the net surplus or deficit on the provision of services	(17,018)
247,840	Total	100,963

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:

2013/14		2014/15
£000		£000
(33,842)	Any other items for which cash effects are investing or financing cash flows	(65,849)
(16,319)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(15,816)
(50,161)	Total	(81,665)

28. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2013/14		2014/15
£000		£000
(108,142)	Purchase of property, plant and equipment, investment property and intangible assets	(133,663)
(60,000)	Purchase of short and long term investments	(85,000)
(86,252)	Other payments for investing activities	(17)
16,251	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	15,816
20,000	Proceeds from short and long term investments	100,000
39,639	Other receipts from investing activities	76,385
(178,504)	Net cash flow from investing activities	(26,479)

29. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2013/14		2014/15
£000		£000
37,000	Cash receipts of short and long term borrowing	0
9,569	Other receipts from financing activities	0
(11,319)	Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	(12,021)
(49,679)	Repayment of short and long term borrowing	(11,517)
0	Other payments for financing activities	165
(14,429)	Net cash flow from financing activities	(23,373)

30. Amounts Reported for Resource Allocation Decisions

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

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

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

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

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

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year ended 31 March 2015 is as follows:

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

2013/14 – Comparative Information									
	Children, Young People and Families £000	Place £000	Communities £000 Policy, Performance and Communications	Resources £000	Corporate £000	Total General Fund £000	Housing Revenue Account £000	Total £000	
Grants	(76,507)	(19,001)	(19,042)	(2,257)	(197,761)	0	(314,568)	0	(314,568)
Other reimbursements and contributions	(1,792)	(1,645)	(12,274)	(123)	345	0	(15,489)	(1,307)	(16,796)
Sales	(3,380)	(1,196)	(103)	0	(38)	0	(4,717)	(3,221)	(7,938)
Fees and charges	(22,664)	(25,788)	(28,810)	(456)	(24,601)	(522)	(102,841)	(3,581)	(106,422)
Other Income	(1,338)	(7,072)	(16,269)	(986)	(4,313)	(6,772)	(36,750)	(152,331)	(189,081)
Recharges	(33,079)	(12,948)	(5,483)	(2,073)	(83,467)	(299)	(137,349)	0	(137,349)
Total Income	(138,760)	(67,650)	(81,981)	(5,895)	(309,835)	(7,593)	(611,714)	(160,440)	(772,154)
Employees	71,937	40,653	61,059	4,067	47,227	0	224,943	27,009	251,952
Premises	2,929	11,301	3,072	5	56,385	0	73,692	48,745	122,437
Transport	6,412	2,165	2,446	17	1,742	0	12,782	879	13,661
Supplies and services	44,464	58,611	14,864	2,084	15,711	42,938	178,672	39,855	218,527
Third party payments	51,225	115,815	167,826	1,409	407	0	336,682	628	337,310
Transfer payments	526	0	5,419	0	191,882	0	197,827	0	197,827
Support Services	45,998	9,875	9,574	1,419	63,187	0	130,053	11,393	141,446
Other	0	9,561	0	1	127	(552,210)	(542,521)	20,555	(521,966)
Total Expenditure	223,491	247,981	264,260	9,002	376,668	(509,272)	612,130	149,064	761,194
Net Expenditure	84,731	180,331	182,279	3,107	66,833	(516,865)	416	(11,376)	(10,960)

Reconciliation to Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement:

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2013/14 £000		2014/15 £000
(10,960)	Net Expenditure in the Portfolio Analysis	(648)
921	Additional segments not included in the analysis	(90)
10,151	Amounts not included in the analysis but included in the CI&ES	(93,572)
488,856	Amounts included in the analysis but not included in the CI&ES	485,210
488,968	Cost of Services in the CI&ES	390,900

Reconciliation to Subjective Analysis:

This reconciliation shows how the figures in the analysis of portfolios income and expenditure relate to a subjective analysis of the (Surplus) or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Sheffield City Council – Statement of Accounts 2014/15

2014/15								
	Net Expenditure in the Portfolio Analysis	Additional segments not included in the analysis	Amounts not included in the analysis but included in the CI&ES	Amounts included in the analysis but not included in the CI&ES	Allocation of Recharges	Cost of Services in the CI&ES	Amounts reported below the net expenditure of Continuing Operation in the CI&ES	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(447,271)	(237,781)	12,260	0	129,161	(543,631)	(75)	(543,706)
Interest and investment income	(233)	0	0	233	0	0	(1,076)	(1,076)
Income from Council Tax	0	0	0	0	0	0	(169,704)	(169,704)
Non Domestic Rates Distribution	0	0	0	0	0	0	(100,667)	(100,667)
Government grants and contributions	(331,512)	(2,535)	(5,482)	0	0	(339,529)	(342,648)	(682,177)
Total Income	(779,016)	(240,316)	6,778	233	129,161	(883,160)	(614,170)	(1,497,330)
Employee expenses	230,364	182,478	(75,060)	0	0	337,782	0	337,782
Other service expenses	515,774	57,748	(93,690)	502,200	0	982,032	0	982,032
Support service recharge	0	0	0	0	(129,161)	(129,161)	0	(129,161)
Depreciation, amortisation, and impairment	17,218	0	66,189	0	0	83,407	0	83,407
Interest payments	14,768	0	0	(14,768)	0	0	68,492	68,492
Precepts and levies	491	0	0	(491)	0	0	491	491
Payment to housing capital receipt pool	0	0	0	0	0	0	3,020	3,020
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	64,216	64,216
(Surplus) / deficit of trading undertakings or other operations	(247)	0	2,211	(1,964)	0	0	1,654	1,654
Pension interest cost, administration expenses and expected return on pension assets	0	0	0	0	0	0	28,923	28,923
Total Expenditure	778,368	240,226	(100,350)	484,977	(129,161)	1,274,060	166,796	1,440,856
(Surplus) or deficit on the provision of services	(648)	(90)	(93,572)	485,210	0	390,900	(447,374)	(56,474)

Sheffield City Council – Statement of Accounts 2014/15

2013/14 – Comparative Information								
	Net Expenditure in the Portfolio Analysis	Additional segments not included in the analysis	Amounts not included in the analysis but included in the CI&ES	Amounts included in the analysis but not included in the CI&ES	Allocation of Support Service Recharges	Cost of Services in the CI&ES	Amounts reported below the net expenditure of Continuing Operation in the CI&ES	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(457,532)	(261,502)	10,194	225	146,070	(562,545)	(25)	(562,570)
Interest and investment income	(53)	0	0	53	0	0	(1,473)	(1,473)
Income from Council Tax	0	0	0	0	0	0	(165,991)	(165,991)
Non Domestic Rates Distribution	0	0	0	0	0	0	(95,673)	(95,673)
Government grants and contributions	(314,568)	(3,368)	(5,179)	0	0	(323,115)	(337,165)	(660,280)
Total Income	(772,153)	(264,870)	5,015	278	146,070	(885,660)	(600,327)	(1,485,987)
Employee expenses	251,952	203,733	(22,772)	0	0	432,913	0	432,913
Other service expenses	478,718	62,058	(54,807)	504,504	0	990,473	0	990,473
Support service recharge	0	0	0	0	(146,070)	(146,070)	0	(146,070)
Depreciation, amortisation, and impairment	17,105	0	80,207	0	0	97,312	0	97,312
Interest payments	14,693	0	0	(14,693)	0	0	64,914	64,914
Precepts and levies	478	0	0	(478)	0	0	478	478
Payment to housing capital receipts pool	0	0	0	0	0	0	2,709	2,709
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	90,180	90,180
(Surplus) / deficit of trading undertakings or other operations	(1,753)	0	2,508	(755)	0	0	667	667
Pension interest cost, administration expenses and expected return on pension assets	0	0	0	0	0	0	32,691	32,691
Total Expenditure	761,193	265,791	5,136	488,578	(146,070)	1,374,628	191,639	1,566,267
(Surplus) or deficit on the provision of services	(10,960)	921	10,151	488,856	0	488,968	(408,688)	80,280

Assets and Liabilities

Sheffield City Council does not internally report on the assets and liabilities of individual segments and so therefore no segmental analysis is required to be disclosed.

31. Trading Operations

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

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

Sheffield Markets Operation

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

Commercial Estate (Property)

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

Transport Services

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

Schools Traded Service

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

Capital Delivery Service (previously Design and Project Management)

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

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

2013/14 – Comparative Information					
	Income	Expenditure	Operating (Surplus)/ Deficit	Accounting Adjustments	Accounting (Surplus)/ Deficit
	£000	£000	£000	£000	£000
Sheffield Markets Operation	(2,449)	3,097	648	442	1,090
Commercial Estates (Property)	(1,534)	719	(815)	677	(138)
Transport Services	(902)	761	(141)	409	268
Schools Traded Services	(1,485)	95	(1,390)	939	(451)
Capital Delivery Service (previously DPM)	(108)	52	(56)	(46)	(102)
	(6,478)	4,724	(1,754)	2,421	667

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.

32. 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 focusing services and activities for a client group. Funds contributed are those normally used for the services represented in the pooled budget and allow the organisations involved to act in a more cohesive way.

The following table summarises the pooled arrangements Sheffield City Council has entered into, along with Sheffield City Council's contributions to and from the pool and details of previous year's comparatives:

Service Area	Contribution to the Pool		Contribution from the Pool	
	2014/15	2013/14	2014/15	2013/14
	£000	Restated £000	£000	Restated £000
Intermediate Care	0	108	0	0
Learning Disabilities Accommodation	1,100	1,100	1,100	1,100
Equipment and adaptations	861	936	861	936
Total	1,961	2,144	1961	2,036

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

Intermediate Care

The pool arrangement ended in 2013/14.

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Sheffield CCG	0	0	0	0
Sheffield City Council	0	108	0	0
Sheffield Teaching Hospitals	0	0	0	108
Sheffield Care Trust	0	0	0	0
Total	0	108	0	108

Learning Disabilities Accommodation

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

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2014/15	2013/14	2014/15	2013/14
	£000	Restated £000	£000	Restated £000
Sheffield CCG	665	677	665	677
Sheffield City Council	1,100	1,100	1,100	1,100
Total	1,765	1,777	1,765	1,777

Equipment and Adaptations

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

Partner Bodies	Contribution to the Pool		Contribution from the Pool	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Sheffield CCG	2,133	1,814	2,133	1,814
Sheffield City Council	861	936	861	936
Total	2,994	2,750	2,994	2,750

33. Members' Allowances

The Council paid the following amounts to Council Members and Co-optees' during 2014/15:

2013/14 £000		2014/15 £000
	Councillors:	
982	Basic Allowance	985
232	Special Responsibility Allowance	226
28	Expenses	29
1,242		1,240
	Co-optees:	
6	Basic Allowance	5
1,248	Total	1,245

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

34. Officers' Remuneration

Under the Accounts and Audit Regulations 2011, 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.

2014/15						
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	1	184,588	0	184,588	35,072	219,660
Executive Director - Communities (Interim)		129,217	0	129,217	24,551	153,768
Executive Director - Resources (Interim)		116,902	0	116,902	21,699	138,601
Executive Director - Place		123,066	351	123,417	23,383	146,800
Executive Director - Children Young People and Families		116,902	481	117,383	22,211	139,594
Director of Public Health - Jeremy Wight	2	159,057	80	159,137	18,898	178,035
Director of Policy and Performance		79,151	0	79,151	15,039	94,190
Total		908,883	912	909,795	160,853	1,070,648

Notes:

- 1** The Chief Executive put in place an arrangement in March 2013 to forgo other fees due to him regarding elections. These fees foregone amount to £14,000 per year pro rata, having the effect of reducing the net salary cost by 7.5%.
- 2** The Director of Public Health left his position as of 20 April 2015

2013/14						
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		184,588	0	184,588	35,072	219,660
Executive Director - Communities	1	114,219	15	114,234	22,505	136,739
Executive Director – Communities (Interim)	1	129,217	0	129,217	24,551	153,768
Executive Director – Resources (Interim)	2	83,330	0	83,330	16,310	99,640
Executive Director - Place		123,066	170	123,236	23,383	146,619
Executive Director - Children Young People and Families		116,902	6	116,908	22,211	139,119
Director of Public Health – Jeremy Wight	3	151,103	69	151,172	18,056	169,228
Director of Policy and Performance	4	78,757	0	78,757	14,964	93,721
Total		981,182	260	981,442	177,052	1,158,494
Notes:						
<p>1 The Executive Director of Communities left on 28 February 2014. His full time equivalent salary was £129,217 in 2013/14. The interim replacement moved from the Executive Director of Resources post from 1 March 2014 but their full salary has been listed in their new interim post.</p> <p>2 An interim replacement for the Executive Director of Resources was appointed on 1 March 2014. The full time equivalent salary for this post would be £116,902. Only £10,792 of the salary listed above related to this post, the rest relates to his previous Director of Finance post.</p> <p>3 The public health function transferred to Council control due to the Health and Social Care Act 2012 requirement for Councils to support integration across health and social care and the phasing out of strategic health authorities and Primary Care Trusts.</p> <p>4 A new post as a result of the merger between the Performance and Corporate Planning and the Policy, Partnership and Research Director posts which now report directly to the Chief Executive.</p>						

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

2013/14			Remuneration Band	2014/15		
Teachers	Other	Total		Teachers	Other	Total
58	40	98	£50,000 - 54,999	60	38	98
47	36	83	£55,000 - 59,999	42	34	76
33	8	41	£60,000 - 64,999	32	9	41
17	21	38	£65,000 - 69,999	20	13	33
11	6	17	£70,000 - 74,999	13	3	16
7	12	19	£75,000 - 79,999	5	9	14
2	7	9	£80,000 - 84,999	2	5	7
6	3	9	£85,000 - 89,999	4	2	6
4	1	5	£90,000 - 94,999	2	1	3
1	2	3	£95,000 - 99,999	0	0	0
2	0	2	£100,000 - 104,999	0	0	0
1	0	1	£105,000 - 109,999	2	0	2
0	0	0	£110,000 – 114,999	1	0	1
0	2	2	£120,000 - 124,999	0	0	0
0	0	0	£125,000 - 129,999	1	1	2
0	0	0	£145,000 – 149,999	0	1	1
189	138	327	Total	184	116	300
184	109	293	Total Excluding redundancies	184	110	294

Note: The "other" total excluding redundancies figure for 2013/14 includes an increase of 10 staff due to the incorporation in to the Council of the Public Health function and 8 staff due to the incorporation in to the council of Sheffield Homes. If these had been excluded the figure would have been 91.

35. Termination Benefits

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £7.6m (£12.2m in 2013/14). This includes redundancy and pension payments.

This amount was payable to 485 people (656 people in 2013/14) from across the Council, who were made redundant as part of its strategy to reduce the workforce in order to achieve budget savings.

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

2013/14			2014/15	
Total number of exit packages by cost band	Total cost of exit packages in each band	Exit package cost band (including special payments)	Total number of exit packages by cost band	Total cost of exit packages in each band
	£000			£000
464	3,641	£0 - £20,000	366	2,696
112	3,133	£20,001 - £40,000	78	2,107
43	2,108	£40,001 - £60,000	25	1,264
22	1,486	£60,001 - £80,000	11	724
8	712	£80,001 - £100,000	2	168
7	858	£100,001 - £215,000	3	385
656	11,938	Total	485	7,344

We are unable to analyse the above figures between compulsory redundancies and other departures.

In 2014/15 contributions of £245k for the termination costs under contract / partnership obligations were also incurred, in 2013/14 the equivalent cost was £295k. These are not included in the above table.

36. 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:

2013/14		2014/15
£000		£000
256	Fees payable with regard to external audit services carried out by the appointed auditor	255
48	Fees payable for the certification of grant claims and returns	21
25	Fees payable in respect of any other services provided over and above those listed above	76
329	Total	352

37. 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 2011. The Schools Budget includes elements for a range of educational services provided on a Council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

Sheffield City Council – Statement of Accounts 2014/15

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

2013/14 – Comparative Information			
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2013/14 before Academy recoupment	50,045	313,585	363,630
Academy figure recouped for 2013/14	0	(89,049)	(89,049)
Total DSG after Academy recoupment for 2013/14	50,045	224,536	274,581
Brought forward from 2012/13	3,291	0	3,291
Agreed initial budgeted DSG distribution in 2013/14	53,336	224,536	277,872
In year adjustments	(14,513)	14,681	168
Final budgeted distribution for 2013/14	38,823	239,217	278,040
Less Actual central expenditure	(34,795)	0	(34,795)
Less Actual ISB deployed to schools	0	(239,217)	(239,217)
Carry forward to 2014/15	4,028	0	4,028

38. Grant Income

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

2013/14		2014/15
£000		£000
	Credited to Services:	
(6,675)	Clinical Commissioning Group	(12,110)
(17,372)	Department for Business Innovation and Skills	(24,122)
(12,726)	Department for Communities and Local Government	(6,781)
(306,840)	Department for Education	(282,294)
(200,138)	Department for Work and Pensions	(197,120)
(30,062)	Department of Health	(33,776)
(1,523)	English Local Government	(2,060)
(747)	Home Office	(1,348)
(1,396)	Ministry of Justice	(1,113)
(4,261)	Other	(4,776)
(581,740)	Total	(565,500)
	Credited to Taxation and Non Specific Grant Income:	
	<i>Non-ring fenced Government Grants:</i>	
(233,524)	Department for Communities and Local Government	(201,565)
(9,683)	Department of Health	(12,399)
(40,266)	Department for Transport	(44,343)
(23,975)	Education Funding Agency	(23,975)
(307,448)		(282,282)
	<i>Capital Grants and Contributions:</i>	
(16,857)	Department for Education	(23,031)
0	Department for Environment, Food and Rural Affairs	(6,115)
(1,036)	Department of Health	0
(68)	Department for Transport	(2,579)
0	Sheffield City Region Combined Authority Group	(27,804)
(11,756)	Other	(837)
(29,717)		(60,366)
(337,165)	Total	(342,648)

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

31 March 2014 £000		31 March 2015 £000
	Revenue Grants Receipts in Advance:	
(8,588)	Department for Business Innovation and Skills	(8,545)
(656)	Department for Communities and Local Government	(439)
(5,000)	Department for Works and Pensions	(4,917)
(2,850)	Department of Health	(1,482)
(1,652)	Other	(1,385)
(18,746)	Total	(16,768)
	Capital Grants Receipts in Advance:	
0	Department for Culture Media and Sport	(59)
(8,954)	Department for Communities and Local Government	(10,107)
(15,362)	Department for Education	(16,408)
(2,245)	Department for Transport	(736)
0	English Local Government	(1,005)
(1,924)	Department for Environment, Food and Rural Affairs	0
0	Sheffield City Region Combined Authority	(56)
(5,967)	Other	(14,090)
(34,452)	Total	(42,461)

39. 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 £208m (£295m for 2013/14), with £26.4m (£4.6m for 2013/14) accrued. All such material related party transactions are disclosed either individually or in aggregate below.

Council Members

In respect of financial year 2014/15 a number of Council Members had a position of general control or management in organisations which generated related party transactions with the Council. Positions of general control or management can arise by way of ownership, or by acting as a director, trustee, board member, or partner of an organisation.

Significant transactions include:

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

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

2013/14							
	Notes	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
		£000	£000	£000	£000	£000	£000
Related Party							
Sheffield City Trust	1	(44)	127,826	127,782	158	0	158
Building Schools for the Future	2	0	11,328	11,328	0	0	0
Sheffield Futures	3	(54)	7,106	7,052	12	(26)	(14)
Sheffield Galleries and Museum Trust	4	(169)	2,753	2,584	456	0	456
Sheffield Housing Company	5	(22)	2,467	2,445	0	(22)	(22)
Autism Plus	6	(239)	2,199	1,960	0	0	0
Digital Region Ltd	7	0	1,077	1,077	0	0	0
Roundabout		0	867	867	0	0	0
Sheffield Industrial Museums Trust		(30)	704	674	259	0	259
DLA Piper		0	337	337	0	(7)	(7)

1 £12.8m impairment of lease rental prepayment made in 2012/13, £101.3m prepayment of lease rentals that would have been incurred up to 2024, £8.8m bond interest payments, £4.8m bond principal payments.
2 £11m investment in rebuilding, refurbishment, ICT and equipment in schools.
3 £7m payments for targeted youth support – Community youth teams and youth work.
4 £2m payment of the operating grant and a £1.1m loan.
5 £1.6m deposits and £0.6m payments on completion of plots. £0.2m Local Growth Fund payments.
6 £2m payments to external provider of learning disabilities care services.
7 £1m funding advance for costs of winding down.

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

Chief Officers

For the purpose of this disclosure the term 'chief officer' is defined as the Chief Executive, the Executive Directors and Director of Finance. The note also covers members of those officers' close families or households. None of the Council's chief officers declared a position of general control or management in a third party organisation during the financial year which was not disclosed elsewhere.

Transactions with Other Public Bodies

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

2014/15							
	Notes	Receipts	Payments	Net Payments	Receivables	Payables	Net Accruals
		£000	£000	£000	£000	£000	£000
Related Party							
South Yorkshire Pensions Authority	1	(16)	110,870	110,854	1	(388)	(387)
Sheffield City Region Combined Authority	2	(20,609)	32,264	11,655	1,824	(6)	1,818
NHS bodies within Sheffield and regional health organisations	3	(20,548)	26,514	5,966	797	(1,080)	(283)
South Yorkshire Police and Crime Commissioner	4	(144)	19,573	19,429	108	(241)	(133)
South Yorkshire Fire and Rescue Authority	5	(34)	10,312	10,278	5	(7)	(2)
Other Local Authorities		(885)	8,490	7,605	281	(70)	211
1 £71m contribution towards the deficit and £35m superannuation payments, £4m Annual Funding requirement.							
2 £31.4m Transport Levy payments, £17.3m Grant Income, £3.3m Recharges.							
3 £16.9m from NHS Sheffield Clinical Commissioning Group.							
4 £18.6m Council Tax precept payment, £0.4m Grants, £0.3m Service Recharges.							
5 £8.2m Council Tax precept payment and £2.1m share of National Non-Domestic Rates.							

2013/14							
	Notes	Receipts	Payments	Net Payments	Receivables	Payables	Net Accruals
		£000	£000	£000	£000	£000	£000
Related Party							
South Yorkshire Pensions Authority	1	(16)	72,190	72,174	1	(8,620)	(8,619)
Sheffield City Region Combined Authority	2	(12,069)	36,055	23,986	5,419	(24)	5,395
South Yorkshire Police Authority	3	(970)	18,963	17,993	7	(1)	6
Other Local Authorities	4	(2,664)	10,058	7,394	8,390	(559)	7,831
NHS bodies within Sheffield and regional health organisations		(8,173)	15,237	7,064	353	(1,195)	(842)
South Yorkshire Fire and Rescue Authority	5	(16)	10,199	10,183	3	(11)	(8)
1 £7m payment of levies, £17.7m contribution towards the deficit, and £47.5m superannuation payments.							
2 £35.5m levy payment, £9.4m receipts for capital transport projects, £1.2m receipts for Local Sustainable Transport Fund project.							
3 £18.2m Council Tax precept payment.							
4 £4.3m repayment of South Yorkshire County Council Debt.							
5 £8.2m Council Tax precept payment and £1.9m share of business rates.							

40. 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.

2013/14		2014/15
£000		£000
	Capital Investment	
161,876	Property, Plant and Equipment*	175,085
3	Heritage Assets*	279
2,325	Assets Held for Sale*	1,184
2,000	Loans Advanced	0
14,704	Revenue Expenditure Funded from Capital Under Statute	8,281
180,908		184,829
	Sources of Finance	
41,034	Government Grants and Other Contributions	67,649
56,120	PFI Lease Liability	39,528
32,360	Major Repairs Reserve	25,788
10,640	Capital Receipts Reserve	8,490
40,754	Borrowing	43,374
180,908		184,829
	Capital Financing Requirement	
1,096,725	Opening Balance	1,165,802
40,754	Borrowing in Year	43,374
(28,087)	Statutory / Voluntary provision for repayment of debt (MRP / VMRP)	(30,271)
56,120	PFI Liabilities recognised in year	39,528
290	Other Adjustments	(39)
1,165,802	Closing Balance	1,218,394

* These figures match to the additions lines in Notes 14, 15 and 21 detailing movements on the non-current assets balances.

41. 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:

2013/14		2014/15
£000		£000
2,086	Not later than one year	1,140
2,249	Later than one year and not later than five years	1,165
2,881	Later than five years	2,778
7,216	Total	5,083

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:

2013/14		2014/15
£000		£000
2,330	Not later than one year	1,465
6,903	Later than one year and not later than five years	5,291
70,745	Later than five years	53,270
79,978	Total	60,026

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

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

PFI and Similar Contracts

At 31 March 2015 the Council had seven long term contracts under Private Finance Initiative (PFI) arrangements. No new contracts were entered into in 2014/15. The financing models have the same methodology as set up in 2012/13.

The first PFI contract is for the provision of office accommodation at Howden House for a period of 30 years from February 2001. Payments to the contractor during the year amounted to £4.7m (£4.6m in 2013/14) and payments will continue for the duration of the contract, subject to availability and performance related deductions and to contractually agreed inflation adjustments.

Five other PFI contracts are for the provision of schools. Schools Phase One PFI contract is for the provision of two primary schools and four secondary schools that opened during the financial year 2001/02. The contract is for 25 years and total payments to the contractor during the year were £10.4m (£10.3m in 2013/14). The Schools Phase Two PFI contract is for the provision of two secondary schools. The contract is for 25 years and became fully operational during the financial year 2005/06 with total payments to the contractor during the year amounting to £4.2m (£5.8m in 2013/14). The Schools Phase Three PFI contract, which is for 25 years, became operational during the financial year 2006/07 and total payments during the year were £7.4m (£7.3m in 2013/14). The Building Schools for the Future (BSF) Wave One contract is for 25 years. It became operational in January 2009 and total payments during the year were £9.3m (£9.3m in 2013/14). The Bradfield School PFI contract, which is for 25 years, became operational during the financial year 2012/13 and total payments during the year were £3.2m (£3m in 2013/14).

The seventh PFI is the Highways PFI which is for 25 years and became operational during the financial year 2012/13. It covers the improvement and on-going maintenance of the city's roads, footways, highway trees, traffic signals, street lights, street furniture and street name plates. It also covers street cleaning, winter gritting and landscape maintenance. Total payments during the year were £47m (£44.4m in 2013/14).

The Council has another long term arrangement that is not PFI funded. This is for the collection and disposal of municipal waste and was entered into in August 2001, originally for 30 years but extended during 2004/05 to 35 years. Payments to the contractor during the year totalled £27.9m (£28.1m in 2013/14). 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 this year.

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

PFI Assets

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

PFI Finance Lease Liability

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

2013/14		2014/15
£000		£000
(290,804)	Value of the liability as at 1 April	(335,605)
(56,119)	Recognition of fixed assets	(39,527)
11,318	Finance lease rental	12,020
(335,605)	Value of liability as at 31 March	(363,112)
	Comprising of:	
(8,312)	Short Term	(11,444)
(327,293)	Long Term	(351,668)
(335,605)		(363,112)

PFI Payments Due to be Made

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

2013/14		2014/15						2013/14
Total		Repay- ment of Current Liability	Repay- ment of Future Liability	Interest Charge	Service Charge	Contin- gent Rents	Lifecycle Costs	Total
£000		£000	£000	£000	£000	£000	£000	£000
115,277	Within one year	11,444	3,645	37,589	61,847	4,878	0	119,403
515,752	Between two and five years	40,714	5,801	169,391	243,225	25,384	45,051	529,566
726,575	Between six and ten years	78,989	17,790	189,835	331,299	49,694	65,477	733,084
769,013	Between eleven and fifteen years	90,085	20,256	141,293	353,044	55,850	103,113	763,641
745,638	Within sixteen and twenty years	96,877	33,703	81,770	340,504	54,394	110,849	718,097
426,338	Within twenty-one and twenty-five years	45,003	24,183	12,024	129,115	24,004	50,173	284,502
3,298,593	Total	363,112	105,378	631,902	1,459,034	214,204	374,663	3,148,293

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.

43. Long Term Contracts

In addition to the PFI and similar contracts disclosed in Note 42, the Council has a number of other Long Term Contracts in place.

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

- HR transactional
- Revenues and Benefits
- Financial Business Processing
- Information and Communications Technology (ICT)
- Payroll Services

The contract value is around £221m over the initial seven year period, with an option to extend or re-specify the current contract by up to a further six years, with break points every two years. As the end of the initial seven year period – January 2016 – was fast approaching, negotiations began in 2014/15 to explore the possibility of an extension. On 12 November 2014 Cabinet approved a report which recommended extending the current contract with Capita for a further six years, with break points every two years, for the continued provision of ICT, HR and finance transactions, and Revenues and Benefits processing. The report also recommended the transfer to the Council of the customer facing elements of Revenues and Benefits, 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.

Payments to Capita Business Services Limited under the contract in 2014/15 totalled £32.4m (£34.5m in 2013/14).

With effect from 1 July 2009 the Council entered into a contract with Kier Limited to provide corporate property and facilities management services. The £55m contract is for an initial period of seven years, with an option to extend by up to a further six years.

Payments to Kier Limited under the contract in 2014/15 totalled £8.4m (£8.4m in 2013/14).

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 39, Related Party Transactions.

44. Impairment Losses

In 2014/15 there were no impairment charges for Non-Current Assets. However, there are reversals of impairments on the HRA of £39m.

45. 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 2014/15 the City Council paid £11.9m (£14.1m 2013/14) to Department for Education (DfE) in respect of Teachers' pension costs, which represented 14.1% (14.1% 2013/14) 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 2014/15 these amounted to £4.5m (£4.5m 2013/14), representing 4.47% (4.53% 2013/14) 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 2014/15 the City Council paid £266k (£294k 2013/14) to NHS pensions in respect of NHS pension costs, which represented 14% (14% 2013/14) of NHS pensionable pay.

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

Local Government Pension Scheme

Transactions Relating to Post-Employment Benefits

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

2013/14 £000		2014/15 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
45,589	Current service cost	35,928
12	Past service costs	236
(19,097)	(Gains) and Losses on Settlements	(11,704)
2,748	Curtailments	2,340
29,252	Charge to (Surplus) / Deficit on Continuing Operations	26,800
<i>Other Operating Expenditure:</i>		
781	Administration expenses	740
781		740
<i>Financing and Investment Income and Expenditure:</i>		
94,637	Interest cost on pension liabilities	94,456
(62,727)	Interest on plan assets	(66,274)
31,910		28,182
32,691	Charge to the (Surplus) / Deficit on the Provision of Services	28,922
<i>Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:</i>		
(111,539)	Re-measurements of the net defined benefit liability	204,881
(111,539)		204,881
(49,596)	Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	260,603

2013/14 £000		2014/15 £000
Movement in Reserves Statement		
(61,943)	Reversal of net charges made to the (Surplus) / Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(55,722)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
50,678	Employers contributions payable to scheme	101,754

The cumulative amount of actuarial (gains) and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2015 is a loss of £489.4m (£284.5m 2013/14).

The employers' contributions payable to the scheme has increased from £51m in 2013/14 to £102m in 2014/15. This increase is due to the early payment of the planned pension deficit contributions for 2015/16 and 2016/17.

Assets and Liabilities in Relation to Post-Employment Benefits

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

2013/14		2014/15
£000		£000
(2,300,867)	Opening Balance at 1 April	(2,189,155)
(45,589)	Current service cost	(35,928)
(94,637)	Interest cost	(94,456)
(12,384)	Contributions by scheme participants	(11,947)
166,105	Re-measurements	(347,948)
81,190	Benefits Paid	83,414
(12)	Past Service Costs	(236)
(2,748)	Curtailments	(2,340)
19,787	Settlements	12,676
(2,189,155)	Closing Balance at 31 March	(2,585,920)

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

2013/14		2014/15
£000		£000
1,503,035	Opening Balance at 1 April	1,491,597
62,727	Interest on plan assets	66,274
(54,566)	Re-measurements	143,067
(781)	Administration expenses	(740)
50,678	Contributions by Employer	101,754
12,384	Contributions by scheme (plan) participants	11,947
(81,190)	Benefits paid	(83,414)
(690)	Settlements	(972)
1,491,597	Closing Balance at 31 March	1,729,513

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 £209m (£86m 2013/14).

Local Government Pension Scheme assets comprised:

	31 March 2014	31 March 2015
	£000	£000
Equities:		
UK quoted	324,227	333,796
Overseas quoted	596,684	696,129
Bonds:		
UK Government Fixed	0	13,317
UK Government indexed	155,230	207,542
Overseas Government Fixed	39,110	44,103
UK other	93,001	89,070
Overseas other	5,981	11,069
Property:		
UK direct	124,959	162,747
Property Funds	21,457	25,943
Alternatives:		
Pooled investment vehicles	100,698	117,607
Cash:		
Cash accounts	30,250	28,191

Scheme History

	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000
Present value of liabilities	(1,859,352)	(1,998,631)	(2,300,867)	(2,189,155)	(2,585,920)
Fair value of scheme assets	1,296,039	1,339,705	1,503,035	1,491,597	1,729,513
Surplus / (deficit) in the scheme	(563,313)	(658,926)	(797,832)	(697,558)	(856,407)

The liabilities show the underlying commitments that the Council has, in the long run, to pay post-employment benefits. The total liability of £856m (£698m 2013/14) has a substantial impact on the net worth of the Council as recorded on the Balance Sheet, reducing the balance from £1.5bn to £612m (£1.4bn to £722m 2013/14). 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 2016 is £30m.

Basis for Estimating Assets and Liabilities

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

2013/14		2014/15
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.9 years	Men	23 years
25.5 years	Women	25.6 years
	Longevity at 65 for future pensioners:	
25.2 years	Men	25.3 years
28.3 years	Women	28.4 years
	Financial assumptions:	
2.4%	Rate of CPI inflation	2.0%
4.15%	Rate of increase in salaries	3.75%
2.4%	Rate of increase in pensions	2.0%
4.4%	Rate for discounting scheme liabilities	3.2%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period. It also assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2013/14.

Change in Assumptions at 31 March 2015	£000
Increase in life expectancy (1 year increase)	50,566
Rate of inflation (0.1% increase)	46,749
Rate of increase in salaries (0.1% increase)	9,944
Rate of discount (0.1% increase)	(45,919)

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserves in 2014/15 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2015:

	2010/11	2011/12	2012/13	2013/14	2014/15
	%	%	%	%	%
Differences between the expected and actual return on assets	-2.8	-2.1	7.1	-3.7	8.3
Experience gains and losses on liabilities	-6.3	3.4	10.8	-7.6	13.5

46. 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 2013/14 £000		Exposure 2014/15 £000
1,897	Sheffield City Trust City Hall	1,585
2	Sheffield City Trust Ice Centre	0
118	Sheffield Science Park Co Ltd	86
2,017		1,671

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

Museums Sheffield

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

Academies

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

Equal Pay

The Council has embarked upon a process of settlement negotiations with individuals in relation to back dated Equal Pay claims. This process will continue through 2015/16 but it is not possible to state with certainty what the final costs will be.

Grant Claw Back

The Council has undertaken the accountable body role, or has guaranteed that capital schemes funded by grant will continue to provide specified output, in relation to a number

of projects. These projects have been funded from a variety of grant regimes including European Union sources, the Single Regeneration Budget and Lottery distribution bodies. In the event of such projects not achieving their originally stated objectives, grants can be subject to 'claw back' by the funding organisations. These projects are subject to appropriate monitoring and in a situation where any liability of the Council is agreed, it will be disclosed and an appropriate provision made in the relevant year's Accounts.

Local Land Charges Litigation

The Council is in the process of settling claims brought by several groups of Property Search Companies for refunds of fees paid to the Council to access land charges data. A provision has been taken in the 2014/15 accounts to cover these claims. A claim has also been brought against all English and Welsh Local Authorities for alleged anti-competitive behaviour. At this stage, it would appear that this claim has a low chance of success. It is not possible to say with sufficient certainty what the value of this claim would be against the Council.

Pensions

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

It is 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.

The Council has also issued a letter of support to Sheffield Health and Social Care NHS Foundation Trust (SHSCT) that subject to certain conditions it will guarantee the full amount of their deficit on the South Yorkshire Pension Fund.

Tax - Building Schools for the Future

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

By issuing the certificate the school was able to mitigate paying £900k to HMRC in VAT costs. Had the certificate not been issued, the Council would have been obliged to fund

this cost on the school's behalf during the financial year 2013/14. HMRC have agreed the process by which the certificate was issued.

The contingent risk for the Council lies in the school's continued commitment to only use the newly constructed buildings for charitable or educational purposes over the next ten years. Should the school not fulfil these commitments HMRC would seek to recover some of these VAT costs from the school. The indemnity passes this risk onto the Council. The Council's contingent liability will decrease by 10% for every year the conditions of the certificate are complied with. At March 2015 this risk could be valued at £810k.

Termination Benefits

A provision has been recognised in the 2014/15 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 2015 have not yet left the Council (see Note 35). There will be further redundancies during 2015/16 which have not yet been confirmed. The Council holds a budget of £8.2m to cover such costs.

Business Rates Appeals

The Council is required to provide an estimate of how much business rates income it will collect and therefore how much it will rely upon in setting the budget every year. This involves the Council's own assumptions about the levels of refunds that may be given and the levels of outstanding appeals. Both of these carry significant risk and will involve assumptions about performance in 2015/16 that will be based on experience of recent years and the use of the most up to date information available.

The provision for losses due to appeals that was established in 2013/14 amounted to £13.6m 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 2014/15 the provision was adjusted to take account of known appeals according to the latest information available from the Valuation Office Agency (VOA) at the beginning of March.

It is extremely difficult to predict how many other appeals were lodged since then, and what the likely level of success would be. Furthermore, the Council is affected by decisions taken at a national level due to case law, for instance the potential for significant retrospective refunds in respect of health centres, as well as the transfer of a major telecommunications provider's properties from local ratings lists to a central ratings list. It is not possible to estimate with certainty what the probable cost of these issues will be.

Housing Revenue Account (HRA)

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

Housing Revenue Account Income and Expenditure Statement			
2013/14		Note	2014/15
£000			£000
	Expenditure:		
33,739	Repairs and maintenance		35,766
50,861	Supervision and management		50,976
951	Rents, rates, taxes and other charges		1,048
22,577	Depreciation and impairment / losses of non-current assets	8 / 9	(21,839)
241	Debt management costs		236
1,432	Movement in the allowance for Bad or Doubtful Debts		1,667
109,801	Total Expenditure		67,854
	Income:		
(141,548)	Dwelling rents	11	(148,956)
(1,544)	Non-dwelling rents - garages, garage sites, shops	11	(1,517)
(8,151)	Charges for services and facilities		(8,283)
(1,481)	Contributions towards expenditure		(920)
0	HRA subsidy receivable		0
(152,724)	Total Income		(159,676)
(42,923)	Net Income / Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement		(91,822)
430	HRA share of Corporate and Democratic Core		470
(42,493)	Net Income / Cost of HRA Services		(91,352)
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:		
(4,968)	(Gain) or loss on sale of HRA non-current assets		(289)
13,572	Interest payable and similar charges		13,786
(59)	Interest and investment income		(233)
0	Capital grants and contributions receivable		0
(33,948)	(Surplus) / Deficit for the year on HRA services		(78,088)

Movement on the Housing Revenue Account Statement			
2013/14			2014/15
£000		Note	£000
(22,528)	Balance as at 1 April		(13,043)
(33,948)	(Surplus) / Deficit on the HRA Income and Expenditure Statement		(78,088)
(8,809)	Other Comprehensive Income and Expenditure	1	0
31,774	Adjustments between accounting basis and funding basis under regulation	2	76,718
(10,983)	Net (increase) / decrease before transfers to reserves		(1,370)
20,468	Transfer to reserves	3	1,572
9,485	(Increase) / decrease in year on the HRA		202
(13,043)	Balance as at 31 March		(12,841)

Notes to the Housing Revenue Account

01. Other Comprehensive Income and Expenditure

2013/2014

The 2013/14 comparative figure includes the following other item:

Transfer of Sheffield Homes

For 9 years, Council homes in Sheffield were managed by the Arm's Length Management Organisation (ALMO) Sheffield Homes. In 2012 tenants voted to return Council housing services in the city to the direct control of Sheffield City Council and on 1 April 2013 Sheffield Homes came back under the management of Sheffield City Council. Over 1,000 Sheffield Homes staff transferred into the Council and are now working with customers to plan the next phase in the future of Sheffield's homes and estates.

As part of the Council Housing service being re-integrated with the Council and the wind up of Sheffield Homes Limited, a Business Transfer Deed was prepared which allowed for the assets of Sheffield Homes Limited to be returned to the HRA. An amount of £8.8m was transferred to the Council on the 1 April 2013. This income has been accounted for as Other Comprehensive Income and Expenditure on the HRA Income and Expenditure Statement.

The pension liability for Sheffield Homes, which was the largest figure on the Sheffield Homes balance sheet, was already included in the Council's accounts.

02. Adjustments Between Accounting Basis and Funding Basis Under Regulation

2013/14 £000		2014/15 £000
(5,473)	Impairment / revaluation losses on HRA non-current assets	39,059
0	Capital Grants and Contributions credited to the HRA	0
4,968	Net gain / (loss) on sale of HRA non-current assets	289
1,066	Difference between interest payable and similar charges (including amortisation of premiums and discounts determined in accordance with Statute)	954
31,153	Revenue Contribution to Major Repairs Reserve	36,389
60	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
31,774	Total	76,718

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 2014/15.

2013/14		2014/15
£000		£000
19,196	Transfer to / (from) the Major Repairs Reserve	202
1,273	Transfer to / (from) the HRA Earmarked Reserve	1,370
(1)	Other	0
20,468	Total	1,572

04. Housing Stock

The Council was responsible for managing, on average 40,588 dwellings during 2014/15 (40,894 for 2013/14). The movement in stock can be summarised as follows:

2013/14		2014/15
41,056	Housing Stock as at 1 April	40,732
(258)	Less: Sales	(288)
(80)	Less: Demolitions and other deductions	(108)
14	Add: New build and acquisitions	47
40,732	Housing Stock as at 31 March	40,383

The housing stock can be analysed by type as follows:

2014/15			
	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	12,004	1,692	13,696
2 Bedrooms	5,685	8,852	14,537
3 Bedrooms	900	10,541	11,441
4 Bedrooms	14	333	347
5 Bedrooms	1	12	13
6 Bedrooms or more	1	4	5
Bedsits	342	2	344
Multi Occupied	0	0	0
Total	18,947	21,436	40,383

2013/14 – Comparative Information			
	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	12,030	1,688	13,718
2 Bedrooms	5,719	8,962	14,681
3 Bedrooms	907	10,698	11,605
4 Bedrooms	14	335	349
5 Bedrooms	1	13	14
6 Bedrooms or more	0	4	4
Bedsits	358	2	360
Multi Occupied	0	1	1
Total	19,029	21,703	40,732

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

2013/14			2014/15	
Value at 1 April £000	Value at 31 March £000		Value at 1 April £000	Value at 31 March £000
849,262	864,529	Council Dwellings	864,529	904,586
19,718	9,032	Other Land and Buildings	9,032	8,874
26,491	34,609	Surplus Assets	34,609	34,479
1,535	3,593	Assets Held for Sale	3,593	4,278
897,006	911,763	Total	911,763	952,217

05. Vacant Possession

The vacant possession value of Council dwellings as at 1 April 2014 was £2.79bn (£2.74bn at 1 April 2013).

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:

2013/14 £000		2014/15 £000
(9,379)	Balance at 1 April	(43,831)
(16,463)	Transfers from the Capital Adjustment Account (re. Depreciation)	(17,218)
(31,153)	Transfers from the HRA (re. Revenue Contribution)	(20,753)
(19,196)	Transfers from the HRA (re. Additional Revenue Contribution)	(15,837)
32,360	Expenditure on capital assets	25,788
(43,831)	Balance at 31 March	(71,851)

The Major Repairs Reserve increased by £28m as part of the strategy to consolidate revenue contributions to capital from the HRA in anticipation of substantial capital investment in the medium term.

07. Capital Expenditure

During the financial year total capital expenditure was £28.6m (£38.9m 2013/14) split between houses £26.4m (£35.4m in 2013/14) and other property within the Housing Revenue Account £2.2m (£3.5m in 2013/14).

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

2013/14		2014/15
£000		£000
32,360	Major Repairs Reserve	25,788
6,273	Capital Receipts Reserve	2,746
299	Government Grants and Other Contributions	63
38,932	Total	28,597

Capital receipts amounting to £11.5m (£12.2m 2013/14) were generated in the financial year from the disposal of land, houses and other property within the Council's HRA.

08. Depreciation

A depreciation charge of £17.2m (£16.5m 2013/14) was made to the HRA during the financial year. The split of the depreciation charge is detailed below:

2013/14		2014/15
£000		£000
16,161	Council Dwellings	16,884
285	Other Land and Buildings	327
17	Surplus Assets	7
16,463	Total	17,218

09. Impairment

There were no impairment charges in 2014/15 or 2013/14. In 2014/15 there are reversal of impairments of £39m 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 2015 amounted to £9m (£8.6m as at 31 March 2014).

The provision for doubtful debts in respect of these rent arrears is £6.2m (£6m as at 31 March 2014).

11. Rent Income

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

Dwellings	2013/14		Total		2014/15		Total
	£000	Non-Dwellings £000			£000	£000	
(143,802)	(2,450)	(146,252)	Gross rent income before allowances	(151,300)	(2,520)	(153,820)	
2,254	906	3,160	Less vacant properties	2,344	1,003	3,347	
(141,548)	(1,544)	(143,092)	Gross rent income after allowances	(148,956)	(1,517)	(150,473)	

12. Dwellings Rents

This represents rent income due from tenants. The average rent per week at 31 March 2015 was £74.74 (50 week basis) compared with £70.43 per week at 31 March 2014, an increase of £4.31 or 6.12%.

13. Rebates

Rent rebates are available through the Housing Benefits scheme. As at 31 March 2015, 69% (69% as at 31 March 2014) 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.

2013/14			2014/15			
Non-domestic Rates £000	Council Tax £000	Total £000	Notes	Non-domestic Rates £000	Council Tax £000	Total £000
Income						
0	(198,996)	(198,996)		0	(202,215)	(202,215)
0	(198,996)	(198,996)	1	0	(202,215)	(202,215)
(215,211)	0	(215,211)		(209,795)	0	(209,795)
			2			
(15)	0	(15)		0	0	0
(215,226)	0	(215,226)		(209,795)	0	(209,795)
(215,226)	(198,996)	(414,222)		(209,795)	(202,215)	(412,010)
Total Income						
Expenditure						
Precepts and Demands:						
95,265	164,733	259,998		100,898	164,820	265,718
0	18,254	18,254		0	18,623	18,623
1,944	8,167	10,111		2,058	8,334	10,392
97,154	0	97,154		102,846	0	102,846
194,363	191,154	385,517		205,802	191,777	397,579
Apportionment of Previous Years Surplus:						
0	0	0		0	171	171
0	0	0		0	19	19
0	0	0		0	8	8
0	0	0		0	198	198
1,474	0	1,474		1,660	0	1,660
2,173	903	3,076		5,838	1,617	7,455
92	7,012	7,104	1	(2,394)	3,132	738
13,600	0	13,600		100	0	100
775	0	775		778	0	778
0	0	0		313	0	313
55	0	55		55	0	55
212,532	199,069	411,601		212,152	196,724	408,876
(2,694)	73	(2,621)		2,357	(5,491)	(3,134)
0	(2,369)	(2,369)		(2,694)	(2,296)	(4,990)
(2,694)	(2,296)	(4,990)		(337)	(7,787)	(8,124)

Notes to the Collection Fund

01. Council Tax

There are an estimated 240,083 (239,518 for 2013/14) 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 128,144.18 for 2014/15 (128,050.05 for 2013/14). 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 £1,493.11 for 2014/15 (£1,489.08 for 2013/14). 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:

2014/15						
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		397	397	357.25	5:9	198.47
A	140,609	(41,220)	99,389	83,116.00	6:9	55,410.66
B	38,115	(4,791)	33,324	30,559.06	7:9	23,768.15
C	30,356	(3,548)	26,808	24,945.72	8:9	22,173.98
D	15,299	(1,473)	13,826	12,984.48	9:9	12,984.48
E	8,787	(431)	8,356	7,934.66	11:9	9,697.92
F	4,065	(44)	4,021	3,833.19	13:9	5,536.83
G	2,676	(59)	2,617	2,502.24	15:9	4,170.41
H	176	(52)	124	117.55	18:9	235.10
	240,083	(51,221)	188,862	166,350.15		134,176.00
Less: Allowance for non-collection						(6,037.92)
Add: Defence-exempt properties						6.10
Tax Base for the calculation of 2014/15 Council Tax						128,144.18

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

2013/14						
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		410	410	369.50	5:9	205.28
A	140,476	(41,320)	99,156	82,725.74	6:9	55,150.49
B	37,923	(5,987)	31,936	29,153.80	7:9	22,675.17
C	30,248	(3,763)	26,485	24,636.28	8:9	21,898.92
D	15,243	(1,133)	14,110	13,273.64	9:9	13,273.64
E	8,761	(451)	8,310	7,894.67	11:9	9,649.05
F	4,042	(60)	3,982	3,799.84	13:9	5,488.66
G	2,652	(64)	2,588	2,473.04	15:9	4,121.73
H	173	(54)	119	112.55	18:9	225.10
	239,518	(52,422)	187,096	164,439.06		132,688.04
Less: Allowance for non-collection						(4,644.09)
Add: Defence-exempt properties						6.10
Tax Base for the calculation of 2013/14 Council Tax						128,050.05

The income of £200.6m for 2014/15 (£198.1m 2013/14), which is net of write offs, is receivable from the following sources:

2013/14		2014/15
£000		£000
(198,996)	Billed to Council Tax Payers	(202,215)
903	Write Offs	1,617
(198,093)	Total	(200,598)

02. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specify an amount of 48.2p in 2014/15 (47.1p 2013/14) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays 50% to Government and 1% to South Yorkshire Fire and Rescue Authority.

The NNDR income of £209.8m for 2014/15 (£215.2m 2013/14) was based on a total rateable value for the Council's area of £532.2m for the year (£532.2m for 2013/14).

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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
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	<p>A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.</p> <p>Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.</p>
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	<p>Inventories are assets:</p> <ul style="list-style-type: none"> • 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	<p>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.</p>
Materiality	<p>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.</p>
Minimum Revenue Provision (MRP)	<p>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.</p>
Net Book Value	<p>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.</p>
Net Current Replacement Cost	<p>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.</p>
Net Realisable Value	<p>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.</p>
National Non-Domestic Rates (NDR)	<p>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.</p>
Operating Lease	<p>A lease other than a Finance Lease. An agreement in which the Council derives the use of an asset in exchange for rental</p>

	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 dependent upon the situation, though key indicators of related parties are if: <ul style="list-style-type: none"> • One party has direct or indirect control of the other party • One party has influence over the financial and operating policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.
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.

Independent Auditor's Report

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

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Resources

Finance Service

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KPMG LLP

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Dear Sirs,

Sheffield City Council - Audit for the year ended 31 March 2015

This representation letter is provided in connection with your audit of the financial statements of Sheffield City Council (“the Authority”), for the year ended 31 March 2015, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority’s expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;
 - i. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:

- a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
11. The Authority confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and

- approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 24th September 2015.

Yours faithfully,

Signed

Name Eugene Walker
Position Interim Executive Director of Resources

Date 24th September 2015

Signed

Name Cllr Steve Jones
Position Chair of Audit Committee

Date 24th September 2015

Appendix to the Authority Representation Letter of Sheffield City Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.

- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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cutting through complexity

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Report to those charged with governance (ISA 260) 2014/15

Sheffield City Council

September 2015



Contents

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This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointments' website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact trevor.rees@kpmg.co.uk, the engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Council; and
- our assessment of the Council's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Sheffield City Council ('the Council') in relation to the Council's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in August 2015, set out the four stages of our financial statements audit process.



This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July/August 2015 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Council and other inspectorates and review agencies in relation to these risk

areas; and

- carrying out additional risk-based work.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Council.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendix 2.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.



Section two Headlines

This table summarises the headline messages for the Council.

Sections three and four of this report provide further details on each area.

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Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Council's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	We identified one audit adjustment above materiality. This was presentational in nature.
Key financial statements audit risks	We have worked with officers throughout the year to discuss specific risk areas. The Council addressed these issues appropriately.
Accounts production and audit process	<p>The Council has continued to produce good quality accounts, well supported by working papers. In particular for the past three years the Council has produced and made available its working papers electronically, which greatly facilitates our audit. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. These strong processes meant that only limited (mainly presentational) amendments were made following our audit.</p> <p>The Council has attempted to address the issue from our recommendation in the <i>ISA 260 Report 2013/14</i> relating to the financial statements. However due to issues outside of the Council's control at the Pension's Authority, we will need to revisit this again in 2015/16.</p>
Completion	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> ■ Whole Government Accounts ■ DSG Note (Non-significant account) ■ Declaration of interests (Related party transactions) <p>Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Council's financial statements.</p>
VFM conclusion and risk areas	We anticipate issuing an unqualified VFM conclusion by 30 September 2015. As part of our work this year we have reviewed whether Adult Social Care has made sufficient progress in addressing the issues that led to the qualified VFM conclusion last year. We are satisfied that sufficient progress has been made whilst recognising that the service has an ongoing improvement plan.



Section three

Financial Statements

Proposed opinion and audit differences

We have identified one issue in the course of the audit that is considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Council's Statement of Accounts by 30 September 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007

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Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Council's financial statements following approval of the Statement of Accounts by the Audit Committee on 25 September 2015.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality level for this year's audit was set at £27 million. Audit differences below £1.3m are not considered significant.

We identified one material misstatement which was presentational in nature. Infrastructure assets relating to the Highways PFI scheme were not shown separately in the disclosure of PFI assets included in PPE in Note 14. The note has now been amended to include the infrastructure assets in the total PFI assets included in PPE. These assets include additions in earlier years and so the comparatives have also been restated.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Council Accounting in the United Kingdom 2014/15* ('the Code'). We understand that the Council will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Section three

Financial Statements (continued)

Significant risks and key areas of audit focus

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; border-radius: 50%; padding: 10px; margin-right: 10px; text-align: center;"> Management override of controls </div> <div style="font-size: 2em; margin-right: 10px;">➔</div> <div> <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ All areas </div> </div>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; border-radius: 50%; padding: 10px; margin-right: 10px; text-align: center;"> Fraud risk of revenue recognition </div> <div style="font-size: 2em; margin-right: 10px;">➔</div> <div> <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ None </div> </div>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our <i>External Audit Plan 2014/15</i> we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>

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In our *External Audit Plan 2014/15*, presented to you in February 2015, we identified an area of audit focus. This was not considered as significant risk at the time, but following reconsideration of the importance of the issue, we reclassified this as a significant risk. We have carried out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing. The table sets out our detailed findings for this risk.

Significant Risk	Issue	Findings
<p style="text-align: center;">LAAP Bulletin 101</p> <p style="text-align: center;">↓</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Fixed Assets (Balance Sheet) 	<p>Risk</p> <p>CIPFA issued LAAP Bulletin 101 in December 2014. This provides guidance on Accounting for Non-Current Assets Used by Local Authority Maintained Schools. Due to the potential for material error, we changed our approach to treat this as a significant risk so as to ensure the correct focus on this area.</p> <p>Work proposed</p> <p>Review the schools affected and consider the proposed accounting treatment of these following the new guidance in LAAP 101.</p>	<p>Our review identified that all schools barring one were not affected by the guidance since they were already accounted for on balance sheet.</p> <p>The one Foundation School that was affected has now been brought on balance sheet in 2014/15. This was done as an in year revaluation adjustment which is contrary to the LAAP Bulletin which states that recognition of assets should be treated as a change in accounting policy and applied retrospectively.</p> <p>Since the value of the school (£1.2m) is below our threshold for regarding issues as significant, the impact of the changes are deemed to be trivial and no further amendment has been made to the financial statements in 2014/15.</p>



Section three

Financial Statements (continued) Accounts production and audit process

The Council has continued to produce good quality accounts, well supported by working papers. These strong processes meant that only limited amendments were made following our audit.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Council's accounting practices and financial reporting. We also assessed the Council's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Council has continued to produce good quality accounts, well supported by working papers. In particular for the past three years the Council has produced and made available its working papers electronically, which greatly facilitates our audit. These strong processes meant that only limited (mainly presentational) amendments were made following our audit. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete signed set of draft accounts on 30 June 2015, which had been signed on the 23 rd June and published on the 26 th June.
Quality of supporting working papers	Our <i>Accounts Audit Protocol</i> , which we issued in March 2015 and discussed with the Finance Manager (Financial Planning & Accounting), set out our working paper requirements for the audit. The quality of working papers provided was good, and met the standards specified in our <i>Accounts Audit Protocol</i> .
Response to audit queries	Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.

Prior year recommendations

As part of our audit we have specifically followed up the Council's progress in addressing the recommendations in last years ISA 260 report.

The Council has attempted to implement the single recommendation we made in our *ISA 260 Report 2013/14*. The Council, through its payroll provider (Capita) have been delivering accurate pay data within agreed timescales to SYPA. However in December 2014 SYPA attempted to implement a new Civica pensions system. Unfortunately the new pensions system failed to implement as planned leaving SYPA with operational issues including the inability to measure performance in regards to data flows from bodies. Therefore due to these issues at the Pension's Authority we will need to revisit this again in 2015/16.

Appendix 2 provides further details.



Section three

Financial Statements (continued)

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Council's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Sheffield City Council for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Sheffield City Council and its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Interim Director of Finance for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the

financial reporting process; and

- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Council's 2014/15 financial statements.

Our VFM conclusion considers how the Council secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Council has proper arrangements in place for:

- securing financial resilience: looking at the Council's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Council is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Council to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

The following pages include further details of our VFM risk assessment.

Conclusion

We have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



We have identified a number of specific VFM risks.

In most cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Council's current arrangements in relation to these risk areas are adequate.

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Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- assessed the Council's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the Council, inspectorates and review agencies in relation to these risk areas; and
- completed specific local risk based work.

Key findings


Below we set out the findings in respect of the two areas where we have identified a residual audit risk for our VFM conclusion at the planning stage of the audit.


Our detailed risk assessment provided sufficient assurance that the Council's arrangements around savings plans were adequate. However, we concluded that we needed to carry out additional work this year to assess the progress made in addressing last year's issues around Adult Social Care. This work is now complete and we also report on this below.

We have identified a number of specific VFM risks.

Following our work we have concluded that sufficient progress has been made in Adult Social Care to enable us to give an unqualified VFM conclusion.

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Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>The Council has carried out its own detailed and thorough review of the causes of the over-spends within Adult Social Care, and the result were reported to the Audit Committee in July 2014.</p> <p>This review made a significant number of recommendations. There were weaknesses in governance and risk management arrangements, and improvements required in budgetary processes, and overall management control. As a consequence we qualified the Council's value for money conclusion in 2013/14.</p>	<p>We concluded that we needed to carry out additional work on this risk area to gain assurance on the progress made. Throughout the course of the financial year the Council has continued to implement the agreed action plan to address the issues that arose in Adult Social Care during 2013.</p> <p>The Audit Committee has received regular update reports on progress and a project board has been established to oversee the changes that are required. The service has been restructured and a range of new controls and procedures have been put in place to address the weaknesses that the Council had previously identified. The Council's Annual Governance Statement set out the progress that has been made and determined that Adult Social Care is no longer a significant risk, although improvements still need to be made.</p> <p>The service incurred an overspend in the financial year, but budget monitoring processes effectively tracked the position and the level of overspend was significantly reduced compared to previous years.</p> <p>Conclusion</p> <p>Although further progress needs to be made, we are satisfied that the Council has arrangements in place to address the remaining risks in the service.</p>

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>The Council continues to face the requirement to reduce its spend as Central Government funding reduces. The 2014/15 to 2019/20 financial strategy assumes that there will be £37m and £41.5m of reductions in Government funding in 2014/15 and 2015/16 respectively. These reductions, added to the costs pressures that the Council was facing meant that £58.4m of savings had to be achieved as part of the 2014/15 budget. The Council set a balanced budget for 2014/15 incorporating the agreed savings. The savings required for 2015/16 have been built into the budget currently in place, although further work will be needed to ensure these savings are delivered.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>The Council has continued its considered approach to seeking efficiency savings throughout the year. The Council achieved a small underspend of £0.6m in 2014/15, a position that had been broadly predicted since Month 8.</p> <p>For 2015/16 the Council approved a balanced budget which included savings proposals for bridge a £62.6m gap. At the time of writing, the Council is reporting a potential overspend of £13m, slightly higher than at the equivalent time last year. However, officers are confident that action is being taken to bring this overspend to a manageable position before the end of the 2015/16 financial year.</p> <p>Although details are not available for government funding for the year 2016/17 and beyond, the Council is currently developing savings proposals to bridge gaps of £16.8m in 2016/17 and £21.2m in 2017/18 as set out in its current Medium Term Financial Plan covering the years to 2019-2020.</p> <p>We have concluded that whilst the financial position will remain a challenge, the Council has adequate arrangements in place to address the need for savings plans for future years.</p>

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Council should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations

<p>1 <i>Priority one:</i> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 <i>Priority two:</i> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 <i>Priority three:</i> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
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No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	2	<p>Issue</p> <p>The audit adjustment arising from our work on PPE relates to the presentation of revaluation movements on assets reclassified from PPE to Assets Held For Sale in year.</p> <p>The revaluation occurred before the reclassification and the revaluation movements should be shown as part of the movements on PPE in Note 14 with a corresponding change to the value of assets reclassified to Assets Held For Sale instead of as a revaluation movement on Assets Held For Sale. The value of the revaluation movements is £3.3m. The same audit adjustment was also required in 2013/14.</p> <p>Recommendation</p> <p>The Council should review prior year audit adjustments as part of the accounts closedown process to ensure that errors are not repeated.</p>	<p>Finance Manager - SCC</p> <p>Those assets, which meet the definition of Assets Held For Sale at the balance sheet date, are transferred to that category on 31 March each year. The current system settings on the asset register are reporting the in-year transactions against the final category, rather than the in-year category. The issue is presentational for reporting; in previous years the value has not been considered material enough to warrant the cost of the correction, but now that the value of the presentational error has increased, the system developer will be commissioned to change the incorrect settings.</p>

Appendix 2: Follow up of prior year recommendations

Due to issues outside of the Council’s control at the Pensions Authority, we will need to revisit our single recommendation in our ISA 260 Report 2013/14 in the 2015/16 audit.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2013/14 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	1
Implemented in year or superseded	N/A
Remain outstanding (re-iterated below)	1

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at 30 June 2015
1	2	<p>Pensions data flows Some progress has been made in improving the timeliness and accuracy of pensions data passed to South Yorkshire Pensions Authority (SYPA) since 2010, particularly in immediate past, and officers are optimistic that progress has been made in addressing the underlying issues. However this remains an area where improvements are required, so further work remains to be done.</p> <p>Recommendation The Council should liaise with South Yorkshire Pensions Authority to ensure that continuing action is taken to address the issues in respect of data flows, and take further action if performance does not improve.</p>	<p>The Council, through its payroll provider (Capita) have been delivering accurate pay data within agreed timescales to SYPA. However in December 2014 SYPA attempted to implement a new Civica pensions system. Unfortunately the new pension system failed to implement as planned leaving SYPA with operational issues including the inability to measure performance in regards to data flows from bodies.</p> <p>SCC has monitored progress against these issues through SYPA’s Pension Manager and reported progress monthly at the HR& Payroll Service Operations Board where the issue is itemised as part of the Control log.</p>	<p>Ongoing. We will need to revisit this again in 2015/16 when the new pension system is able to monitor performance of data flows from bodies.</p>

There was one corrected material misstatement (presentational) in the accounts

There were a number of non-material presentational improvements made to the accounts.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Uncorrected audit differences

There are no uncorrected audit differences above triviality.

Corrected audit differences**Material misstatements (presentational)****PFI Scheme**

Infrastructure assets relating to the Highways PFI scheme with a net book value at 31 March 2015 of £39.4m were not shown separately from the disclosure of PFI assets included in PPE in Note 14. The note has now been amended to include the infrastructure assets in the total PFI assets included in PPE. These assets includes additions in earlier years and the comparatives have also been restated.

Non material audit differences (presentational)

Our audit identified a small number of non material errors in the financial statements. These have been discussed with management and the financial statements have been amended for all of them. A number of other minor amendments focused on presentational improvements have also been made to the draft financial statements. Strategic Finance are committed to lead continuous improvement in the quality of the financial statements submitted for audit in future years.

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Council.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Council's financial statements.

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Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Sheffield City Council for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Sheffield City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

For 2014/15 our materiality is £27 million for the Council's accounts.

We have reported all audit differences over £1.3m million for the Council's accounts to the Audit Committee.

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Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We reassessed materiality for the Council at the start of the final accounts audit. Materiality for the Council's accounts was set at £27 m which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.3 m for the Council.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG. We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and Therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice.

Sue Sunderland as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base,

Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Council's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/>).

The latest Annual Regulatory Compliance and Quality Report issued in June 2015 showed that we are meeting the overall audit quality and regulatory compliance requirements.



cutting through complexity

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Audit Committee Report

Report of: Simon Green Executive Director, Place

Date: 24th September 2015

Subject: Markets High Opinion Audit Report Follow Up

Author of Report: Andy Ward 0114 2735280

Summary:

To update members of the committee on progress with the 6 outstanding items from the January 2015 internal audit report on the Market Service

Recommendations: To note progress

Background Papers: Report to Audit Committee – 21.7.2015

Category of Report: OPEN

If Closed add – ‘Not for publication because it contains exempt information under Paragraph... of Schedule 12A of the Local Government Act 1972 (as amended).’

* Delete as appropriate

Statutory and Council Policy Checklist

Financial Implications
YES Cleared by: Paul Schofield
Legal Implications
NO Cleared by: David Sellars
Equality of Opportunity Implications
NO Cleared by: Ian Oldershaw
Tackling Health Inequalities Implications
NO
Human rights Implications
NO
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
All
Relevant Cabinet Portfolio Lead
Leigh Bramall
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

REPORT TITLE

1.0 INTRODUCTION

1.1 The January 2015 Internal Audit report on the Market Service made 36 recommendations, 30 of which were dealt with either straight away or by the agreed deadline.

1.2 However for various reasons 6 items remained outstanding and this report aims to bring Committee members up to date on progress with those 6 items.

2.0 SUMMARY

2.1 In the main the 6 items have now been addressed and progress is detailed in the main body of the report.

3.0 MAIN BODY OF THE REPORT

Including Legal, Financial and all other relevant implications (if any)

3.1 The 6 outstanding items were as follows;

4.2 Staff should have access to copies of the markets business continuity plan. Copies should be held in the main markets office as well as at Crystal Peaks and the Parkway Wholesale Market. Staff should be made aware of where these are located, their contents and intended use. In addition, nominated officers should also retain copies personally to ensure access to the plans at all times (in the event of the offices not being accessible).

4.8 Over and above the need to initiate immediate action for the recovery of the traders' debts (as set out elsewhere in this report), the Director of Capital & Major Projects should require the head of markets to explain why the stated policy preventing traders holding outstanding arrears from transferring to the Moor Market was disregarded, particularly as this has resulted in significant arrears being built up by those traders in the new market.

4.9 There has been no review of long term arrears or of debts suitable for write-off.

4.11 Management's attention is drawn to the recommendations raised within this report for the re-establishment of debt recovery meetings, the formal monitoring of sundry debtors and initiation of prompt recovery action in line with corporate policy. In addition, consideration should be given to the re-evaluation of the stated risk pending introduction of any agreed action and consideration of escalation of the risk to Place PLT.

4.14 In order to adequately protect the public from the risk of injury or loss as a result of illegal trading, systematic inspection of trader's stalls should be carried out. Inspections should be arranged without the knowledge of the traders so as to maximise the benefit.

4.17 Management should reconcile payments made by the trader in question to determine an accurate arrears position.

- 3.2 The implementation of Recommendation 4.2 was delayed initially by the TUPE transfer of the Markets patrol staff to Kier and then partly due to the delayed transfer of the Markets Maintenance staff to LGS grades and the need to formalise the stand by and call out arrangements in case of an emergency. This transfer was completed on the 1st September and business continuity plans for both The Moor Market and Crystal Peaks Market are held at both sites and by the Markets Manager (Districts), The Assistant Markets Manager (City) and the Markets Maintenance Manager.

An investigation has been carried out by The City Centre and Major Events Manager into the Recommendation of Item 4.8; however the author of this report has not formally been made aware of the findings or recommendations of that investigation.

Recommendation 4.9 has been carried out in so much as all the old debt has been reviewed with a view to write-off where it has been determined to be uncollectable. This is now in progress with a view to completion by 31.10.2015.

Recommendation 4.11 has been escalated in the Place risk register to PLT level and all accounts if they remain unpaid at the 37 day point are referred to the ICAM Team for further recovery action. The recent introduction of the requirement to reach an agreement with the ICAM Team on arrears repayment as a criterion to qualify for the 50% discount should now be showing a major improvement in The Moor Market's debt position.

Recommendation 4.14 asks that the Markets Patrol Staff take a more active role in identifying counterfeit, fake, illegal or dangerous goods being sold on trader's stalls in line with the Real Deal Campaign, Sheffield Markets have signed up to. Now those staff are employees of Kier their line manager is going to give them a toolbox talk on what to look out for and ask them to sign to say they have received it. Trading Standards are also going to provide a couple of workshops down at the Moor Market explaining to Market's staff the most obvious thing to look out for in terms of counterfeit, fake, illegal or dangerous goods.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the report although any reduction in the level of Market debt will improve the financial

position of the Place portfolio.

EQUAL OPPORTUNITIES IMPLICATIONS

There are no equal opportunities implications arising from the report.

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

4.0 RECOMMENDATIONS

- 4.1 Committee is asked to note the contents of the report and the progress made to date.

Simon Green
Executive Director, Place

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Audit Committee Report

Report of: Director of Legal and Governance

Date: 24 September 2015

Subject: Work Programme

Author of Report: Dave Ross (0114 273 5033)

Summary:

The report provides details of a proposed work programme for the Committee to April 2016

Recommendations:

That the Committee:-

- (a) considers the Work Programme and identifies any further items for inclusion;
and
 - (b) approves the work programme.
-

Background Papers: None

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
NO Cleared by:
Legal Implications
NO Cleared by:
Equality of Opportunity Implications
NO Cleared by:
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
NONE
Relevant Cabinet Portfolio Lead
Cabinet Member for Finance and Resources
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

WORK PROGRAMME

1. Purpose of Report

1.1 To consider an outline work programme for the Committee for 2015/16 and to identify any further items for inclusion.

2. Work Programme

2.1 It is intended that there will be at least five meetings of the Committee during the year with three additional meetings arranged if required. The work programme is based around the attached terms of reference and includes some items which are dealt with at certain times of the year to meet statutory deadlines, such as the Annual Governance Report and Statement of Accounts, and other items requested by the Committee.

2.2 An outline programme to April 2016 is set out below and Members are asked to identify any further items for inclusion.

Date	Item	Author
12 November 2015	Annual Audit Letter 2014/15	Sue Sunderland (Director, KPMG)
12 November 2015	Strategic Risk Management/ Corporate Risk Register	Richard Garrad (Corporate Risk Manager)
10 December 2015	(additional meeting if required)	
14 January 2016	Update on actions to address the issues in the KPMG report on the review of Financial Support Processes in Adult Social Care	Eugene Walker (Interim Executive Director, Resources)
14 January 2016	Update on the Adult Social Care Change Programme	Eugene Walker/Laraine Manley (Interim Executive Directors, Resources and Communities)
14 January 2016	Progress on Audit Reports with a High Opinion	Kayleigh Inman (Senior Finance Manager)
14 January 2016	Certification of Claims and Returns Annual Report 2014/15	Sue Sunderland (Director, KPMG)
14 January 2016	External Audit Plan 2015/16	Sue Sunderland (Director, KPMG)

14 January 2016	Annual Governance Statement Progress Report	Gillian Duckworth (Director of Legal and Governance)
11 February 2016	(additional meeting if required)	
10 March 2016	(additional meeting if required)	
14 April 2016	Annual Audit Fee Letter 2016/17	Sue Sunderland (Director, KPMG)
14 April 2016	Internal Audit Plan 2016/17	Kayleigh Inman (Senior Finance Manager)
14 April 2016	Audit Commission Report on Protecting the Public Purse/Update on Counter fraud initiatives	Dave Phillips (Acting Director of Finance)
14 April 2016	International Auditing Standards – Compliance with Internal Control/counter Fraud	Dave Phillips (Acting Director of Finance)
14 April 2016	Strategic Risk Management/ Corporate Risk Register	Richard Garrad (Corporate Risk Manager)

3. **Recommendation**

3.1 That the Committee:-

- (a) considers the Work Programme and identifies any further items for inclusion; and
- (b) approves the work programme.

Director of Legal and Governance

Audit Committee Terms of Reference (Revised February 2012)

- (1) To approve the Council's Statement of Accounts (which includes the Annual Governance Statement) in accordance with the Accounts and Audit Regulations 2003 as amended.
- (2) To consider and accept the Annual Letter from the Auditor or the Audit Commission in accordance with the Accounts and Audit Regulations 2003 as amended and to monitor the Council's response to any issues of concern identified.

Audit Activity

- (3) To consider the Chief Internal Auditor's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- (4) To consider summaries of specific internal audit reports as requested.
- (5) To consider reports dealing with the management and performance of the internal audit service.
- (6) To consider any report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- (7) To consider specific reports as agreed with the external auditor.
- (8) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (9) To liaise with the Audit Commission over the appointment of the Council's external auditor.

Regulatory Framework and Risk Management

- (10) To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour (except in relation to those matters which are within the Terms of Reference of the Standards Committee e.g. code of conduct and behaviour of Members).

- (11) To monitor the effective development and operation of risk management and corporate governance in the Council.
- (12) To monitor Council policies on “Raising Concerns at Work” and the anti-fraud and anti-corruption strategy and the Council’s complaints process.
- (13) To oversee the production of the Council’s Annual Governance Statement and monitor progress on any issues.
- (14) To consider the Council’s arrangements for corporate governance and any necessary actions to ensure compliance with best practice.
- (15) To consider the Council’s compliance with its own and other published standards and controls.

Accounts

- (16) To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.