

SHEFFIELD CITY COUNCIL

STATEMENT OF ACCOUNTS

2019/20

Audited

For the period
1 April 2019 to 31 March 2020

Contents

Contents.....2
Narrative Report by the Executive Director of Resources.....3
Statement of Accounts.....19
Statement of Responsibilities.....19
The Core Financial Statements.....20
Comprehensive Income and Expenditure Statement (CI&ES).....20
Movement in Reserves Statement (MIRS) ..21
Balance Sheet.....23
Cash Flow Statement.....25
Notes to the Core Financial Statements.....26
01. Prior Period Restatement.....26
02. Events After the Reporting Date.....26
03. Material Items of Income and Expense.....26
04. Acquired and Discontinued Operations.....26
05. Expenditure and Funding Analysis (EFA) Statement.....28
05A. Note to the Expenditure and Funding Analysis.....31
06. Segmental Income.....33
07. Expenditure and Income Analysed by Nature.....33
08. Adjustments Between Accounting Basis and Funding Basis Under Regulations.....34
09. Other Operating Expenditure.....36
10. Financing and Investment Income and Expenditure.....36
11. Taxation and Non Specific Grant Income.....37
12. Grant Income.....38
13. Dedicated Schools Grant.....40
14. Financial Instruments.....41

15. Nature and Extent of Risks Arising from Financial Instruments..... 48
16. Long Term Debtors 57
17. Short Term Debtors..... 58
18. Cash and Cash Equivalents..... 58
19. Short Term Creditors..... 59
20. Provisions and Deferred Credits 59
21. Other Long Term Liabilities 61
22. Contingent Liabilities..... 61
23. Property, Plant and Equipment (PPE) 64
24. Service Concessions..... 70
25. Heritage Assets..... 73
26. Investment Properties 79
27. Intangible Assets..... 81
28. Assets Held for Sale..... 81
29. Capital Expenditure and Capital Financing..... 82
30. Leases and Lease Type Arrangements..... 83
31. Long Term Contracts 84
32. Impairment Losses..... 84
33. Movements in Earmarked Reserves.. 85
34. Usable Reserves..... 86
35. Unusable Reserves..... 92
36. Cash Flow Statement – Operating Activities 98
37. Cash Flow Statement – Investing Activities 99
38. Cash Flow Statement – Financing Activities 99
39. Pooled Budget Arrangements 100
40. External Audit Fees and Additional Audit Fees (Non Statutory)..... 102
41. Related Party Transactions..... 103
42. Members’ Allowances 108
43. Officers’ Remuneration 108
44. Termination Benefits 113
45. Post-Employment Benefits..... 114
Housing Revenue Account (HRA) 120

Notes to the Housing Revenue Account 122
01. Other Comprehensive Income and Expenditure 122
02. Adjustments Between Accounting Basis and Funding Basis Under Regulation 122
03. Transfer to / (from) Reserves..... 122
04. Housing Stock..... 123
05. Vacant Possession 124
06. Major Repairs Reserve 124
07. Capital Expenditure 125
08. Depreciation..... 125
09. Impairment and Valuations 126
10. Rent Arrears 126
11. Rent Income 126
12. Dwellings Rents..... 126
13. Rebates 126
Collection Fund 127
Notes to the Collection Fund 128
01. Council Tax..... 128
02. National Non-Domestic Rates (NNDR)..... 130
Accounting Policies 131
Notes to the Policies and Standards 157
01. Accounting Standards Issued, Not Adopted 157
02. Critical Judgements in Applying Accounting Policies 158
03. Assumptions made about the future and other major sources of estimation uncertainty..... 159
04. Going Concern 163
Annual Governance Statement..... 165
Trade Union (Facility Time Publication Requirements) Regulations 2017 - (Not subject to audit) 178
Glossary 181
Independent Auditor’s Report 185

Narrative Report by the Executive Director of Resources

1) INTRODUCTION

Purpose of the Narrative Report

Sheffield City Council is a large and diverse organisation and the information contained in these accounts can be technical and complex to follow. The purpose of the Narrative Report is to provide information on the authority, its main objectives and strategies and the principal risks that it faces. The Narrative Report therefore presents a 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. These statements and notes have been prepared in accordance with the 2019/20 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.

2) SHEFFIELD AS A PLACE

Sheffield is an ambitious city and is England's fourth largest city in terms of population. Historically the centre of the world's steel industry, Sheffield has now diversified as a major centre for advanced manufacturing and engineering, as well as being home to a thriving creative and digital sector and a cultural hub for the arts and for leisure activities. Sitting on the edge of the peak district, Sheffield is known as the outdoor city, something we take great pride in.

In 2020 the city and its population, like the rest of the world, have had to respond to the Coronavirus pandemic. This pandemic has impacted on the lives of everyone worldwide, leading to unprecedented measures to control the spread and impact of the disease. For the City Council these measures have led to significant challenges in terms of maintaining services to the general population, and in particular to the most vulnerable in our society. For example the Council provides social care services to 7,700 older and vulnerable people, makes payments of Housing Benefit to 34,200 households, awards of Council Tax Support to 46,300 households, supports the education provision at every school in the city, and looks after 622 children in care, with 1,799 children assessed as in need. The critical elements of all these services have had to be delivered during the emergency.

The Council has put in place robust plans to protect its citizens and critical services during the response to COVID-19, receiving, paying out or granting rate reliefs over £214m to businesses, ensuring continuing social care provision to vulnerable children, adults and the elderly, and continuing benefits payments to the needy. Other key Council services such as refuse collection also continued. The scale of COVID-19's impact has necessitated a whole-city response, with partners from across the public, private and voluntary, community and faith sectors collaborating and working alongside Sheffield's communities to respond to a rapidly changing emergency. These efforts still continue; the infection rate and deaths

thankfully dropped during the summer, but climbed again in the autumn and winter, necessitating a second lockdown. We are now all hopeful that the vaccination programme will offer a route out of the pandemic.

Even without the effects of the pandemic, like many UK cities, Sheffield faces a wide variation in the levels of income within the city. However, unlike many cities, it has been successful in attracting and retaining its higher income inhabitants within its City boundaries. Consequently Sheffield is home to some of England's most prosperous suburbs. However at the other end of the scale, there are pockets of deprivation, where people live in some of England's most deprived areas. These income and health inequalities provide a major backdrop and challenge to the services the Council provides.

In normal times Sheffield also welcomes over 70,000 students from across the UK and the wider world to its two universities which enjoy enviable reputations, with the University of Sheffield being part of the prestigious Russell Group of leading research intensive universities. Sheffield Hallam University ranks well for student satisfaction and for its success in getting its students into work or further study. The city's universities offer world recognised research and innovation, as well as a student life often voted one of the best in the UK. Excellent cultural, sporting and leisure facilities help to attract students, and often to retain them after graduation.

Page 178 With a number of redevelopments either in progress or planned as part of the Council led Heart of the City II development, coupled with a wide range of large and small retail outlets in the city centre, and the major shopping and leisure mall at Meadowhall, Sheffield continues to attract many visitors not only for its retail offer but also to the city's many parks and museums. Annually Sheffield hosts a range of cultural events and sporting activities including welcoming the snooker world championships, which have been held at the City's Crucible Theatre since 1979, the annual Doc/Fest, and the Tramlines festival, to name but a few. Sheffield also held the Special Olympics during 2017 and hosted the GB team trials for the Invictus Games during 2019.

The City's reputation for research and innovation has helped attract a range of world leading companies to Sheffield. As well as the established manufacturing industry, the Advanced Manufacturing Research Centre, on the boundary of Sheffield and Rotherham, has attracted companies such as McLaren and Boeing as well as hosting Factory 2050 – a UK first and state of the art factory that is helping to put the UK at the forefront of manufacturing technology research and development globally.

3) SHEFFIELD CITY COUNCIL

Financially, like most other local authorities in England, the Council faces a large number of challenges in the coming years. For example:

- Coping with the likely reduction in national income and increases in debt due to the Coronavirus pandemic and supporting the city's recovery
- Consequent likely future reductions in Central Government funding. Any future reductions will be especially challenging to cope with, given the fall of almost £200m of funding reductions since the 2010 recession and the consequent "austerity" agenda
- Demographic growth and an ageing population which continue to put pressures on our services, in particular our social care services that support the most vulnerable in our society
- Brexit continues to cause considerable uncertainty

Nevertheless the Council remains ambitious for the city, with a range of projects underway. In particular the Council is leading the construction of a range of modern retail, office and residential accommodation as part of the £470m Heart of the City re-development, whilst more generally the city centre has been transformed over recent years, with the addition of new hotels, public spaces and the Winter Gardens.

During 2018/19 the Council approved a radical Ethical Procurement Policy, which is shaping how we spend our money over the coming years. Over time, this policy will seek to increase the proportion of our supply chain that meets the real Living Wage, and the Council itself is an accredited Living Wage employer. The policy will also increase the proportion of our spend in the local economy, as managers are mandated to seek at least one local tender in every three.

The Council employs approximately 8,200 people in full-time and part-time positions, with a further 4,590 people approximately employed by schools. This workforce reflects the diversity of the residents of the City, as the Council has always been committed to employing a workforce representative of the communities it serves.

The Council is also committed to training and developing its workforce, and it employs a number of apprentices in a wide variety of roles. From April 2017, the Council pays an apprenticeship levy at 0.5% of the Council's total pay bill. This money is used to pay for apprenticeship training and to implement an approved apprenticeship standard for both new recruits and existing employees. New types of apprenticeship standards will be available to accredit specific specialist roles to a professional standard, including degree level.

4) THE CITY COUNCIL'S CORPORATE AIMS AND OBJECTIVES

The COVID-19 emergency is unlike any other we have faced in recent history. Since March 2020, Sheffield's communities, services and businesses have pulled together in unprecedented ways; supporting the city's most vulnerable people and finding solutions to keep the city running within the necessary restrictions that have been introduced to tackle COVID-19.

There is no doubt that as a city, we will need to continue to respond to the emergency for some time and take careful steps, in line with Government guidance, to begin Sheffield's recovery from the COVID-19 crisis while continuing to deliver the core services that communities in our city need.

As we move into the coming phases over the short and medium term, our approach will always be focused on maintaining the safety and wellbeing of Sheffield's citizens who have, as ever, done so much to follow the public health advice and support others at an incredibly challenging time.

Our approach and the decisions we make in the city's recovery will be based on five core principles:

1. Keep people safe and well
2. Protect the most vulnerable people
3. Support people to get back to school and work safely when the time is right

4. Follow Government and scientific lead and help people with the difficult decisions they are having to make
5. Support the city's economic recovery

The scale and impact of COVID-19 has impacted on all areas of life in Sheffield and may continue to do so for the medium to long term. We are therefore developing a renewed vision for Sheffield and our ambitions for the city for the next decade which will shape strategic directing and budget priorities for the coming years. This will consider:

- the challenges that COVID-19 has presented;
- the city's resilience, strengths and assets that have shone through in response to the crisis;
- learning, innovations, collaborations that have been developed in response to COVID-19 and can be useful in future;
- how we make sure that our recovery and renewal tackles deep rooted inequalities in everything that we do; and
- how Sheffield can become an inclusive and sustainable city, seeing solutions to the climate emergency as a fundamental part of our recovery and our future.

If we are to establish a successful recovery from the COVID-19 crisis, collaboration in a whole-city approach will be critical and central to our approach. There will be some initial and short-to-medium term steps that we need to put in place as a city in order to adapt to the ongoing impact of COVID-19 (e.g. retail reopening; public transport use) and reduce the transmission of the virus in our communities. We will work with communities and partners to develop these proposals over the coming weeks while we continue our response to the emergency.

We will collaborate closely with partners in the city region and through our wider networks to lead the recovery of the economic area and maximise the city's influence on Government's approach. This includes:

- South Yorkshire Local Resilience Forum – continuing to work with local authorities and statutory partners in South Yorkshire to co-ordinate recovery for all our communities
- Sheffield City Region Combined Authority – leading the City Region's economic recovery alongside the Mayor and our neighbouring councils in SCR
- Core Cities – as a member of the Core Cities Cabinet, we will continue to support the development of intelligence and policy propositions for the future of cities in the UK.

5) PERFORMANCE

Sheffield City Council exists to improve people's lives and to make them easier. Under difficult financial circumstances and in the face of severe funding cuts, we have managed to keep the Council services running throughout the city. However, we continue to face significant budget challenges over the years ahead. Even before the impact of the Coronavirus pandemic, increasing demand for our services meant that we faced budgetary pressures of £30m in 2020/21, necessitating the delivery of £15m of savings, with the gap being bridged by council tax and business rate increases.

This funding gap will increase significantly due to the additional needs of our inhabitants following the pandemic, with our estimate of additional costs and lost income totalling £74m for 2020/21 alone. Whilst Central Government support has been forthcoming for 2020/21, and for the early part of 2021/22, at the time of writing there is no clear indication of whether this support will cover the costs of and lost income from COVID-19, nor whether the Council will be supported to help the city and surrounding area to recover from the predicted recession. Also, in the longer-term, the anticipated increase in inequalities and reduction in national prosperity, alongside an ever-increasing demand for our services and other cost pressures, will put a very significant further strain on the Council's budgets.

The last few years have not been easy at Sheffield City Council, and there have been many difficult decisions to make, but we will always support and stand up for the people of Sheffield and hold ourselves to a high ethical standard as an employer and a local authority. We are ambitious for Sheffield – it is a brilliant and unique city, and we are working every day to make it even greater. The 2020/21 Budget continues to invest in the long-term economic potential of the city whilst standing up for and protecting services for those with the greatest need.

The combination of a decade of Government funding cuts and increasing demand on vital services has had a major impact on the money we have available to spend. Consequently we have set a 1.99% rise in Council Tax to support vital services in the city, plus a further 2.0% for the Adult Social Care precept. Overall this means that most properties in Sheffield will pay an extra 80p a week on their Council Tax bills from April 2020.

Using an online survey, we asked people in Sheffield about their views on the approaches we are taking to meet the financial challenge and how we should prioritise the money we have to spend. Responses to the survey showed:

- As in the consultation on our 2019/20 budget, Adult Social Care, Children's Social Care and Public Health/Education were highlighted as the top three priorities that the Council should fund more
- Respondents cited leisure and culture, Environmental Health/Waste and Recycling, and Housing as areas where spending levels should stay the same. Respondents were more likely to say that the Sheffield City Council should spend less on the cost of borrowing, central costs and housing benefits. The majority of respondents supported raising Council Tax. Of those that gave a reason as to why they felt that Council Tax should be raised, the most common reason given was that a slight increase would be worth it to have improved public services

- Over half of respondents said that they did not want to see an increase in fees and charges and that the levels should stay the same. Many thought that fees and charges are high enough, that increases would be deemed unacceptable and likely to have most impact on poorer residents of the city
- Respondents mainly suggested that it was important for the Council to invest in transport, green and open spaces and quality of life. When asked why, people tended to suggest that investment is important to promote regeneration and the need for a fair and improved transport infrastructure to support both business and leisure.
- Transport was seen as a very important area for investment, and noted that we need a far more accessible service which can run on an upgraded infrastructure. Comments also noted that currently people who do not live in the city centre find it very difficult to travel across the city. A proportion of people felt much more investment was needed to support more environmentally friendly travel for bikes and pedestrians. A good transport network was commented on as essential for the city's regeneration along with regular and clean public transport.
- We received an extensive range of comments and suggestions on how the Council could increase income, reduce costs or make savings to support the budget. In terms of raising income these included collecting owed Council Tax and raising Council Tax; increasing car parking charges and business rates; and lobbying central Government for more money.

Further, as specific budget proposals are developed, services and portfolios across the council are required to produce Equality Impact Assessments (EIAs) on their budget proposals. This process ensures that services have fully considered any potential implications for their proposals for people in Sheffield (particularly the protected characteristics covered by the Equality Act 2010) and explain any mitigations that are necessary to avoid any unlawful discrimination that may result from the proposed changes.

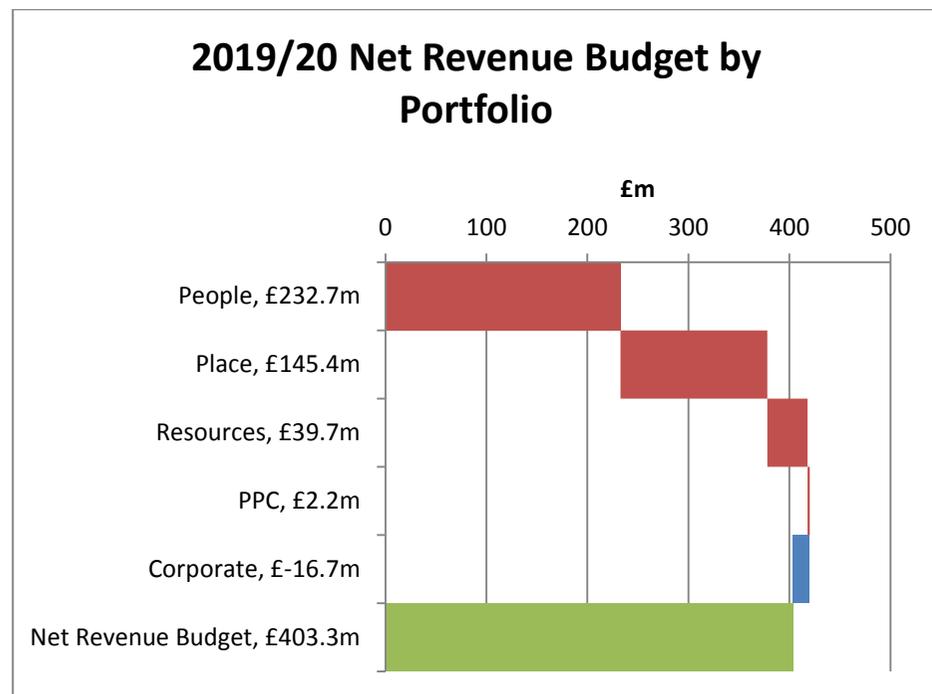
6) FINANCIAL HIGHLIGHTS

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

- Revenue expenditure covers the day-to-day running costs of the Council's services which are grouped under three portfolios plus corporate. The net revenue budget for 2019/20, which included a General Fund savings programme of £30m, was split by portfolio as shown in the chart overleaf. The net expenditure was budgeted to be funded by £37m of Revenue Support Grant, £201m of Council Tax, £150m of the Council's share of National Non Domestic Rates (NNDR) including top up grant, and £15m of Social Care Precept.
- As a result of emerging pressures within Children's Social Care, the People Portfolio who provide social care services, overspent their budget by £7.3m in 2019/20. Compensating savings were made in other parts of the Council's activities, reducing the Council's final position to an underspend of £0.5m. This underspend is just over 0.1% of the Council's net revenue budget. Further details on the future financial outlook for the Council can be found in section 8 of this Narrative Report.

- The Council's net worth has increased by £105.4m (or 10%) since 2018/19.
- Total usable revenue reserves increased by £35.8m from £247.1m to £282.9m and total usable capital reserves increased by £7.7m from £162.3m to £170m (which includes £123m ring-fenced for Council Housing). Usable reserves comprise both those which are earmarked for specific purposes, and those which are un-earmarked. Only £13.2m of the Council's reserves are un-earmarked, which is at the minimum recommended prudent level. As explained above, the serious impact of the COVID-19 crisis will impact on our reserves to the extent that support from Central Government is not forthcoming.
- £128.5m of capital investment was spent via the Capital Programme during the year, compared to £192.7m in 2018/19.

Sheffield City Council 2019/20 Net Revenue Budget by Portfolio (£000)



Portfolio	Variance £'000
People	7,300
Policy Performance and Communications	(211)
Place	692
Resources	(94)
Corporate	(8,222)
Total underspend for the year	(535)

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 Council has an ambitious five-year capital programme which as at 31st March 2020 was valued at £756m. This investment will deliver a range of improvements across the City, including:

- Improvements to transport infrastructure to deliver sustainable economic growth and improve air quality
- More housing for our citizens, including the regeneration of brownfield sites
- Further improvements to council housing
- Improvements to parks and public spaces
- A thriving city centre

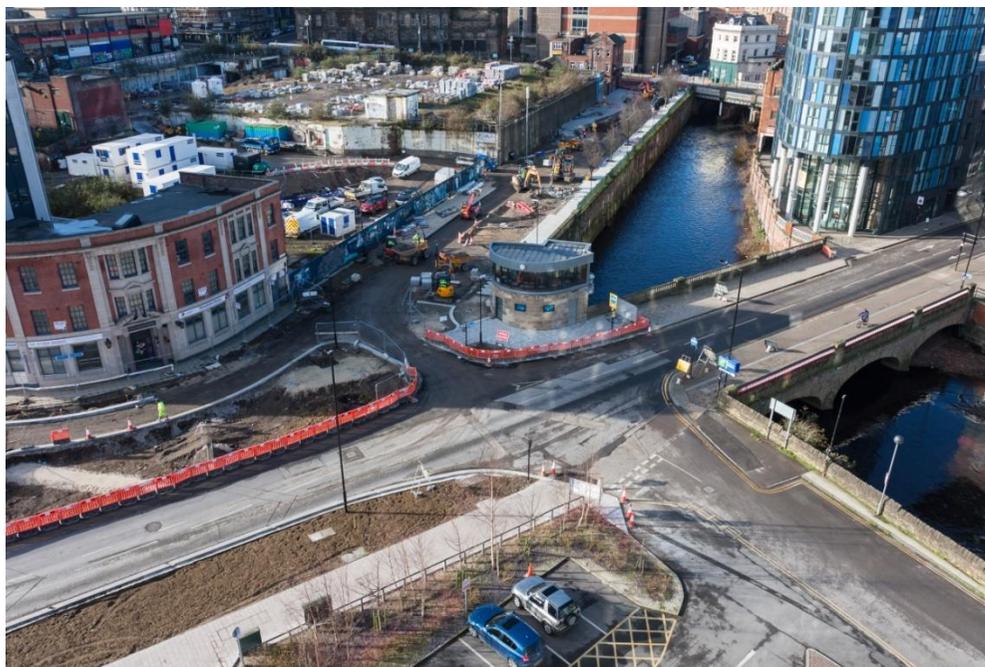
A new, vibrant city centre in development as part of our ‘Heart of the City II’ project – the HSBC building



New Council houses in development on the Weakland estate



Improvements to flood resilience and the public realm as part of our 'Grey to Green 2' project



Improvements to Fitzalan Square delivered as part of the 'Knowledge Gateway' project



Page 185

The 2019/20 Capital Outturn is £128.5m against a revised budget of £152.3m, a variance of £23.8m (16%). The main reason for this difference is 'slippage', the extent to which, in terms of expenditure, capital projects are behind their original schedule, which will be carried forward into 2020/21, along with the resources identified to fund the schemes.

For further details, please refer to Appendix 9 of the final outturn report on the Council website:

<http://democracy.sheffield.gov.uk/ieListDocuments.aspx?CId=123&MIId=7580&Ver=4>

7) KEY SECTIONS INCLUDED IN THE STATEMENT OF ACCOUNTS

Statement of Responsibilities

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

Comprehensive Income and Expenditure Statement

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

Revenue expenditure is reported in the Council's Accounts under the Comprehensive Income and Expenditure Statement (CIES). The CIES takes a wider view of financial performance than that shown in the General Fund and shows the accounting position for the year, namely a surplus of £105.4m. This surplus represents the total amount by which the Council's net worth has increased during the year as shown in the Balance Sheet.

Movement in Reserves Statement

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

Balance Sheet

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

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

Expenditure and Funding Analysis Statement

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

Notes to the Core Financial Statements

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

Housing Revenue Account (HRA)

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

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 the Precepting Authorities (e.g. South Yorkshire Fire and Police).

Usable Reserves (Note 34)

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

The note shows a breakdown of usable reserves. Of the different components shown in the table, the General Fund is the only component which is not earmarked for a specific purpose. At £13.1m or 3.1% of the 2019/20 net revenue budget, the General Fund is low in comparison to most other major cities. If this were ever used, it would have to be replaced as soon as possible as the Council would always need a minimum level of emergency reserves.

Significant changes in accounting policies

The Council's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the CIPFA Code of Practice on Local Authority Accounting 2019/20. 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 policies during 2019/20.

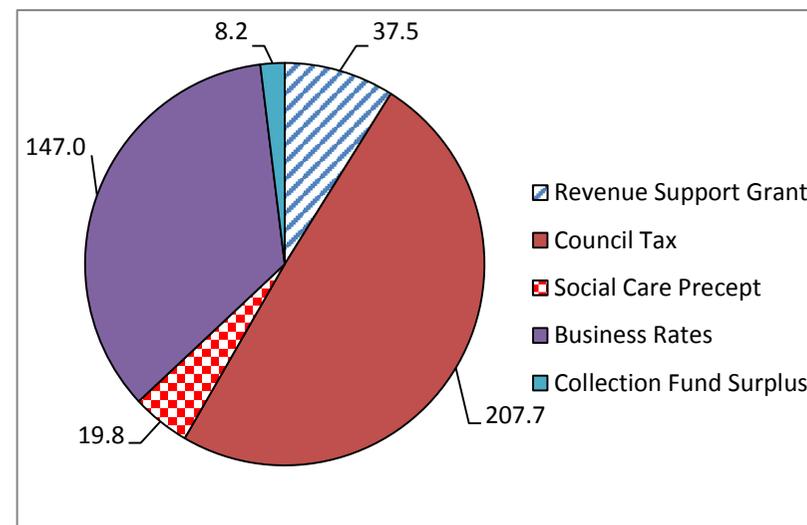
8) FINANCIAL OUTLOOK

This section provides a summary of what the future holds for the Council's finances. Further details can be found in the 2020/21 and 2021/22 Revenue Budget (approved by Full Council on 4 March 2020 and 3 March 2021 respectively) and the Medium Term Financial Analysis 2021/22 to 2024/25 approved by Cabinet on 23rd October 2020.

Local Government Finance Settlement

After releasing details of the Provisional Local Government Finance Settlement on 20 December 2019, the final Local Government Finance Settlement figures for 2020/21 were confirmed on 6 February 2020.

As shown in the chart, the net revenue budget for 2020/21 totals £420.2m and comprises four main sources of income, plus a small one-off amount of £8.2m "Collection Fund Surplus".



When compared to the early 2010s, the proportion of each of these income sources has changed significantly. Revenue Support Grant (RSG) has steadily reduced over the past decade, reducing from £192m in 2013/14 to £37m for 2020/21. As a result RSG now only accounts for 9% of the net revenue budget. Resources raised from local residents and businesses are now overwhelmingly the main sources of funding the Council's net revenue budget, totalling 89%, with council tax, including the Social Care Precept, at 54%, and business rates at 35% of net revenue budget.

These increases in resources raised locally have enabled an increase in the total net revenue budget from £403m in 2019/20 to £421m in 2020/21. However this increase will still provide insufficient funding to cope with the, nationally-acknowledged, demand and cost pressures in Children's and Adult Social Care, nor does it offset the impact of a decade of Central Government cuts to local authorities. It is the demand for these services which, if left unchecked or underfunded, will create long term sustainability issues for the Council.

The Council will continue to lobby for additional funding for Local Government, and for the recognition that deprivation is a key driver of the costs of local authorities. In addition it will lobby for adequate compensation for the short and longer term costs arising from the COVID-19 pandemic.

Until funding increases, the Council will continue to prioritise protecting services for the most vulnerable, will continue to seek to deliver its services as efficiently as possible, and will make a prudent of its reserves to cash-flow the transformation of its services towards a more preventative and personalised model. The Council will also look to integrate services as far as possible with its key partners, in particular its social care services with the NHS.

9) KEY RISKS

The Council has a risk management strategy in place to identify and evaluate risk. It includes clearly defined steps to support better decision making through the understanding of risk, whether they represent a threat or a positive opportunity. These risk management processes are subject to regular review and updating.

We have identified the following key risks.

Risk description	Impact	Mitigations
Financial impact of COVID-19	The costs to provide support to the citizens of Sheffield during and following the COVID-19 pandemic will severely increase the financial pressures across all SCC portfolios.	During the pandemic, daily activity monitoring and reporting has been undertaken across all SCC portfolios; culminating in a summary daily report presented to SCC Executive Management Team. Reports detailing the forecast short and medium term financial impacts have been produced for EMT and members. In addition, the risk management database now has the facility to capture whether COVID-19 has affected risks across all services' day to day activities.
'Brexit'	The costs and activity across all Council services could be affected as a result of having left the EU.	With regard to mitigating the Brexit risks facing the Council, an internal working group on the transition is meeting on a fortnightly basis. The internal working group is made up of officers from a wide range of roles in order to consider the mitigations and actions to be taken, whilst preparing for the wider impacts of the change on Sheffield. Representatives from this group also attend a South Yorkshire Local Resilience Forum group, coordinating with colleagues in other key organisations throughout the region.

SIV/Sheffield City Trust – financial pressure on SCC	The Trust have been unable to meet their business plan projections – resulting in an unsustainable future, which in turn creates further financial pressure on SCC.	A joint programme between Portfolios has been undertaken to oversee key actions. The aim is to produce a financially sustainable long term strategy for the future of leisure, sport and entertainment venues in Sheffield.
Care Provider Financial Sustainability	Multiple or unmanaged closures present significant risks to vulnerable residents required to move, impact heavily on SCC resources and could result in market failure or a failure in our duty to ensure a sustainable market.	Work is ongoing with funding agreed to enable targeted support, on a case by case basis. This will ensure safe provision and continuity of care during the anticipated period of market contraction. The overriding concern is the safety and welfare of residents.
Climate Emergency	A climate emergency in Sheffield was declared in 2019, with a target for Sheffield to be carbon neutral by 2030. Delays in funding and delivering a Citizens’ Assembly have impacted on achieving the action plan to date.	A report is due to be presented to EMT. This report will outline the actions taken, and actions still required to take this work forward.
Clean Air Zone	Linked to the risk above, a Clean Air Charging Zone is to be introduced to Sheffield. The pandemic has impacted on delivery dates and activities.	In light of COVID-19 SCC has announced a review of its current CAZ C+ scheme to see whether changes to the scheme will be required. SCC are working with central government departments on this and this is expected to lead to Ministerial meetings in 2021.
Building Maintenance Backlog costs	The need for backlog building maintenance for the Council’s corporate estate has the potential to cause serious disruption or closure of key buildings due to potential failing elements e.g. mechanical & electrical systems.	A number of financial and operational activities are being undertaken to ensure that this area is addressed, including a review of the current estate and prioritisation of essential and non-essential works.
Universal Credit (UC) – HRA & Council Tenants	The roll out of UC poses a significant financial risk to the HRA as income will be paid to tenants rather than directly to the HRA. This could result in in unpaid rent, increased arrears and reduced HRA income.	Work is being undertaken with partners and stakeholders to prepare Sheffield for the full take up on UC; including debt prevention work and advice to customers and support of personal budgeting.

Partnership working with NHS	There is a risk of ineffective collaboration leading to poor outcomes for clients and inability to meet financial challenges.	Joint working groups are in place to shape the future delivery of services, alongside regular monitoring of joint commissioning arrangements.
Funding SEND learners	Significant pressure on budgets, leading to failure to meet the needs of SEND learners – which are demand led.	Inclusion strategy and action plan in place to address this. The Inclusion Task Force is continuing to develop a consistent city-wide approach to SEND.
Cyber Security	Potential Council-wide loss or unavailability of information due to malicious software.	There is ongoing preventative, technical and resilience work to address this ever present risk.
Medium Term Financial pressures	Continuing constraints on local government funding, continuing service and cost pressures, alongside uncertainty about future funding increase the risk of not being financially solvent.	A robust business planning process is in place, with formal updates on the 4 year position annually, and at least quarterly reporting to EMT on the financial position. This has enabled SCC to deliver to date whilst maintaining satisfactory level of reserves.

10) GOVERNANCE

The Council's governance arrangements are discussed in the Annual Governance Statement which accompanies these accounts.

11) CONCLUSION

Sheffield City Council has successfully delivered significant General Fund budget savings in the past nine years to mitigate £200m of grant reductions as well as demand and inflation cost pressures over the same period. Despite these pressures, the Council has managed to produce a balanced budget for 2020/21, which includes additional portfolio General Fund savings of £30m. These savings include proposals set out in the Social Care Recovery Plans aimed at controlling or mitigating the aforementioned demand and inflation cost pressures.

12) FURTHER INFORMATION

Further information about the Council's Statement of Accounts is available upon request from the following e-mail address:

financialplanning&accounts@sheffield.gov.uk

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

<http://www.sheffield.gov.uk/home/your-city-council/statement-accounts>

If you have any problems understanding this publication, or have any suggestions as to how it may be improved, please contact us via the e-mail address above. Please note that local electors and taxpayers have a statutory right to inspect the Council's Statement of Accounts and all related books, deeds, contracts, bills, vouchers and receipts before the external audit has been completed, and to question the auditor. The public notice confirming availability of the accounts for such inspection is advertised on the Council's website and in public notice areas.

Statement of Accounts

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Responsibilities of the Executive Director of Resources

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

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

- Selected suitable accounting policies and then applied them consistently,
- Made judgements and estimates that were reasonable and prudent,
- Complied with the Local Authority Code.

The Executive Director of Resources has also:

- Kept proper accounting records, which were up to date,
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern,
- Used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future, and maintained such internal control as determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Eugene Walker
Executive Director of Resources (Section 151 Officer)
April 2021

The Core Financial Statements

Comprehensive Income and Expenditure Statement (CI&ES)

2018/19				2019/20			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Continuing Operations:							
514,717	(245,775)	268,942	People		531,984	(258,681)	273,303
182,479	(177,664)	4,815	Schools		176,415	(173,755)	2,660
265,461	(78,118)	187,343	Place (excluding HRA)		263,719	(77,410)	186,309
6,860	(2,699)	4,161	Policy, Performance & Communications		7,910	(3,489)	4,421
179,723	(187,431)	(7,708)	Resources		163,402	(165,600)	(2,198)
(16)	(940)	(956)	Corporate		496	(1,276)	(780)
1,149,224	(692,627)	456,597			1,143,926	(680,211)	463,715
67,163	(151,969)	(84,806)	Housing Revenue Account (HRA)		256,274	(149,994)	106,280
1,216,387	(844,596)	371,791	(Surplus) / Deficit on Continuing Operations		1,400,200	(830,205)	569,995
		69,625	Other Operating Expenditure	9			15,414
		128,105	Financing and Investment Income and Expenditure	10			93,010
		(562,973)	Taxation and Non-Specific Grant Income	11			(544,765)
		6,548	(Surplus) / Deficit on Provision of Services				133,654
		(17,522)	(Surplus) / deficit on revaluation of non-current assets				(192,236)
		83,068	Re-measurements of the pension net defined benefit liability				(46,828)
		62	Other (gains) / losses				0
		65,608	Other Comprehensive (Income) and Expenditure				(239,064)
		72,156	Total Comprehensive (Income) and Expenditure				(105,410)

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

Movement in Reserves Statement (MIRS)

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

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

2019/20		General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Earmarked Housing Revenue Account Reserve £000	HRA Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Note		34	34	34	34	34	34	34	34	35	
	Balance at 31 March 2019	(8,126)	(226,808)	(8,327)	(3,822)	(70,690)	(63,133)	(28,432)	(409,338)	(648,369)	(1,057,707)
	Movement in reserves during 2019/20:										
	Total Comprehensive (Income) and Expenditure	15,741	0	117,913	0	0	0	0	133,654	(239,064)	(105,410)
8	Adjustments between accounting basis and funding basis under regulations	(52,563)	0	(135,601)	0	12,547	(3,544)	2,003	(177,158)	177,158	0
	Net (increase) / decrease before transfers to earmarked reserves	(36,822)	0	(17,688)	0	12,547	(3,544)	2,003	(43,504)	(61,906)	(105,410)
33	Transfers (to) / from earmarked reserves	31,797	(31,797)	18,364	344	(18,708)	0	0	0	0	0
	(Increase) / decrease in year	(5,025)	(31,797)	676	344	(6,161)	(3,544)	2,003	(43,504)	(61,906)	(105,410)
	Balance at 31 March 2020	(13,151)	(258,605)	(7,651)	(3,478)	(76,851)	(66,677)	(26,429)	(452,842)	(710,275)	(1,163,117)

2018/19 Comparative Information											
	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Earmarked Housing Revenue Account Reserve £000	HRA Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	
Note	34	34	34	34	34	34	34	34	35		
Balance at 31 March 2018	(10,631)	(180,088)	(9,267)	(4,107)	(70,661)	(58,306)	(30,147)	(363,207)	(766,656)	(1,129,863)	
Movement in reserves during 2018/19:											
Total Comprehensive (Income) and Expenditure	81,547	0	(74,999)	0	0	62	0	6,610	65,546	72,156	
Adjustments between accounting basis and funding basis under regulations	8 (125,762)	0	52,740	0	23,455	(4,889)	1,715	(52,741)	52,741	0	
Net (increase) / decrease before transfers to earmarked reserves	(44,215)	0	(22,259)	0	23,455	(4,827)	1,715	(46,131)	118,287	72,156	
Transfers (to) / from earmarked reserves	33 46,720	(46,720)	23,199	285	(23,484)	0	0	0	0	0	
(Increase) / decrease in year	2,505	(46,720)	940	285	(29)	(4,827)	1,715	(46,131)	118,287	72,156	
Balance at 31 March 2019	(8,126)	(226,808)	(8,327)	(3,822)	(70,690)	(63,133)	(28,432)	(409,338)	(648,369)	(1,057,707)	

Balance Sheet

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

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

As at 31 March 2019		Notes	As at 31 March 2020
£000			£000
2,452	Intangible Assets	27	2,070
3,012,324	Property, Plant and Equipment	23	3,081,696
54,521	Heritage Assets	25	54,636
28,190	Investment Properties	26	22,560
144,280	Long term Debtors	16	195,841
3,241,767	Long Term Assets		3,356,803
500	Short Term Investments	14	45,500
1,529	Inventories		1,176
102,769	Short Term Debtors	17	118,081
126,128	Cash and Cash Equivalents	14 / 18	134,145
33,352	Assets Held for Sale	28	24,572
264,278	Current Assets		323,474
(22,219)	Short Term Borrowing	14	(18,568)
(155,315)	Short Term Creditors	19	(181,236)
(12,583)	Short Term Provisions	20	(12,758)
(10,127)	PFI / PPP Finance Lease Liability	14 / 24	(14,535)
(18,722)	Capital Grants Receipts in Advance	12	(24,267)
(218,966)	Current Liabilities		(251,364)
(795,762)	Long Term Borrowing	14	(864,968)
(17,833)	Long Term Provisions	20	(14,826)
(390,039)	PFI / PPP Finance Lease Liability	14 / 24	(358,132)
(930,663)	Pension Liability	45	(941,074)
(68,843)	Other Long Term Liabilities	21	(59,700)
(26,232)	Capital Grants Receipts in Advance	12	(27,096)
(2,229,372)	Long Term Liabilities		(2,265,796)
1,057,707	Net Assets		1,163,117
(409,338)	Usable Reserves	34	(452,842)
(648,369)	Unusable Reserves	35	(710,275)
(1,057,707)	Total Reserves		(1,163,117)

The Statement of Accounts was approved and authorised for issue by the Executive Director of Resources and the Audit and Standards Committee on 22nd April 2021, in accordance with the Accounts and Audit (England) Regulations 2015.

Eugene Walker
Executive Director of Resources (Section 151 Officer)
April 2021

Councillor Sioned-Mair Richards
Chair of the Audit and Standards Committee
April 2021

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.

2018/19		Notes	2019/20
£000			£000
(6,548)	Net surplus or (deficit) on the provision of services		(133,654)
248,119	- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	36	298,052
(92,224)	- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	36	(60,156)
149,347	Net cash flow from operating activities		104,242
(46,179)	Investing activities	37	(129,647)
(33,816)	Financing activities	38	33,422
69,352	Net increase / (decrease) in cash and cash equivalents		8,017
56,776	Cash and cash equivalents at 1 April	18	126,128
126,128	Cash and cash equivalents at 31 March	18	134,145

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. Prior Period Restatement

In 2019/20 no prior period adjustments were required to the Council's Statement of Accounts.

02. Events After the Reporting Date

The Statement of Accounts was authorised for issue by Eugene Walker, Executive Director of Resources April 2021. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

03. Material Items of Income and Expense

2019/20

There were no exceptional items in 2019/20.

2018/19

There were no exceptional items in 2018/19.

04. Acquired and Discontinued Operations

Acquired Operations

2019/20

No operations were acquired in the year to 31 March 2020.

2018/19

No operations were acquired in the year to 31 March 2019.

Discontinued Operations

2019/20

There were no discontinued operations during 2019/20.

2018/19

There were no discontinued operations during 2018/19.

05. Expenditure and Funding Analysis (EFA) Statement

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

2019/20	Notes	Outturn Position Reported to Internal Management	Adjustments for Items Not Reported to Internal Management	Net Expenditure Chargeable to the General Fund and HRA Balances Under Statutory Funding Provisions	Adjustments between the Funding and Accounting Basis	Other Adjustments	Net Expenditure in the CI&ES
Note		£000	£000	£000	£000	£000	£000
					5A		
People		270,823	73	270,896	2,407	0	273,303
Schools		0	(2,894)	(2,894)	5,554	0	2,660
Place (excluding HRA)		201,709	92	201,801	(21,392)	5,900	186,309
Policy, Performance & Communications		3,133	0	3,133	1,288	0	4,421
Resources		10,399	50	10,449	(12,647)	0	(2,198)
Corporate		(486,599)	(33,608)	(520,207)	77,353	442,074	(780)
Total General Fund (GF)		(535)	(36,287)	(36,822)	52,563	447,974	463,715
Housing Revenue Account (HRA)		0	(17,688)	(17,688)	135,601	(11,633)	106,280
Net Cost of Services		(535)	(53,975)	(54,510)	188,164	436,341	569,995
Other Income & Expenditure GF		0	0	0	0	(447,974)	(447,974)
Other Income & Expenditure HRA		0	0	0	0	11,633	11,633
Other Income & Expenditure		0	0	0	0	(436,341)	(436,341)
(Surplus) / Deficit		(535)	(53,975)	(54,510)	188,164	0	133,654
Opening General Fund and HRA Balance at 1 April		(247,083)					
(Surplus) / Deficit on General Fund and HRA Balance at 31 March		(54,510)					
Other Movements		18,708					
Closing General Fund and HRA Balance at 31 March*		(282,885)					

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

2018/19	Notes	Outturn Position Reported to Internal Management	Adjustments for Items Not Reported to Internal Management	Net Expenditure Chargeable to the General Fund and HRA Balances Under Statutory Funding Provisions	Adjustments between the Funding and Accounting Basis	Other Adjustments	Net Expenditure in the CI&ES
Note		£000	£000	£000	£000	£000	£000
					5A		
People		250,573	72	250,645	18,297	0	268,942
Schools		0	(3,620)	(3,620)	8,435	0	4,815
Place (excluding HRA)		196,584	237	196,821	15,613	(25,091)	187,343
Policy, Performance & Communications		3,230	0	3,230	931	0	4,161
Resources		5,168	50	5,218	(12,926)	0	(7,708)
Corporate		(450,914)	(45,595)	(496,509)	95,412	400,141	(956)
Total General Fund (GF)		4,641	(48,856)	(44,215)	125,762	375,050	456,597
Housing Revenue Account (HRA)		0	(22,259)	(22,259)	(52,740)	(9,807)	(84,806)
Net Cost of Services	5A	4,641	(71,115)	(66,474)	73,022	365,243	371,791
Other Income & Expenditure GF		0	0	0	0	(375,050)	(375,050)
Other Income & Expenditure HRA		0	0	0	0	9,807	9,807
Other Income & Expenditure		0	0	0	0	(365,243)	(365,243)
Surplus) / Deficit	5A	4,641	(71,115)	(66,474)	73,022	0	6,548
Opening General Fund and HRA Balance at 1 April		(204,093)					
(Surplus) / Deficit on General Fund and HRA Balance at 31 March		(66,474)					
Other Movements		23,484					
Closing General Fund and HRA Balance at 31 March*		(247,083)					

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

05A. Note to the Expenditure and Funding Analysis

2019/20					
Adjustments from General Fund to arrive at the CI&ES Amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustment £000	Other Differences £000	Total Adjustments £000	
People	10,984	13,187	(21,764)	2,407	
Schools	0	5,554	0	5,554	
Place (excluding HRA)	(33,105)	11,410	303	(21,392)	
Policy, Performance & Communications	1,009	0	279	1,288	
Resources	(566)	4,953	(17,034)	(12,647)	
Corporate	19,201	22,135	36,017	77,353	
Total General Fund (GF)	(2,477)	57,239	(2,199)	52,563	
Housing Revenue Account (HRA)	135,625	0	(24)	135,601	
Net Cost of Services	133,148	57,239	(2,223)	188,164	
Other Income & Expenditure	0	0	0	0	
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit	133,148	57,239	(2,223)	188,164	

2018/19 Comparative Information					
Adjustments from General Fund to arrive at the CI&ES Amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustment £000	Other Differences £000	Total Adjustments £000	
People	14,047	17,829	(13,579)	18,297	
Schools	0	8,435	0	8,435	
Place (excluding HRA)	(703)	16,757	(441)	15,614	
Policy, Performance & Communications	930	0	0	930	
Resources	(566)	7,304	(19,663)	(12,926)	
Corporate	40,070	20,697	34,645	95,412	
Total General Fund (GF)	53,779	71,021	962	125,762	
Housing Revenue Account (HRA)	(51,753)	0	(987)	(52,740)	
Net Cost of Services	2,025	71,021	(25)	73,022	
Other Income & Expenditure	0	0	0	0	
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit	2,025	71,021	(25)	73,022	

Adjustments for Capital Purposes

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

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

Net Change for the Pensions Adjustments

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

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

Other Differences

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

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

06. Segmental Income

Income received on a segmental basis has not been disclosed separately but further analysis can be seen in the Comprehensive Income and Expenditure Statement (CIES) and Note 5.

07. Expenditure and Income Analysed by Nature

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

	2018/19 £000		2019/20 £000
		Income:	
	(723,086)	Revenue Grants & Other Contributions	(710,112)
	(55,890)	Capital Grants & Contributions	(26,383)
	(219,960)	Income from Council Tax	(226,338)
	(100,004)	Income from Non-domestic Rates	(99,380)
	(1,081)	Interest and investment Income	(1,738)
	(8,206)	Sales	(7,789)
	(121,171)	Fees and Charges	(127,238)
	(163,093)	Recharges	(121,515)
	(143,931)	Dwelling rents	(141,586)
	(42,035)	Other Income	(53,593)
	(1,578,457)		(1,515,672)
		Expenditure:	
	449,119	Employee Expenditure	444,219
	80,701	Premises Expenditure	83,197
	16,863	Transport Expenditure	18,193
	194,035	Supplies & Services	235,713
	250,664	Third Party Payments	300,818
	212,961	Transfer Payments	156,320
	109,531	Support Services	58,070
	66,519	Depreciation, amortisation & impairment	232,793
	522	Precepts & levies	535
	86,523	Interest payable & similar charges	74,967
	3,340	Payment to the Housing Capital Receipts Pool	3,340
	64,958	(Gain) / loss on the disposal of assets	10,462
	20,469	Pension interest cost, administration expenses and return on plan assets	21,797
	25,320	(Surplus) / deficit on Trading Operations	(5,560)
	3,479	Other Expenses	14,463
	1,585,005		1,649,327
	6,548	(Surplus) / Deficit on the Provision of Services	133,654

08. 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.

2019/20	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
							35	
Reversal of items debited or credited to the CI&ES:								
Depreciation of Non-current assets	(54,896)	0	(25,080)	0	0	(79,976)	79,976	0
Impairment losses charged to the CI&ES	0	0	0	0	0	0	0	0
Revaluation losses charged to the CI&ES	9,824	(136,706)	0	0	0	(126,882)	126,882	0
Movements in fair value of Investment Properties	(5,630)	0	0	0	0	(5,630)	5,630	0
Capital grants and contributions credited to the CI&ES	38,278	0	0	0	(9,794)	28,484	(28,484)	0
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	11,797	11,797	(11,797)	0
Revenue expenditure funded from capital under statute	(19,688)	0	0	0	0	(19,688)	19,688	0
Costs of disposal funded from capital receipts	(187)	0	0	187	0	0	0	0
Net gain / (loss) on sale of non-current assets	(11,521)	1,059	0	(21,877)	0	(32,339)	32,339	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	1,225	19	0	0	0	1,244	(1,244)	0
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(99,860)	0	0	0	0	(99,860)	99,860	0
Amount by which Council Tax and non-domestic rates income adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation	1,124	0	0	0	0	1,124	(1,124)	0
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	(144)	0	0	0	0	(144)	144	0
Insertion of items not debited or credited to the CI&ES:								
Statutory provision for repayment of debt (MRP)	49,734	0	0	0	0	49,734	(49,734)	0
Voluntary provision for repayment of debt (VMRP)	0	27	0	0	0	27	(27)	0
Revenue Contribution to Major Repairs Reserve	0	0	0	0	0	0	0	0
Transfer of Capital Receipts (<£10k) to the General Fund and HRA	(103)	0	0	103	0	0	0	0
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(3,340)	0	0	3,340	0	0	0	0
Employer's contribution to pension scheme	42,621	0	0	0	0	42,621	(42,621)	0
Capital Financing:								
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	14,703	0	14,703	(14,703)	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	37,627	0	0	37,627	(37,627)	0
Total	(52,563)	(135,601)	12,547	(3,544)	2,003	(177,158)	177,158	0

2018/19 – Comparative Information

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Notes						34	35	
Reversal of items debited or credited to the CI&ES:								
Depreciation of Non-current assets	(50,682)	0	(23,310)	0	0	(73,992)	73,992	0
Impairment losses charged to the CI&ES	0	0	0	0	0	0	0	0
Revaluation losses charged to the CI&ES	(23,795)	48,716	0	0	0	24,921	(24,921)	0
Movements in fair value of Investment Properties	1,390	0	0	0	0	1,390	(1,390)	0
Capital grants and contributions credited to the CI&ES	67,962	0	0	0	(8,022)	59,940	(59,940)	0
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	9,737	9,737	(9,737)	0
Revenue expenditure funded from capital under statute	(18,838)	0	0	0	0	(18,838)	18,838	0
Costs of disposal funded from capital receipts	(282)	0	0	282	0	0	0	0
Net gain / (loss) on sale of non-current assets	(67,968)	3,010	0	(24,263)	0	(89,221)	89,221	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	(12,291)	987	0	0	0	(11,304)	11,304	0
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(109,354)	0	0	0	0	(109,354)	109,354	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	11,853	0	0	0	0	11,853	(11,853)	0
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	(524)	0	0	0	0	(524)	524	0
Insertion of items not debited or credited to the CI&ES:								
Statutory provision for repayment of debt (MRP)	41,907	0	0	0	0	41,907	(41,907)	0
Voluntary provision for repayment of debt (VMRP)	0	27	0	0	0	27	(27)	0
Revenue Contribution to Major Repairs Reserve	0	0	0	0	0	0	0	0
Transfer of Capital Receipts (<£10k) to the General Fund and HRA	(133)	0	0	133	0	0	0	0
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(3,340)	0	0	3,340	0	0	0	0
Employer's contribution to pension scheme	38,333	0	0	0	0	38,333	(38,333)	0
Capital Financing:								
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	15,619	0	15,619	(15,619)	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	46,765	0	0	46,765	(46,765)	0
Total	(125,762)	52,740	23,455	(4,889)	1,715	(52,741)	52,741	0

09. Other Operating Expenditure

The following table provides a breakdown of Other Operating Expenditure:

2018/19		2019/20
£000		£000
523	Precepts (paid to non-principal authorities)	535
3,340	Payments to the housing capital receipts pool	3,340
64,957	(Gain) / loss on the disposal of non-current assets	10,462
805	Pension Administration Expenses	1,077
69,625	Total	15,414

10. Financing and Investment Income and Expenditure

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

2018/19		2019/20
£000		£000
86,523	Interest payable and similar charges	74,967
19,664	Pensions interest cost and expected return on pensions assets	20,720
(1,081)	Interest receivable and similar income	(1,738)
25,320	(Surplus) / Deficit on Trading Undertakings	(5,560)
(2,321)	Income and Expenditure in relation to Investment Properties and changes to their fair value	4,621
128,105	Total	93,010

11. Taxation and Non Specific Grant Income

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

	2018/19			2019/20
£000	£000		Note	£000
	(212,046)	Council Tax Income		(214,038)
	(107,918)	NNDR Distribution		(111,680)
		<i>Non-ring fenced government grants:</i>	12	
(52,415)		- Revenue Support Grant (RSG)		(55,111)
(74,437)		- Private Finance Initiative Grant (PFI)		(74,437)
(5,722)		- New Homes Bonus		(5,961)
(2,185)		- Business Rates Levy Account Surplus		(486)
(7,523)		- Small Business Rates Relief		(10,634)
(2,293)		- Business Rates Multiplier Cap		(3,260)
(42,357)		- Business Rates Top-up Grant		(42,529)
(187)		- Other		(246)
	(187,119)			(192,664)
	(36)	Donated Assets		0
	(507,119)			(518,382)
	(55,854)	Capital Grants and Contributions	12	(26,383)
	(562,973)	Total		(544,765)

12. Grant Income

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

2018/19 £000		2019/20 £000
	Credited to Services:	
(26,086)	Clinical Commissioning Group	(25,004)
(2,331)	Department for Business, Energy and Industrial Strategy	0
(34,777)	Ministry of Housing, Communities & Local Government	(40,567)
(3,932)	Department for Digital, Culture, Media & Sport	(1,455)
(239,134)	Department for Education	(238,894)
(983)	Department for Environment, Food and Rural Affairs	(2,224)
(182,420)	Department for Work and Pensions	(156,938)
(36,891)	Department of Health & Social Care	(36,649)
(2,659)	English Local Government	(2,818)
(2,229)	Home Office	(2,698)
(942)	Ministry of Justice	(908)
(2,169)	Other	(3,560)
(534,553)	Total	(511,715)
	Credited to Taxation and Non Specific Grant Income:	
	<i>Non-ring fenced Government Grants:</i>	
(162,957)	Ministry of Housing, Communities & Local Government	(168,443)
(23,975)	Education Funding Agency	(23,975)
(187)	Other	(246)
(187,119)		(192,664)
(36)	Donated Assets	0
	<i>Capital Grants and Contributions:</i>	
(1,433)	Ministry of Housing, Communities & Local Government	(9,169)
(23)	Department for Digital, Culture, Media & Sport	0
(36,029)	Department for Education	2,705
(103)	Department for Environment, Food and Rural Affairs	(1,703)
(57)	Department for Transport	(525)
(6,178)	Sheffield City Region Combined Authority	(8,547)
(12,031)	Other	(9,144)
(55,854)		(26,383)
(243,009)	Total	(219,047)

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

31 March 19 £000		31 March 20 £000
	Revenue Grants Receipts in Advance:	
(1,231)	Department for Business, Energy and Industrial Strategy	(12)
(499)	Ministry of Housing, Communities & Local Government	(15,420)
(1,193)	Department for Education	(3,136)
(13)	Department for Environment, Food and Rural Affairs	(144)
(181)	Department for Work and Pensions	(181)
(277)	Home Office	(277)
(388)	Department for Transport	(247)
(108)	Other	(1,734)
(3,890)	Total	(21,151)

31 March 19 £000		31 March 20 £000
	Capital Grants Receipts in Advance:	
(681)	Department for Digital, Culture, Media & Sport	(177)
(4,596)	Ministry of Housing, Communities & Local Government	(4,020)
(2,511)	Department for Education	(4,786)
(6)	Department for Environment, Food, and Rural Affairs	(6)
(4,472)	Department for Transport	(6,365)
(1,706)	Department of Health & Social Care	(1,706)
(7,442)	English Local Government	(9,354)
(23,540)	Other	(24,949)
(44,954)	Total	(51,363)

13. 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 an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2019/20 are as follows:

2019/20	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2019/20 before Academy recoupment	57,637	374,969	432,606
Academy figure recouped for 2019/20	0	(227,925)	(227,925)
Total DSG after Academy recoupment for 2019/20	57,637	147,044	204,681
Brought forward from 2018/19	12,404	(118)	12,286
Carry forward to 2020/21 agreed in advance	0	0	0
Agreed initial budgeted DSG distribution in 2019/20	70,041	146,926	216,967
In year adjustments	(25,813)	24,237	(1,576)
Final budgeted distribution for 2019/20	44,228	171,162	215,391
Less Actual central expenditure	(32,698)	0	(32,698)
Less Actual ISB deployed to schools	0	(171,162)	(171,162)
Plus Local Authority contribution for 2019/20	0	0	0
Carry forward to 2020/21	11,530	0	11,530

2018/19 Comparative Information	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2018/19 before Academy recoupment	55,830	362,327	418,157
Academy figure recouped for 2018/19	0	(206,735)	(206,735)
Total DSG after Academy recoupment for 2018/19	55,830	155,592	211,422
Brought forward from 2017/18	9,218	0	9,218
Carry forward to 2019/20 agreed in advance	0	0	0
Agreed initial budgeted DSG distribution in 2018/19	65,048	155,592	220,640
In year adjustments	(21,197)	17,531	(3,666)
Final budgeted distribution for 2018/19	43,851	173,123	216,974
Less Actual central expenditure	(31,447)	0	(31,447)
Less Actual ISB deployed to schools	0	(173,241)	(173,241)
Plus Council contribution for 2018/19	0	0	0
Carry forward to 2019/20	12,404	(118)	12,286

14. Financial Instruments

Financial Instruments are recognised on the Balance Sheet as the Council becomes party to the contractual provisions of a financial instrument; they are initially measured at fair value and carried at their amortised cost.

Financial Liabilities

All of the Council's borrowing is presented in the Balance Sheet at amortised cost and represents the outstanding principal repayable plus accrued interest. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the Liability, multiplied by the Effective rate of interest.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial asset measured at

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through Other comprehensive income

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those assets whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Instrument Balances

31 March 2019			31 March 2020		
Current £000	Long Term £000		Current £000	Long Term £000	
Financial Assets					
500	0	- Investments	45,500	0	
0	0	- Accrued Interest	104	0	
500	0	Total investments (at amortised cost)	45,604	0	
113,494	0	- Short term deposits	122,623	0	
47	0	- Accrued Interest	30	0	
113,541	0	Total short term deposits & accrued interest (at amortised cost)	122,653	0	
30,496	2,755	- Debtors (at amortised cost)	90,557	5,198	
0	99,976	- Debtors (at FVPL)	0	100,592	
30,496	102,731	Total Debtors	90,557	105,790	
144,537	102,731	Total Financial Assets	258,815	105,790	
Financial liabilities (at amortised cost)					
(14,450)	(788,466)	- Borrowings	(10,723)	(857,743)	
(7,769)	0	- Accrued Interest	(7,845)	0	
0	(7,296)	- Accounting Adjustments	0	(7,225)	
(22,219)	(795,762)	Total borrowing	(18,568)	(864,968)	
(10,127)	(390,039)	PFI and finance lease liabilities	(14,535)	(358,132)	
(32,346)	(1,185,801)	Total other long term liabilities	(33,103)	(1,223,100)	
(95,492)	(68,843)	- Creditors	(100,880)	(53,097)	
(127,838)	(1,254,644)	Total Financial Liabilities	(133,983)	(1,276,197)	
0	132	Soft Loans Provided	0	114	

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

Note 1 – Carrying amounts of financial instruments in the balance sheet include principal borrowed / lent, adjustments for breakage costs and accrued interest. For clarity accrued interest is identified separately.

Note 2 - The value of debtors and creditors reported in the table opposite are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 26 and 27 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

Note 3 – Overall borrowing has increased as has the Capital Financing requirement. The Capital financing requirement is increasing due to major capital expenditure such as the Heart of the City II Project being financed by borrowing.

Soft Loans

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (CIES), which is 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 the third party, 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 CIES 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).

In 2018/19 the Council made a £141k cash flow loan to Manor & Castle Development Trust at 0% interest which was less than market rates of approximately 1.65%. The soft loan balance and movement in 2019/20 consists exclusively of this loan.

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

31 March 2019		31 March 2020
£000		£000
123	Opening Balance	132
141	New Loans	0
7	Increase /(Decrease) in the Discounted Amount	2
(9)	Fair Value Adjustment	0
(130)	Loan Repayment	(20)
132	Balance Carried Forward	114
141	Nominal Value Carried Forward	121

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Expected credit losses will be calculated on individual assets where reasonable to do so. Where the Authority cannot gather reasonable and supporting information without undue cost or effort to support expected credit losses on an individual basis, it will assess losses on a collective basis. The Adjustments made for Expected Credit losses are shown in the credit risk section below.

Capitalisation of Interest

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

In accordance with this policy, we have capitalised interest of £2.890m (£5.506m 2018/19) using a capitalisation rate of 3.83% (3.93% 2018/19) in relation to the on-going development of the Heart of the City II Project (formerly referred to as the Sheffield Retail Quarter).

Financial Instrument Gain / Losses

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

2018/19			2019/20		
Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
£000	£000	£000	£000	£000	£000
(33,792)	0	(33,792)	(33,772)	0	(33,772)
(39,023)	0	(39,023)	(41,658)	0	(41,658)
(12,340)	0	(12,340)	0	0	0
(1,368)	0	(1,368)	(82)	0	(82)
(86,523)	0	(86,523)	(75,512)	0	(75,512)
0	1,081	1,081	0	1,740	1,740
0	1,081	1,081	0	1,740	1,740
(86,523)	1,081	(85,442)	(75,512)	1,740	(73,772)

Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- The discount rate used was the market rates as at 31 March 2020 (using bid prices where applicable) for instruments with the same duration (i.e. equal to the outstanding period from valuation date to maturity), loan structure and terms as that of the comparable instrument.
- For loans from the Public Works Loan Board (PWLB) payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.
- As the purpose of the fair value disclosure is to provide a comparison with the carrying value in the Balance Sheet, accrued interest has been included in the fair valuation calculation as this is also reflected in the carrying amount. The accrued interest figure is calculated up to and including the valuation date.
- For loans receivable, the prevailing benchmark market rates have been used to provide the fair value.
- Interest is calculated using the most common market convention ACT/365.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the carrying amount.
- For fixed term deposits it is assumed that interest is received on maturity, or annually if duration is > 1 year.

The fair values calculated are:

31 March 2019			31 March 2020		
Carrying Amount £000	Fair Value £000	Fair Value of Liabilities	Carrying Amount £000	Fair Value £000	
(476,038)	(601,269)	PWLB debt	(550,668)	(643,149)	
(341,942)	(510,091)	Non-PWLB debt	(332,850)	(488,254)	
(400,166)	(400,166)	PFI / PPP Liabilities	(372,667)	(372,667)	
(164,335)	(164,335)	Creditors	(153,977)	(153,977)	
(1,382,481)	(1,675,861)	Total Financial Liabilities	(1,410,162)	(1,658,047)	

The table above reflected the aggregate position of Sheffield City Council's loan portfolio as at the Balance Sheet date. The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates applicable to similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from the commitment to pay interest to lenders above current market rates.

Because interest rates have fallen, and the rates payable on our PWLB borrowing are fixed at the time we take out the loan, the amount we would have to pay to redeem our debt is higher than its actual (carrying) value in our accounts. This redemption value (also known as the fair value of the debt) is £914.2m. However if we sought to pay off our fixed rate debt, and replace it with new debt at current interest rates, we would have to pay prohibitive redemption penalties.

31 March 2019			31 March 2020		
Carrying Amount £000	Fair Value £000	Fair Value of Assets	Carrying Amount £000	Fair Value £000	
113,588	113,588	Short term deposits & Accrued Interest (at amortised cost)	122,653	122,653	
500	500	Investments (at amortised cost)	45,604	45,604	
33,251	33,251	Debtors (at amortised cost)	95,755	95,755	
99,976	99,976	Debtors (at FVPL)	100,592	100,592	
247,315	247,315	Total Financial Assets	364,604	364,604	

The Council holds Investments of £25m in short term loans to Other Local Authorities and £20.5m across 2 different 95 day call accounts. As the assets mature within 1 year, the fair values of the assets are not materially different from the carrying amount.

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

15. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

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

- By formally adopting the requirements of the CIPFA Code of Practice on Treasury Management.
- By the adoption of a Treasury Policy Statement and treasury management clauses within the Council's Financial Regulations / Standing Orders / Constitution.
- By approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - The maximum and minimum exposure in regard to the maturity structure of debt;
 - Its management of interest rate exposure:
 - The maximum annual exposures to investments maturing beyond a year.
- By approving an Investment Strategy for the forthcoming year setting out the criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. 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 after each year, as is a mid-year update.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 06/03/2019 and is available on the Council website.

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies (covering areas such as Interest rate risk, credit risk and investment of surplus balances).

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which is available on the Council's website.

Credit Risk Management Practices

The authority's credit risk management practices are set out in the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

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

The credit criteria in respect of financial assets held by the Council are detailed below:

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

- credit watches and credit outlooks from credit rating agencies

- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2019/20 was approved by Full Council on 06/03/2019 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £30m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

The changes in loss allowance for investments at amortised cost during the year are as follows:

Asset Class – Investments at Amortised Costs	12 Month Expected Credit Losses	Lifetime Expected Credit Losses - Not Credit Impaired	Lifetime Expected Credit Losses - Credit Impaired	Lifetime Expected Credit Losses - Simplified Approach	Total
	£000	£000	£000	£000	£000
Opening balance as at 1 April 2019	0	0	0	1,369	1,369
Transfers:					
Individual financial assets transferred to 12 month ECL	0	0	0	0	0
Individual financial assets transferred to lifetime ECL	0	0	0	0	0
Individual financial assets transferred to lifetime ECL impaired	0	0	0	0	0
New financial assets originated or purchased	0	0	0	0	0
Amounts written off	0	0	0	0	0
Financial assets that have been de-recognised	0	0	0	0	0
Changes due to modifications that did not result in de-recognition	0	0	0	0	0
Changes in models/risk parameters	0	0	0	82	82
Other changes	0	0	0		
As at 31 March 2020	0	0	0	1,451	1,451

The table below shows that the Council's outstanding investment balance as at 31 March 2020 was £45.5m, (£0.50m at 31 March 2019):

12-month expected credit losses	31 March 2019 – Comparative Information				31 March 2020			
	Financial Institution	Rating of Counterparty	Country	Gross Carrying Amount £000	Financial Institution	Rating of Counterparty	Country	Gross Carrying Amount £000
	Barclays Bank	A	UK	500	Barclays Bank	A	UK	500
					Bank of Scotland	A	UK	20,000
					Local Authorities	AA	UK	25,000

As at 31 March 2020 the Council held £0.5m in a 95 day call account with Barclays Bank (default risk 0.013%), £20m in a 95 day call account with Bank of Scotland (default risk 0.013%), and £25m with Local Authorities (default risk 0.012%).

Other funds held at the year-end (£122.6m) 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.

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

The Council does not allow credit for customers therefore the value of £26.8m for 2019/20 (£24.0m for 2018/19) shown in the following table are all sundry debtors which are past their due date for payment. The past due amounts can be analysed by age as follows:

31 March 2019		31 March 2020	
£000		£000	
10,130	Less than three months	12,769	
2,642	Three to six months	1,615	
2,711	Six months to one year	3,723	
8,554	More than one year	8,694	
24,037	Total	26,801	

The Council's bad debt impairment at 31 March 2020 is £80.6m (£70m for 2018/19). Of this, £4.2m (£3.5m for 2018/19) relates to the above outstanding debt (please refer to note 17 for further details).

Liquidity Risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow needs and whilst the PWLB provides access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

All sums owing to the Council from funds deposited in MMFs and instant access account is £122.6m as at 31 March 2020 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 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	2018/19		Principal plus Interest		2019/20		Principal plus Interest
	Principal	Accrued Interest			Principal	Accrued Interest	
£000	£000	£000	£000		£000	£000	£000
14,450	15,064	29,514	Less than 1 year		10,723	15,069	25,792
10,723	0	10,723	Between 1 & 2 years		9,326	0	9,326
27,326	0	27,326	Between 2 & 5 years		30,000	0	30,000
74,313	0	74,313	Between 5 & 10 years		80,187	0	80,187
676,104	0	676,104	More than 10 years		738,231	0	738,231
802,916	15,064	817,980	Total		868,467	15,069	883,536

The maturity analysis of financial assets is:

Principal	2018/19		Principal plus Interest		2019/20		Principal plus Interest
	Principal	Accrued Interest			Principal	Accrued Interest	
£000	£000	£000	£000		£000	£000	£000
500	0	500	Less than 1 year		45,500	104	45,604
500	0	500	Total		45,500	104	45,604

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. For instance, 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).

Page 228 Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund. Movements in the fair value of fixed rate instruments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

In order to minimise the Council's exposure to loan interest functions the Council's Treasury Management Strategy has set a limit of £110m worth of variable rate debt. At the 31 March 2020, the amount of variable rate debt was £110m.

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 *	1,100
Increase in interest receivable on variable rate investments **	(1,452)
Increase in government grant receivable for financing costs*	0
Impact on Surplus or Deficit on the Provision of Services	(352)
Share of overall impact debited to the HRA***	(136)
Decrease in fair value of fixed rate investment assets****	0
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)	152,295

Notes:

* Note : All of the borrowing raised from the PWLB and £212m of Market loans were at fixed rates in 2019/20 and as a result a change in interest rate on these loans would have no actual effect on the interest actually payable, the amount of government grant received and on the Comprehensive I&E Statement or HRA. There are a number of LOBO loans (£110M) which are 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 is "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 2019/20). For the purposes of this note the average rate of these loans (4.79%) 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 2019/20.

*** HRA share is 38.56% 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 four fixed term investments held at the year end which were classified as fixed. One for £5m with Darlington Borough Council, one for £5m with Thurrock Borough Council and £15m with Lancashire County Council Barclays bank There were a further two call account deposits, one with Bank of Scotland for £20m and one with Barclays for £5m. Other investments held by the Council at the year end were in Money Market Funds (MMFs) or bank accounts which offer instant access to funds and therefore classified as Cash or Cash Equivalents on the Balance Sheet.

***** The 1% increase in the market rates, as provided in the Link Asset Services Fair Value sensitivity analysis, reduces the net market value of the deposits

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 material financial assets or liabilities denominated in foreign currencies and therefore no exposure to loss arising from movements in exchange rates. As at 31 March 2020, the Council has a Euro denominated account holding the equivalent of £14,873 (£52,000 as at 31 March 2019). However, this is grant funding primarily for other partners in the grant arrangement and the disbursement of monies will be in euros – eliminating any exchange rate exposures.

16. Long Term Debtors

The following is an analysis of Long Term Debtors:

31 March 2019 £000		31 March 2020 £000
4,868	Up Front Contributions for Private Finance Initiative (PFI) Schemes	4,429
43	Housing Advances	33
648	Charges Over Assets	648
0	Pension Prepayment (Note 45)	58,113
36,681	Sheffield City Trust Major Sporting Facilities Prepayment	27,510
99,976	Sheffield City Trust	100,592
834	Grosvenor - lease rental	0
	<i>Loans to Third Parties:</i>	
190	- Sheffield City Region Local Enterprise Partnership	190
86	- Manor and Castle Development Trust	3,366
954	- Sheffield Housing Company	960
	<i>LEP Growing Places Fund:</i>	
1,010	- Doncaster Council	1,010
1,178	- Gallium Finance	1,178
(2,188)	- Loan Provision for LEP Growing Places Fund	(2,188)
144,280	Total	195,841

Sheffield City Trust

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

In 2013 the Council advanced Sheffield City Trust £101m to part fund the repayment of bank debt. Repaying the bank debt freed the Trust from the expensive leases that would have otherwise run to 2024, and which were funded by the Council via annual grant. This prepayment is being amortised over eleven years in line with the original lease arrangements. The total current value of the prepayment as at 31 March 2020 is £36.7m (£45.9m in 2018/19), £27.5m (£36.7m in 2018/19) is included above as a long term debtor and £9.1m (£9.1m in 2018/19) is shown as a short term debtor.

The debtor of £100.6m as at 31 March 2020 (£100m in 2018/19) represents the value of the Major Sporting Facilities property assets, which were revalued in 2016/17 and which are currently held by Sheffield City Trust. The Major Sporting Facilities property assets are due to return to the Council in 2024 at which point they will be accounted for as Property, Plant and Equipment.

17. Short Term Debtors

Total Debtors Gross £000	31 March 2019		Net of Impairments £000		31 March 2020		Net of Impairments £000
	Less Impairments for Bad Debts £000				Total Debtors Gross £000	Less Impairments for Bad Debts £000	
22,306	0		22,306	Central Government Bodies	15,874	0	15,874
3,445	0		3,445	Other Local Authorities	1,619	0	1,619
3,054	0		3,054	NHS Bodies	3,433	0	3,433
10,206	(7,927)		2,279	Housing Tenants	12,679	(9,222)	3,457
57,980	(43,220)		14,760	Local Taxpayers and NNDR	62,620	(50,922)	11,698
11,013	0		11,013	Capital Projects	99	0	99
9,170	0		9,170	Sheffield City Trust Prepayment	9,170	0	9,170
55,625	(18,883)		36,742	Other Entities and Individuals	93,738	(21,007)	72,731
172,799	(70,030)		102,769	Total Debtors	199,232	(81,151)	118,081

Page 232

18. Cash and Cash Equivalents

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

31 March 2019			31 March 2020	
	£000			£000
12,603	Cash at Bank		11,476	
39	Petty Cash Floats		55	
113,494	Short Term Deposits		122,623	
(8)	Other		(9)	
126,128	Total		134,145	

19. Short Term Creditors

31 March 2019 £000		31 March 2020 £000
(12,384)	Central Government Bodies	(30,557)
(5,655)	Other Local Authorities	(6,993)
(77)	NHS Bodies	(920)
0	Public Corporations and Trading Funds	0
(3,338)	Housing Tenants	(3,893)
(31,441)	Local Taxpayers and NNDR	(36,189)
(10,720)	Capital Projects	(12,862)
(9,158)	Accumulated Absences	(9,302)
(82,542)	Other Entities and Individuals	(80,520)
(155,315)	Total	(181,236)

20. Provisions and Deferred Credits

The Council maintains the following provisions:

	Insurance	Business Rates Appeals	Termination Benefits	HRA - Week 53 Rent Deferred Credit	Other	Total
	£000	£000	£000	£000	£000	£000
Balance						
At 1 April 2019	(6,184)	(16,758)	(411)	(484)	(6,579)	(30,416)
Additional Provisions	0	0	(433)	(2,822)	(1,967)	(5,222)
Amounts Used	758	439	349	484	477	2,507
Unused Amounts Reversed	0	3,799	64	0	1,684	5,547
At 31 March 2020	(5,426)	(12,520)	(431)	(2,822)	(6,385)	(27,584)
Comprising of:						
Short Term	(4,087)	(4,173)	(431)	(403)	(3,664)	(12,758)
Long Term	(1,339)	(8,347)	0	(2,419)	(2,721)	(14,826)
	(5,426)	(12,520)	(431)	(2,822)	(6,385)	(27,584)

Insurance

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

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

Business Rates Appeals

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

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 2020 they have not yet left the Council.

HRA - Week 53 Rent Deferred Credit

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

Other

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

21. Other Long Term Liabilities

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

31 March 2019 £000		31 March 2020 £000
(4,465)	Deferred Liabilities – South Yorkshire Council Debt	0
0	Deferred liabilities – PFI deferred revenue	(9,963)
(64,378)	Deferred Liabilities – Sheffield City Trust	(49,737)
(68,843)	Total	(59,700)

Deferred Liabilities

As at 31 March 2020 the Council has recognised deferred revenue of £10m that relates to the Council's Waste PFI scheme.

The Council also has a Long Term Creditor for Sheffield City Trust, reflecting the obligation to provide £140.4m of funding between 2014 and 2024 for the repayments of the bond financing of the Major Sporting Facilities. The outstanding liability as at 31 March 2020 is £64.4m (£78.1m as at 31 March 2019) of which £49.7m (£64.4m in 2018/19) is shown in this note, and £14.7m (£13.7m in 2018/19) in Short Term Creditors Note as due within 12 months.

22. 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 body:

Exposure 2018/19 £000		Exposure 2019/20 £000
127	Sheffield City Trust City Hall	54
127		54

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

Museums Sheffield

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

Academies

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

Pensions

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

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

Tax - Building Schools for the Future

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

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

The contingent risk for the Council lies in the school's continued commitment to only use the newly constructed buildings for charitable or educational purposes over the next ten years. Should the school not fulfil these commitments HMRC would seek to recover some of these VAT costs from the school. The indemnity passes this risk onto the Council. The Council's contingent liability will decrease by 10% for every year the conditions of the certificate are complied with. At 31 March 2020 this risk could be valued at £478k.

Termination Benefits

A provision has been recognised in the 2019/20 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 2020 have not yet left the Council (see Note 44). There will be further redundancies during 2020/21 which have not yet been confirmed. The Council holds a budget of £5.5m to cover such costs.

Business Rates Appeals

The Council is required to provide an estimate of how much business rates income it will collect and therefore how much it will rely upon in setting the budget every year. This involves the Council's own assumptions about the levels of refunds that may be given and the levels of outstanding appeals. Both of these carry significant risk and will involve assumptions about performance in 2019/20 that will be based on experience of recent years and the use of the most up to date information available.

The total Collection Fund provision for losses due to appeals amounted to £34.2m in 2018/19 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 2019/20 the total Collection Fund provision was adjusted to take account of known appeals according to the latest information available from the Valuation Office Agency (VOA) at the end of March. The total Collection Fund provision has been reduced to £25.62m based on the current expected level of appeals and specific threats such as the ATM appeals.

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

23. Property, Plant and Equipment (PPE)

Movements in 2019/20	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 2019	1,325,606	540,172	94,683	1,078,914	3,876	197,218	86,170	3,326,639	373,625
Opening balance adjustment	0	3,904	0	0	0	0	0	3,904	0
Additions - programmed investment	36,221	973	2,759	34,427	258	12,506	20,522	107,666	12,898
Revaluation increases / (decreases) recognised in the Revaluation Reserve	150,634	23,094	(3,800)	0	(65)	6,716	0	176,579	(3,946)
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	(162,241)	(1,448)	0	0	(321)	6,915	0	(157,095)	(268)
De-recognition – disposals	(14,248)	(11,252)	(547)	0	(7)	(331)	0	(26,385)	6,359
De-recognition – other	0	0	0	0	0	0	0	0	0
Reclassification and transfers	3,230	(4,071)	0	5,939	75	(205)	(1,456)	3,512	38
At 31 March 2020	1,339,202	551,372	93,095	1,119,280	3,816	222,819	105,236	3,434,820	388,706
Accumulated Depreciation and Impairment:									
At 1 April 2019	0	1,355	(28,300)	(286,722)	0	(602)	(46)	(314,315)	(25,129)
Opening balance adjustment	0	(3,904)	0	0	0	0	0	(3,904)	0
Depreciation charge	(24,377)	(12,969)	(5,771)	(32,784)	0	(3,461)	0	(79,362)	(10,785)
Depreciation written out to the Revaluation Reserve	1,732	9,967	2,852	0	0	2,324	0	16,875	2,962
Depreciation written out to the Surplus / Deficit on the Provision of Services	22,645	3,230	0	0	0	1,071	0	26,946	382
Impairment (losses) / reversals recognised in the Revaluation Reserve	(3,054)	(19)	0	0	0	0	0	(3,073)	0
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	3,054	19	0	0	0	0	0	3,073	0
De-recognition - disposals	0	70	547	0	0	19	0	636	0
De-recognition - other	0	0	0	0	0	0	0	0	0
Reclassification and Transfers	0	103	0	0	0	(149)	46	0	0
At 31 March 2020	0	(2,148)	(30,672)	(319,506)	0	(798)	0	(353,124)	(32,570)
Net book value:									
At 31 March 2020	1,339,202	549,224	62,423	799,774	3,816	222,021	105,236	3,081,696	356,136
At 31 March 2019	1,325,606	541,527	66,383	792,192	3,876	196,616	86,124	3,012,324	348,496

Movements in 2018/19 – Comparative Information									
	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment (VPFE) £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	Total PFI Assets included in PPE £000
Cost or Valuation:									
At 1 April 2018	1,307,442	552,234	88,290	1,051,846	7,663	113,392	133,581	3,254,448	368,022
Additions – recognition	0	0	0	0	0	0	0	0	0
Additions - programmed investment	46,796	39,782	4,374	27,068	924	42,171	13,592	174,707	15,749
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(38,062)	(2,375)	3,403	0	121	37,697	0	784	4,196
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	23,329	(629)	0	0	(994)	(21,262)	0	444	862
De-recognition – disposals	(12,889)	(67,960)	(1,384)	0	0	(2,527)	(594)	(85,354)	(15,204)
De-recognition – other	0	0	0	0	0	0	0	0	0
Reclassification and transfers	(1,010)	19,120	0	0	(3,838)	27,747	(60,409)	(18,390)	0
At 31 March 2019	1,325,606	540,172	94,683	1,078,914	3,876	197,218	86,170	3,326,639	373,625
Accumulated Depreciation and Impairment:									
At 1 April 2018	0	(6,211)	(28,373)	(254,881)	0	(621)	(3)	(290,089)	(21,301)
Depreciation charge	(23,228)	(13,115)	(5,143)	(31,841)	(80)	(404)	0	(73,811)	(10,196)
Depreciation written out to the Revaluation Reserve	1,172	17,487	3,832	0	25	612	0	23,128	5,785
Depreciation written out to the Surplus / Deficit on the Provision of Services	22,056	1,886	0	0	7	91	0	24,040	272
Impairment (losses) / reversals recognised in the Revaluation Reserve	(506)	0	0	0	0	0	0	(506)	0
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	506	0	0	0	0	0	0	506	0
De-recognition - disposals	0	1,022	1,384	0	0	10	0	2,416	311
De-recognition - other	0	0	0	0	0	0	0	0	0
Reclassification and Transfers	0	286	0	0	48	(290)	(43)	1	0
At 31 March 2019	0	1,355	(28,300)	(286,722)	0	(602)	(46)	(314,315)	(25,129)
Net book value:									
At 31 March 2019	1,325,606	541,527	66,383	792,192	3,876	196,616	86,124	3,012,324	348,496
At 31 March 2018	1,307,442	546,023	59,917	796,965	7,663	112,771	133,578	2,964,359	346,721

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 2020 the Council has entered into a number of construction contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 onwards. Future years committed costs are £131.1m. The major commitments are:

31 March 2019		Notes	31 March 2020
£000			£000
4,770	Schools Refurbishment/Education Provision	1	0
34,949	Decent Homes / Council Housing	2	25,418
79,054	Leisure <i>(includes MSF payments)</i>	3	64,388
2,369	Regeneration	4	26,866
10,057	Highways Infrastructure	5	4,168
4,046	Other Infrastructure	6	10,300
135,245	Total		131,140

The main changes since 2018/19 are:

1. All major schemes either complete or not yet in contract
2. Major reduction due to large contracts coming to completion on electrical upgrade scheme
3. Reduction relates to payment of 1 further year of MSF bond (£13.7m)
4. Major Increase due to award of contract for development of Blocks B & C of Heart of The City Scheme
5. Reduction due to practical completion of 2 major schemes – Grey To Green 2 and IRR Junctions
6. Major increase due to new commitment to Upper Don Valley Flood Defence Scheme (£7.5m)

Revaluations

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

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

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

Since 2005 there has been a programme of modernisation and improvement work to bring the properties up to the Government's Decent Homes Standards. Sheffield City Council Property Services has valued all properties on the assumption that they have met Decent Homes Standards. As part of the 5 year rolling programme, 20% of the beacons have been revalued this year. A general market adjustment of 2.480% has then been applied to all Council dwellings to give a value as at 31 March 2020.

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	0	3,427	10,533	778	14,738
Valued at Fair Value as at:					
31 March 2020	1,339,202	207,822	51,890	122,058	1,720,972
31 March 2019	0	111,483	0	43,934	155,417
31 March 2018	0	112,416	0	21,539	133,955
31 March 2017	0	92,370	0	1,051	93,421
31 March 2016	0	21,706	0	32,661	54,367
Total Cost or Valuation	1,339,202	549,224	62,423	222,021	2,172,870

Fair Value Hierarchy – Surplus Assets

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

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

2019/20				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2020 £000
Assets valued using Market Approach	0	49,664	79,028	128,691
Assets valued by Income Approach	0	90,729	0	90,729
De minimis Assets	0	2,100	499	2,599
Total	0	142,493	79,527	222,020

2018/19 – Comparative Information				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2019 £000
Assets valued using Market Approach or Income Approach	0	193,762	424	194,186
De minimis Assets	0	1,664	766	2,430
Total	0	195,426	1,190	196,616

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year. The transfers between levels 2 and 3 are reconciled below and the majority of the transferred value relates to Grosvenor House, which was identified as having been incorrectly classified as Level 2 in 2018/19 and was therefore transferred to Level 3 in 2019/20. Grosvenor House is valued using an income approach, which relies on the Council's own data regarding annual rental figures, taking into account all information about market participant assumptions that is reasonably available, as opposed to direct market evidence which would be required to be classified as Level 2.

Reconciliation of movements between Levels 2 and 3:

	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000
At 1 April 2019	195,426	1,190	196,616
Transfers between levels	(65,236)	65,236	0
Additions	5,877	6,630	12,507
Revaluation increases / (decreases)	7,614	9,411	17,026
De-recognition (disposals)	(289)	(24)	(312)
Transfers (to) / from other PPE categories	(358)	4	(354)
Depreciation charge	(542)	(2,920)	(3,461)
At 31 March 2020	142,493	79,527	222,020

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

Significant Observable Inputs – Level 2

The fair values for the surplus assets valued at £25k or higher are based on market approach or income approach, using current market evidence including recent sale prices / rentals achieved and other relevant information for similar assets within the local authority area. Market conditions are such that similar properties have actively sold or let and the level of observable inputs are significant leading to properties being categorized at Level 2 in the fair value hierarchy.

De minimis (Assets valued under £25k)

Of the surplus assets that are considered de minimis, 360 are categorised at Level 2 in the fair value hierarchy as they have been valued as part of the rolling programme on the same basis as other surplus assets above.

A further 374 de minimis assets are categorised at Level 3 in the fair value hierarchy. Some of these valuations are historical and / or based on unobservable inputs and these assets have been identified as requiring review as part of a wider improvement project for the asset register.

24. Service Concessions

PFI and Similar Contracts

At 31 March 2020 the Council had seven long term contracts under Private Finance Initiative (PFI) arrangements. No new contracts were entered into in 2019/20. The financing models have the same methodology as set up in 2012/13.

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

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

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

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

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

Payments made during the Year

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

2018/19	2019/20					
Total	Repayment of Current Liability	Interest Charge	Service Charge	Contingent Rents	Lifecycle Costs	Total
£000	£000	£000	£000	£000	£000	£000
122,674	9,750	40,511	63,917	(6,110)	19,078	127,146
Note: Actual invoice payments totalled £127,670k. The difference of £524k reflects the deferred element during the year.						

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 23.

PFI Finance Lease Liability

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

2018/19		2019/20
£000		£000
(409,639)	Value of the liability as at 1 April	(400,166)
0	Opening balance adjustment	3,065
8,756	Finance lease rental	9,750
717	Re-profiling	14,684
(400,166)	Value of liability as at 31 March	(372,667)
	Comprising of:	
(10,127)	Short Term	(14,535)
(390,039)	Long Term	(358,132)
(400,166)		(372,667)

PFI Payments Due to be Made

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

2018/19		2019/20					
Total		Repayment of Current Liability	Interest Charge	Service Charge	Contingent Rents	Lifecycle Costs	Total
£000		£000	£000	£000	£000	£000	£000
124,864	Within one year	14,535	39,588	67,835	9,818	12,886	144,662
522,516	Between two and five years	77,509	142,246	287,713	47,243	53,017	607,728
677,323	Between six and ten years	101,029	138,132	380,468	62,402	103,783	785,814
641,437	Between eleven and fifteen years	112,072	89,600	371,216	68,063	111,569	752,520
400,328	Between sixteen and twenty years	67,522	22,865	153,489	50,156	50,499	344,531
2,366,468	Total	372,667	432,431	1,260,721	237,682	331,754	2,635,255
Note: Actual payments due total £2,645,218k. The difference of £9,963k reflects the deferred element over the life of the contracts.							

The details of the payments due under PFI contracts above are shown based on an estimate of the cash amounts that will actually be paid. Figures for 2019/20 show the estimated payments due calculated by the models in 2019/20 for 2020/21 onwards to the end of the contract's life.

25. Heritage Assets

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

2019/20	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 2019	22	48	0	20	50,000	1,000	3,376	60	54,526
Additions	0	0	0	5	0	0	0	0	5
Donated Assets	0	0	0		0	0	0	0	0
Revaluation increases / (decreases) in the Revaluation Reserve	0	0	0		0	0	135	0	135
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provisions of Service	0	0	0	(5)	0	0	0	0	(5)
Transfers out	0	0	0	(20)	0	0	0	0	(20)
At 31 March 2020	22	48	0	0	50,000	1,000	3,511	60	54,641
Depreciation and Impairment:									
At 1 April 2019	(5)	0	0	0	0	0	0	0	(5)
Depreciation	0	0	0	0	0	0	0	0	0
At 31 March 2020	(5)	0	0	0	0	0	0	0	(5)
Net Book Value:									
At 31 March 2020	17	48	0	0	50,000	1,000	3,511	60	54,636
At 31 March 2019	17	48	0	20	50,000	1,000	3,376	60	54,521

2018/19 - Comparative Information									
	Reported at Cost				Reported at Valuation				Total Assets £000
	Museums and Galleries	Civic Collections	Archives and Libraries	Public Realm	Museums and Galleries	Civic Collections	Archives and Libraries	Public Realm	
	£000	£000	£000	£000	£000	£000	£000	£000	
Cost or Valuation:									
At 1 April 2018	22	48	0	20	55,945	1,000	3,278	60	60,373
Additions	18	0	0	86	0	0	0	0	104
Donated Assets	0	0	0	0	36	0	0	0	36
Revaluation increases / (decreases) in the Revaluation Reserve	0	0	0	0	(5,981)	0	98	0	(5,883)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provisions of Service Transfers in	(18)	0	0	(86)	0	0	0	0	(104)
At 31 March 2019	22	48	0	20	50,000	1,000	3,376	60	54,526
Depreciation and Impairment:									
At 1 April 2018	(5)	0	0	0	0	0	0	0	(5)
Depreciation	0	0	0	0	0	0	0	0	0
At 31 March 2019	(5)	0	0	0	0	0	0	0	(5)
Net Book Value:									
At 31 March 2019	17	48	0	20	50,000	1,000	3,376	60	54,521
At 31 March 2018	17	48	0	20	55,945	1,000	3,278	60	60,368

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 750,000 objects are stored at a purpose-built facility and displayed across four sites, including Bishop's House. 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 3,000 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-Johnson, Hew Locke, Sutapa Biswas and Czech artist Katerina Seda.
- **Social History Collection** – has strong family and community connections with the people of Sheffield and comprises around 25,000 objects including ephemera, personalia, costume, domestic items, furniture, and approximately 1,500 watercolours, drawings, prints and oil paintings documenting the changing city.
- **Coins, Medals and Token Collection** – number around 8,000 items and owe their origin to the Sheffield Literary and Philosophical Society. It dates from Roman and Greek pieces to 20th century coins from all over the world.
- **Arms and Armour Collection** – consists of Japanese and Indo-Iranian swords, shields and helmets alongside 200 European military, practical and sporting guns from the late 1600s onwards.
- **Archaeology Collection** – is of regional and national importance and comprises material dating from pre-history to the 20th century and includes the Anglo Saxon Benty Grange Helmet.
- **Natural Sciences Collection** – is of major regional significance and comprises: Botany, Entomology, Geology, Osteology, Zoology and extensive data relating to collectors, field recording and meteorology comprising over 60,000 biological and geological records.
- **World Cultures Collection** – was acquired by nineteenth century Sheffield travellers and contains 2,000 items from across the globe.

Sheffield Industrial Museums Trust

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

Kelham Island Museum

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

- **Heavy Industries Collections** – cover the Iron and Steel Industry, the Armaments Industry, the Transport Collection, Scientific and Technological Research, Extraction and Refractory Industries and engineering. The museum holds a comprehensive collection of about 6,000 items which relate to the general production of steel and other metals and the manufacture of metal, particularly steel, products.
- **Light Trades Industries Collections** – are represented by items relating to cutlery manufacture, hollowware and tool making industries.
- **General Trades Collection** – covers a range of non-metal working industries, such as brewing, retail and food production. The collection numbering about 550 items represents Sheffield's other manufacturing industries, including, button making, bookbinding and printing, snuff making, watch and clock making, shoemaking and needle and pin manufacture.
- **Library, Archive and Ephemera Collections** – include the historic documents and plans, the historic photographs, paintings and films, published books and journals and the personal and ephemera of local peoples and companies.

Abbeydale Industrial Hamlet

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

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

Shepherd Wheel

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

Bishop's House

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

Civic Collections

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

Archives and Libraries

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

Public Realm

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

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

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

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

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

26. Investment Properties

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

2018/19 £000		2019/20 £000
(931)	Rental income from investment property	(1,009)
(931)	Net (gain)/loss	(1,009)

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

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

2018/19 £000	Cost or Valuation	2019/20 £000
26,800	Balance at 1 April	28,190
1,390	Revaluations	(5,630)
28,190	Balance at 31 March	22,560

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

Fair Value Hierarchy

To conform to the requirements of IFRS 13 Fair Value Measurement, details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2020 are as follows:

2019/20				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2020 £000
Advertising Hoardings	0	22,560	0	22,560
Total	0	22,560	0	22,560

2018/19 – Comparative Information				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2019 £000
Advertising Hoardings	0	28,190	0	28,190
Total	0	28,190	0	28,190

Page 254

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year.

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

Significant Observable Inputs – Level 2

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

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

Valuation Process for Investment Properties

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

27. Intangible Assets

The Council began to implement a new social care case management system from 2017/18. This has been accounted for as an intangible asset.

The intangible asset is amortised on a straight line basis over its useful life, as determined by the term of the software licence. Amortisation was not charged in the year of acquisition. The movement on intangible asset balances during the year is as follows:

2018/19 £000		2019/20 £000
	Net Carrying Amount:	
905	At 1 April	2,452
1,728	Additions	231
(181)	Amortisation charge	(613)
2,452	At 31 March	2,070

28. Assets Held for Sale

2018/19 Current £000		2019/20 Current £000
21,247	Balance at 1 April	33,352
	Assets revalued	1,301
24,513	Assets newly classified as Held for Sale from Property, Plant and Equipment	3,929
(6,124)	Assets declassified as held for sale	(7,421)
(6,284)	Assets sold	(6,589)
33,352	Balance at 31 March	24,572

29. 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.

2018/19		2019/20
£000		£000
	Capital Investment	
174,707	Property, Plant and Equipment*	107,666
1,728	Intangible Assets*	231
104	Heritage Assets*	5
12,946	Sheffield City Trust	13,767
18,838	Revenue Expenditure Funded from Capital Under Statute	19,688
208,323		141,357
	Sources of Finance	
69,678	Government Grants and Other Contributions	40,280
15,604	PFI Lease Liability	12,872
46,765	Major Repairs Reserve	37,627
15,619	Capital Receipts Reserve	14,703
60,658	Borrowing	35,875
208,323		141,357
	Capital Financing Requirement	
1,502,701	Opening Balance	1,537,028
60,658	Borrowing in Year	35,875
(41,934)	Statutory / Voluntary provision for repayment of debt (MRP / VMRP)	(49,761)
15,604	PFI Liabilities recognised in year	12,872
(1)	Other Adjustments	0
1,537,028	Closing Balance	1,536,014

* These figures match to the additions lines in Notes 23, 27 and 25 detailing movements on the non-current assets balances.

30. Leases and Lease Type Arrangements

Council as Lessee

Finance Leases

The Council has not classified any leases as Finance Leases excluding the PFI leases which are covered in note 24.

Operating Leases

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

2018/19 £000		2019/20 £000
637	Not later than one year	802
1,314	Later than one year and not later than five years	1,313
3,472	Later than five years	1,192
5,423	Total	3,307

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:

2018/19 £000		2019/20 £000
2,232	Not later than one year	5,706
15,721	Later than one year and not later than five years	19,426
42,824	Later than five years	55,512
60,777	Total	80,644

The above mainly consists of a large number of small value long term leases, principally for the lease of land and also Grosvenor House, the Heart of the City II property, offering mixed use multi-storey office, leisure and retail development.

31. Long Term Contracts

In addition to the PFI and similar contracts disclosed in Note 24, the Council has a number of other Long Term Contracts in place.

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

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

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

On 12 November 2014 Cabinet approved a report which recommended extending the current contract with Capita for a further six years, with break points every two years, for the continued provision of ICT, HR and Payroll, Financial Business Transactions and Revenues and Benefits processing. The report also recommended the transfer to the Council of the customer facing elements of Revenues and Benefits (this took place in January 2016), and the establishment of a Capita team to work alongside the Council on selected areas of Business Change and Transformation activity. The report

set out a minimum level of savings associated with the contract extension that will help to contribute to the Council's overall budget target from 2015/16 onwards. The Contract was subsequently restated from January 2015 with the new pricing structure commencing January 2016.

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

As of 5 January 2020 the Business Services Contract has been insourced back to the Council from Capita Business Services.

Payments to Capita Business Services Limited under the contract in 2019/20 totalled £16m (£24.7m in 2018/19).

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. In addition the revised arrangements comprise an annual payment of £18.4m from the Council to SCT, which will continue until 2023/24. Payments to SCT in year are detailed in Note 41, Related Party Transactions.

32. Impairment Losses

There were no impairment charges in 2019/20. However, there are reversals of previous impairments of £66m (£76.3m in 2018/19) representing an improvement to a previous impairment on Council Dwellings.

33. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

	Note	1 April 2018 £000	Transfer Out 2018/19 £000	Transfer In 2018/19 £000	31 March 2019 £000	Transfer Out 2019/20 £000	Transfer In 2019/20 £000	31 March 2020 £000
Earmarked General Fund Reserves:								
Schools Reserves	34	(17,477)	0	(6,687)	(24,164)	0	(2,140)	(26,304)
Revenue Grants and Contributions	34	(1,714)	0	(803)	(2,517)	0	(71)	(2,588)
<i>Other Earmarked Revenue Reserves:</i>								
- Insurance Fund	34	(11,212)	1,038	0	(10,174)	0	(178)	(10,352)
- New Homes Bonus (NHB)		(6,749)	0	(5,000)	(11,749)	0	(5,347)	(17,096)
- Major Sporting Facilities		(29,869)	5,710	0	(24,159)	0	(4,473)	(28,632)
- Invest to Save		(2,892)	0	(2,462)	(5,354)	0	(1,692)	(7,046)
- PFI Future Expenditure		(12,636)	0	(29,043)	(41,679)	5,239	0	(36,440)
- Public Health		(1,423)	271	0	(1,152)	932	0	(220)
- Service Area Reserves		(10,799)	0	(3,330)	(14,129)	0	(1,894)	(16,023)
- Children's and Adult Social Care		(15,998)	0	(2,866)	(18,864)	15,410	0	(3,454)
- Business Rates Appeals		(19,105)	0	(471)	(19,576)	16	0	(19,560)
- COVID-19 Grants		0	0	0	0	0	(17,418)	(17,418)
- Business Rates Relief		0	0	0	0	0	0	0
- Other Reserves		(50,214)	0	(3,077)	(53,291)	0	(20,181)	(73,472)
Total		(180,088)	7,019	(53,739)	(226,808)	21,597	(53,394)	(258,605)

34. Usable Reserves

The following table summarises the Usable Reserves balances:

31 March 2019 £000		31 March 2020 £000
	Capital Reserves:	
(63,133)	Capital Receipts Reserve	(66,677)
(70,690)	Major Repairs Reserve	(76,851)
(28,432)	Capital Grants Unapplied Reserve	(26,429)
(162,255)		(169,957)
	Revenue Reserves:	
(8,126)	General Fund	(13,151)
	Earmarked General Fund Reserves:	
(24,164)	Schools Reserves	(26,304)
(2,517)	Revenue Grants and Contributions	(2,588)
(200,127)	Other Earmarked Revenue Reserves	(229,713)
(8,327)	Housing Revenue Account Balance	(7,651)
(3,822)	Earmarked Housing Revenue Account Reserve	(3,478)
(247,083)		(282,885)
(409,338)	Total	(452,842)

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 33.

General Fund Balance

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

The table below provides a breakdown of the General Fund:

31 March 2019 £000		31 March 2020 £000
(8,126)	General Balances Available	(13,151)
(8,126)	Total	(13,151)

The General Fund Balance was £13.1m at 31 March 2020, representing 3.1% of the 2019/20 net budget requirement of £420.0m. This percentage is an increase on last year's 2.0%. This is in line with the minimum prudent level recommended by the Executive Director of Resources. If the reserve is used, it will be replenished to the stated minimum level as soon as practically possible; the Council will always need a minimum level of emergency reserves.

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

Earmarked General Fund Reserves

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

31 March 2019 £000		31 March 2020 £000
(24,164)	Schools Reserves	(26,304)
(2,517)	Revenue Grants and Contributions	(2,588)
	Other Earmarked Revenue Reserves:	
(10,174)	- Insurance Fund Reserve	(10,352)
(24,159)	- Major Sporting Facilities	(28,632)
(5,354)	- Invest to Save	(7,046)
(11,749)	- New Homes Bonus (NHB)	(17,096)
(41,679)	- PFI Future Expenditure	(36,440)
(1,152)	- Public Health	(220)
(14,129)	- Service Area Reserves	(16,023)
(18,864)	- Children's and Adult Social Care	(3,454)
(19,576)	- Business Rate Appeals	(19,560)
0	- COVID-19 Grants	(17,418)
0	- Business Rate Relief	0
(53,291)	- Other Earmarked Reserves	(73,472)
(226,808)	Total	(258,605)

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

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

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

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

- Revenue Grants and Contributions: Where a revenue grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution has been transferred to the Revenue Grants and Contributions reserve to support future spend.
- Insurance Fund Reserve: This reserve contains funds required to cover the Council against potential litigation claims, for which, there is not enough certainty to create a provision in the accounts. The balance on the reserve as at 31 March 2020 is £10.4m
- Major Sporting Facilities: The Major Sporting Facilities (MSF) reserve exists because of the need to smooth the future significant payments due for the MSF debt (re: Ponds Forge, the Arena, Don Valley Stadium and Hillsborough Leisure Centre).
- 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 intends to use the payments to promote housing development and to fund economic growth projects. This reserve sets aside the payments until required for agreed projects, which now form part of the wider Growth Investment Fund.
- 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.
- Public Health: Public Health grant funding is given to the Council on a yearly basis and is restricted to spending on public health functions. The conditions of the grant specify that any surpluses must be carried to a reserve for use in future years – and any eventual use of these funds is restricted also to public health functions. The balance on this reserve therefore represents underspends in prior years.
- Service Area Reserves: These are a variety of service specific reserves agreed by Cabinet in previous years set aside for long term projects / plans, examples include the Workplace Accommodation Strategy and the Flexible Development Fund.
- Children’s and Adult Social Care: Social Care reserves are held to deal with transforming Social Care in Sheffield to better meet the much publicised challenges facing the sector and to deal with unforeseen costs.
- Business Rate Appeals: This reserve is required to cover potential reductions in Business Rate income following future successful appeals.
- COVID-19 Grants - This is specific emergency funding to cover some of the costs of the COVID-19 pandemic. The Government paid us £18.2m of funding late in March to cover general costs across the Council, particularly in Social Care. As at 31st March 2020 £0.8m of the general COVID-19 fund had been used. All of this and more is forecast to be needed to deal with the impacts of COVID-19.
- Other Earmarked Reserves: Other Earmarked reserves include funds which are set aside to cover predicted liabilities such as redundancies, risk within the borrowing strategy, equal pay claims and the costs of the ICT 2020 project.

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 2019 £000		31 March 2020 £000
(8,327)	Housing Revenue Account Balance	(7,651)
(3,822)	Earmarked Housing Revenue Account Reserve	(3,478)
(12,149)	Total	(11,129)

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 2019 £000		31 March 2020 £000
(63,133)	Capital Receipts Reserve	(66,677)
(63,133)	Total	(66,677)

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 2019 £000		31 March 2020 £000
(70,690)	Major Repairs Reserve	(76,851)
(70,690)	Total	(76,851)

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 2019 £000		31 March 2020 £000
(28,432)	Capital Grants Unapplied Reserve	(26,429)
(28,432)	Total	(26,429)

35. Unusable Reserves

The following table summarises the Unusable Reserves balances:

31 March 2019 £000		31 March 2020 £000
	Capital Reserves:	
(434,584)	Revaluation Reserve	(610,103)
(1,181,004)	Capital Adjustment Account	(1,075,578)
(53)	Deferred Capital Receipts Reserve	(53)
(1,615,641)		(1,685,734)
	Revenue Reserves:	
44,685	Financial Instruments Adjustment Account	43,441
930,663	Pensions Reserve	941,074
(17,234)	Collection Fund Adjustment Account	(18,358)
9,158	Accumulated Absences Account	9,302
967,272		975,459
(648,369)	Total	(710,275)

Page 266

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.

2018/19 £000		2019/20 £000
(434,970)	Balance at 1 April	(434,584)
(93,822)	Upward revaluation of assets	(215,312)
76,300	Downward revaluation of assets and impairment losses	23,076
(17,522)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(192,236)
5,502	Difference between fair value depreciation and historical cost depreciation	7,004
12,406	Accumulated gains on assets sold or scrapped	9,713
17,908	Amount written off to the Capital Adjustment Account	16,717
(434,584)	Balance at 31 March	(610,103)

Capital Adjustment Account

2018/19 £000		2019/20 £000
(1,144,841)	Balance at 1 April	(1,181,004)
	<i>Reversal of items relating to capital expenditure debited or credited to the CI&ES:</i>	
73,992	Depreciation of non-current assets	79,976
0	Impairment of non-current assets	0
(24,885)	Revaluation losses of non-current assets	126,882
(1,390)	Movement in fair value of Investment Properties	5,630
18,838	Revenue expenditure funded from capital under statute	19,688
89,221	Non-current assets written off on disposal	32,339
155,776		264,515
	<i>Adjusting amounts written out of the Revaluation Reserve:</i>	
(5,502)	Difference between fair value depreciation and historical cost depreciation	(7,004)
(12,406)	Accumulated gains on assets sold or scrapped	(9,713)
(17,908)		(16,717)
(1,006,973)	Net written out amount of the cost of non-current assets consumed in the year	(933,206)
	<i>Capital financing applied in the year:</i>	
(15,619)	Use of the Capital Receipts Reserve to finance new capital expenditure	(14,703)
(46,765)	Use of the Major Repairs Reserve to finance new capital expenditure	(37,627)
(59,940)	Capital grants and contributions credited to the CI&ES	(28,484)
(9,737)	Application of grants and contributions from the Capital Grants Unapplied Reserve	(11,797)
(41,907)	Statutory provision for the repayment of debt	(49,734)
(27)	Voluntary provision for the repayment of debt	(27)
(173,995)		(142,372)
(36)	Other	0
(1,181,004)	Balance at 31 March	(1,075,578)

Page 268

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 23 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.

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.

2018/19 £000		2019/20 £000
(53)	Balance at 1 April	(53)
0	Transfer to the Capital Adjustment Account	0
(53)	Balance at 31 March	(53)

Financial Instruments Adjustment Account

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

2018/19 £000		2019/20 £000
33,380	Balance at 1 April	44,685
11,371	Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	(1,244)
2	Soft Loan Amortisation	0
(68)	Other movements	0
11,305	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(1,244)
44,685	Balance at 31 March	43,441

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.

2018/19 £000		2019/20 £000
776,574	Balance at 1 April	930,663
83,068	Actuarial (gains) or losses on pensions assets and liabilities	(46,828)
109,354	Reversal of items relating to retirement benefits debited or credited to the CI&ES	99,860
(38,333)	Employer's pensions contributions and direct payments to pensioners payable in the year	(42,621)
930,663	Balance at 31 March	941,074

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.

2018/19 £000		2019/20 £000
(5,380)	Balance at 1 April	(17,234)
(11,854)	Amount by which Council Tax and Non-domestic Rate income credited to the CI&ES is different from Council Tax and Non-domestic Rates income calculated for the year in accordance with statutory requirements	(1,124)
(17,234)	Balance at 31 March	(18,358)

Accumulated Absences Account

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

2018/19 £000		2019/20 £000
8,634	Balance at 1 April	9,158
524	Amount by which officer remuneration charged to the CI&ES is different from remuneration chargeable in the year in accordance with statutory requirements	144
9,158	Balance at 31 March	9,302

36. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018/19 £000		2019/20 £000
1,069	Interest Received	1,625
(106,049)	Interest Paid	(95,527)

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:

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

2018/19 £000		2019/20 £000
73,811	Depreciation	79,363
(24,885)	Impairment and downward valuations	126,882
181	Amortisation	613
0	Deferred revenue / deferred payment agreements	9,963
2,127	Increase / (Decrease) in creditors	19,870
42,308	(Increase) / Decrease in debtors	(31,239)
(94)	(Increase) / Decrease in inventories	353
71,021	Movement in pension liability	57,239
89,221	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	32,338
(5,571)	Other non-cash items charged to the net surplus or deficit on the provision of services	2,670
248,119	Total	298,052

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

2018/19 £000		2019/20 £000
(24,263)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(21,877)
(67,961)	Any other items for which cash effects are investing or financing cash flows	(38,279)
(92,224)	Total	(60,156)

37. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2018/19		2019/20
£000		£000
(193,632)	Purchase of property, plant and equipment, investment property and intangible assets	(105,760)
(48,401)	Purchase of short and long term investments	(155,500)
(2,318)	Other payments for investing activities	(52,010)
24,263	Proceeds from the sale of property, plant and equipment, investment property, intangible assets and deferred capital receipts	21,877
82,901	Proceeds from short term and long term investments	110,500
91,008	Other receipts from investing activities	51,246
(46,179)	Net cash flow from investing activities	(129,647)

38. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2018/19		2019/20
£000		£000
45,000	Cash receipts of short and long term borrowing	80,000
(9,473)	Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	(27,499)
(77,329)	Repayment of short and long term borrowing	(32,276)
7,986	Other payments for financing activities	13,197
(33,816)	Net cash flow from financing activities	33,422

39. Pooled Budget Arrangements

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

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

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

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

Service Area	2019/20			2018/19		
	NHS Sheffield CCG	Sheffield City Council	Total	NHS Sheffield CCG	Sheffield City Council	Total
	£000	£000	£000	£000	£000	£000
The Better Care Fund	269,863	183,473	453,336	266,273	181,890	448,163
Total	269,863	183,473	453,336	266,273	181,890	448,163

The memorandum account for the pooled budget is:

The Better Care Fund

	2019/20	2018/19
	£000	£000
Income		
NHS Clinical Commissioning Group	269,863	266,273
Sheffield City Council	183,473	181,890
Total	453,336	448,163
Allocation of expenditure		
Theme 1 - People Keeping Well in their Local Community	(14,039)	(11,283)
Theme 2 - Active Support and Recovery	(57,993)	(58,548)
Theme 3 - Independent Living Solutions	(8,520)	(8,249)
Theme 4 - Ongoing Care	(184,564)	(186,738)
Theme 5 - Adult inpatient Medical Emergency Admissions	(68,622)	(69,307)
Theme 6 - Mental Health	(115,755)	(110,497)
Theme 7 - Capital Grants	(3,843)	(3,542)
Total	(453,336)	(448,163)

40. External Audit Fees and Additional Audit Fees (Non Statutory)

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:

2018/19		2019/20
£000		£000
156	Fees payable with regard to external audit services carried out by the appointed auditor	169
41	Fees payable for the certification of grant claims and returns	43
6	Fees payable in respect of any other services provided over and above those listed above	3
203	Total	215

Within the 2019/20 total it includes £25k relating to the audit of an objection raised by a member of the public to the 2016/17 accounts plus in the 2018/19 total it includes £7.7k relating to the audit of a second objection raised by a member of the public to the 2016/17 accounts, both payable to the Council's previous external auditor KPMG.

41. 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 £305m (£163m for 2018/19). All such material related party transactions are disclosed either individually or in aggregate below.

Council Members

In respect of financial year 2019/20 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.

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

Chief Officers

For the purpose of this disclosure the term 'chief officer' is defined as the Chief Executive, and the Executive Directors. The note also covers members of those officers' close families or households. One of the Council's chief officers declared a position of general control or management in a third party organisation during the financial year as a Director for Learn Sheffield Ltd.

2019/20							
Related Party	Notes	Receipts £000	Payments £000	Net Receipts/Payments £000	Receivables £000	Payables £000	Net Assets/Liabilities £000
Learn Sheffield Ltd	1	(199)	781	582	8	0	8
Seven Hills Leisure Trust	2	(8)	91	83	7	0	7
Sheffield City Trust	3	(52)	21,349	21,297	3	0	3
Sheffield Futures	4	(58)	4,087	4,029	(28)	0	(28)
Sheffield Housing Company	5	(81)	111	30	11	0	11
Sheffield Industrial Museums Trust	6	14	527	541	4	0	4
Sheffield International Venues	7	(18)	2,678	2,660	(1)	0	(1)
Sheffield Theatres Trust	8	(28)	296	268	8	0	8
SOAR	9	(3)	959	956	0	0	0
Heeley City Farm	10	(2)	345	343	0	0	0
Aspiring Communities Together Ltd	11	(2)	125	123	1	0	1
Sheffield City of Sanctuary	12	(2)	58	56	0	0	0
Museums Sheffield	13	(116)	1,899	1,783	13	0	13
Sheffield City Centre BID	14	(118)	1,035	917	13	0	13
Amy's House	15	(0)	56	56	0	0	0

Notes relating to significant transactions:

- 1 £320k Commission Payment, £125k Transition Funding
- 2 £76k SIV Grant Paid
- 3 £13.8m Bond Principal, £4.6m Bond Interest
- 4 £3.2m Futures Core Contract
- 5 £89k Phase 4 Loan Draw Down
- 6 £243k Sheffield Industrial Museums Grant
- 7 £1.3m Remodelling of English Institute of Sports Sheffield to expand facilities, £828k SIV Funding Agreement Grant
- 8 £292k Sheffield Theatres Trust Grant
- 9 £162k Community Wellbeing Programme, £104k People Keeping Well, £47k Holiday Hunger Payments, £43k Sheffield Community Investment Deal
- 10 £74.7k Community Wellbeing, £50.2k People Keeping Well, £22.5k Safe Places Project
- 11 £56k Adults Education Budget
- 12 £38k Core Service Grant
- 13 £1.8m Galleries and Museums Trust Grant
- 14 £40k, £25k Cliffhanger Event; Fringe Tramlines, £950k BID Levy
- 15 £39k Short Breaks Funding for Summer Holidays

2018/19 – Comparative Information							
Related Party	Notes	Receipts £000	Payments £000	Net Receipts/Payments £000	Receivables £000	Payables £000	Net Assets/Liabilities £000
Learn Sheffield Ltd	1	(85)	837	752	69	0	69
Seven Hills Leisure Trust	2	(21)	148	127	7	76	83
Sheffield City Trust	3	(4)	18,611	18,607	0	0	0
Sheffield Futures	4	(104)	3,815	3,711	(7)	0	(7)
Sheffield Housing Company	5	(343)	965	622	1,029	0	1,029
Sheffield Industrial Museums Trust	6	(13)	372	359	0	194	194
Sheffield International Venues	7	(9)	716	707	1	0	1
Sheffield Theatres Trust	8	(248)	299	51	10	0	10
SOAR	9	(2)	832	830	0	(59)	(59)
Veolia	10	0	12,342	12,342	0	0	0
Youth Justice Board for England	11	(939)	0	(939)	257	0	257
Heely City Farm	12	2	318	320	0	6	6
Notes relating to significant transactions:							
1	£437k Commission Payments						
2	£120k SIV Grant Paid						
3	£6.3m bond interest, £12.1m bond principal repayments						
4	£3.3m Futures Core Contract						
5	£964k Housing Improvement Contracts						
6	£210k Sheffield Industrial Museums Grant, £130k Service Agreement						
7	£665k Service Agreement						
8	£290k Service Agreement						
9	£260k People Keeping Well, £140k Sheffield Working Place Contract, £60k Sheffield Community Investment Deal						
10	£13.3m Outstanding discount on Band 1 Gate Fee, £2m retained value from contract payment, (£5m) settlement value, £2m VAT						
11	(£939k) Income from providing Secure Accommodation paid by HMPPS						
12	£100k People Keeping Well						

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:

2019/20							
	Notes	Receipts	Payments	Net Payments/Receipts	Receivables	Payables	Net Accruals
		£000	£000	£000	£000	£000	£000
Related Party							
Sheffield City Region Combined Authority Group	1	(11,606)	27,402	15,796	26	0	26
South Yorkshire Passenger Transport Executive (SYPTTE)	2	(2,642)	7,437	4,795	142	(28)	114
South Yorkshire Fire and Rescue Authority	3	(8)	12,430	12,422	1	0	1
South Yorkshire Pensions Authority	4	(4)	143,514	143,510	0	0	0
South Yorkshire Police and Crime Commissioner	5	(801)	27,737	26,936	0	0	0
NHS bodies	6	(4,272)	25,241	20,969	976	(41)	935
Other Local Authorities	7	(4,541)	51,616	47,075	692	(10)	682
Notes relating to significant transactions							
1	£22.5m ITA Levy, £600k EZ Growth. Income: £2.1m National Productivity Fund, £5.7m SCRIF Funding						
2	£458k Bus Passes, £156k Zero-fare Bus Passes, £144k SY Safer Roads Partnership Contribution. Income: £2.3m Local Transport Plan, £49k STAF Funding, £38k Better Buses						
3	£10m Council Tax Precept						
4	£14m Pension Payments, £170k Levy						
5	£27m Council Tax Precept						
6	£8.9m SLA Payments to Children's Hospital, £3.2m Sexual Health Services, £684k Prescribing Charges, £633k Funded Early Learning, £580k Smoke Free Services, £17k Early Years Funding						
7	£7.7m Temporary Borrowing - Rhondda Cynon Taff, £4m Loan Principal to Derbyshire County Council, £550k STEP, £312k Emergency Planning Shared Services						

2018/19 – Comparative Information							
	Notes	Receipts	Payments	Net Payments/Receipts	Receivables	Payables	Net Accruals
		£000	£000	£000	£000	£000	£000
Related Party							
Sheffield City Region Combined Authority Group	1	(14,223)	24,826	10,603	515	0	515
South Yorkshire Passenger Transport Executive (SYLTE)	2	(3,674)	956	(2,718)	210	(4)	206
South Yorkshire Fire and Rescue Authority	3	(12)	11,904	11,892	0	(1)	(1)
South Yorkshire Pensions Authority	4	(16)	51,653	51,637	0	0	0
South Yorkshire Police and Crime Commissioner	5	(1,670)	24,170	22,500	559	0	559
NHS bodies	6	(1,835)	24,643	22,808	439	(231)	208
Other Local Authorities	7	(3,910)	12,841	8,931	445	(91)	354
Notes relating to significant transactions							
1	£23.2m Transport Levy Payments, £533k EZ Growth NNDR, £488k Subscription Fees, Income: (£2.3m) from LTP Funding, (£1m) from support to SCR and Prow Improvements						
2	£600k Zero Fare passes, £140k SY Safety Camera Partnership Contribution, £61k Rent						
3	£10.9m Council Tax Precept & Surplus Payments						
4	£24m Pension Prepayment £14.5m Pension Payments, £5.4m Council Tax, £1.5m Redundancy Payments						
5	£21.9m Council Tax Precept and Surplus						
6	£8.9m SLA Payments to Children's Hospital, £4.6m Sexual Health Service, £3.9m Sheffield DACT, £1m Prescribing Recharges, £585k Admin, Management and Overheads, £326k STEP funding, £303k changes in funding eligibility, £273 Better Care Fund, £160k Building Successful Families, £116k FEL Funding, £114k Sheffield DTOC						
7	£4.3m Debt Repayment to Rotherham, £2m Loan Repayment to New Forest DC, £2.4m STEP, £270k Emergency Planning Shared Service, £250k ITB Project						

42. Members' Allowances

The Council paid the following amounts to Council Members and Co-optees during 2019/20:

2018/19 £000		2019/20 £000
	Councillors:	
1,016	Basic Allowance	1,031
266	Special Responsibility Allowance	275
27	Expenses	25
1,309		1,331
	Co-optees:	
4	Basic Allowance	2
1,313	Total	1,333

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

43. Officers' Remuneration

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

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

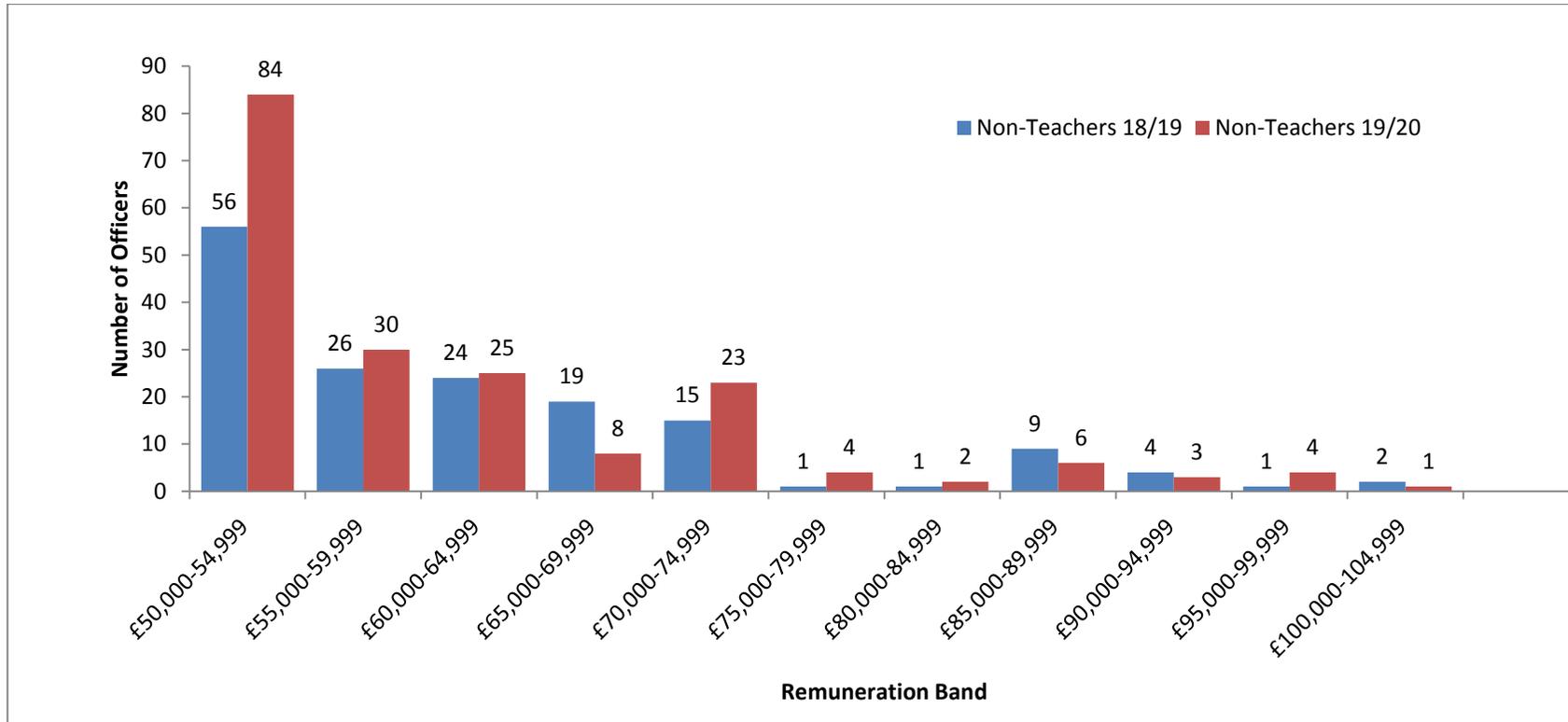
The second section must include a disclosure of the numbers of other staff whose total remuneration (i.e. salary plus overtime and allowances, etc.) is above £50,000.

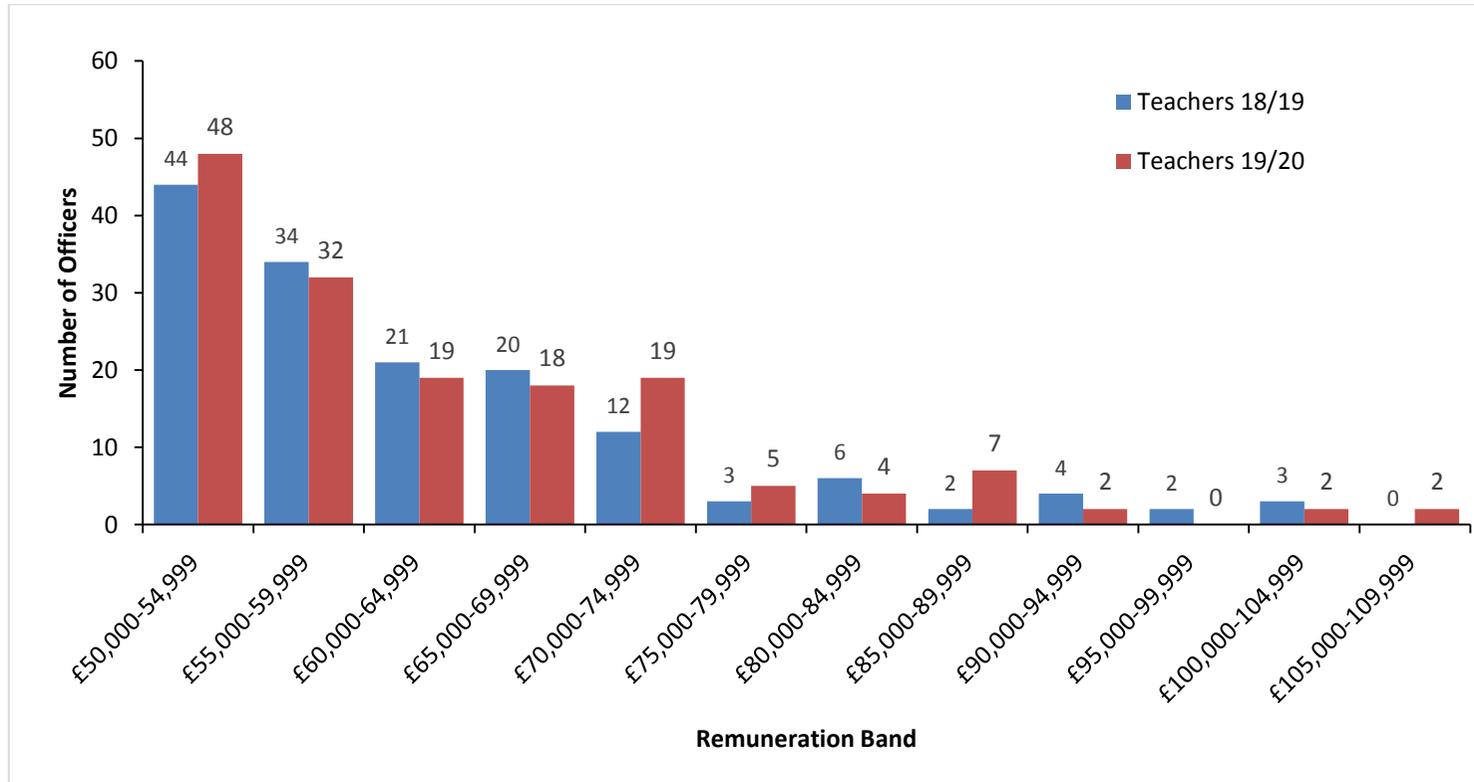
The remuneration paid to the Council's senior employees is shown in the table below:

2019/20						
Post Holder Information	Note	Salary – including Fees and Allowances £	Expenses Allowances £	Total Remuneration exc Pension Contributions £	Pension Contributions £	Total Remuneration inc Pension Contributions £
Chief Executive – John Mothersole	1	146,929	0	146,929	27,916	174,845
Interim Chief Executive	2	74,068	0	74,068	0	74,068
Executive Director – People	3	89,631	4,987	94,618	17,030	111,648
Interim Executive Director – People	4	25,772	0	25,772	4,987	30,669
Executive Director – People (2)	5	18,959	10	18,969	0	18,969
Executive Director – Place		141,527	0	141,527	26,890	168,417
Executive Director – Resources		142,874	0	142,874	27,273	170,146
Director of Public Health		119,992	0	119,992	17,308	137,300
Director of Policy and Performance		85,876	11	85,887	16,599	102,487
Total		845,628	5,008	850,636	137,913	988,549
Notes:						
1. The Chief Executive, John Mothersole, left his position on 31/12/19.						
2. The Interim Chief Executive took up office on 6th January 2020 (with a prior three day handover period in December 2019), and stepped down at the full Council meeting on 7th October 2020. The total cost for the Interim Chief Executive was £208,137. This cost is inclusive of agency fees, and no accommodation, travel or other expenses were paid. This figure does include Employer's National Insurance and the Apprenticeship levy, but does not include VAT.						
3. Executive Director - People took up position with effect from 27/08/2019.						
4. The Interim Executive Director – People, was in post 18/05/2019 to 26/08/2019.						
5. The Executive Director – People (2) left the position as of 17/05/2019.						

2018/19 – Comparative Information						
Post Holder Information	Note	Salary – including Fees and Allowances £	Expenses Allowances £	Total Remuneration exc Pension Contributions £	Pension Contributions £	Total Remuneration inc Pension Contributions £
Chief Executive – John Mothersole		192,064	0	192,064	29,194	221,258
Executive Director – People		135,533	0	135,533	20,601	156,134
Executive Director – Place		138,752	0	138,752	21,090	159,842
Executive Director – Resources		132,760	0	132,760	20,179	152,939
Director of Public Health		114,497	102	114,599	16,570	131,169
Director of Policy and Performance		83,830	0	83,830	12,742	96,572
Total		797,436	102	797,538	120,376	917,914

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





44. Termination Benefits

The Council terminated the contracts of a number of employees in 2019/20 incurring liabilities of £1.6m (£3.3m in 2018/19). This includes redundancy and pension payments.

This amount was payable to 37 people (99 people in 2018/19) from across the Council, who were made redundant as part of its strategy to reduce the workforce in order to achieve budget savings. This included 1 person whose termination benefits were funded by the Housing Revenue Account.

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

2018/19			2019/20		
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	
46	544	£0 - £20,000	14	114	
30	847	£20,001 - £40,000	11	279	
5	228	£40,001 - £60,000	3	133	
8	535	£60,001 - £80,000	3	211	
2	173	£80,001 - £100,000	2	197	
8	985	£100,001 - £200,000	4	618	
99	3,312	Total	37	1,552	

The table above includes 4 people who were made compulsory redundant with a total value of £17k (4 people in 2018/19 with a total value of £64k).

In 2019/20 contributions of £0 for the termination costs under contract / partnership obligations were incurred. In 2018/19 the equivalent cost was £612k. These are not included in the above table.

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 2019/20 the City Council paid £11.7m (£9.9m 2018/19) to Department for Education (DfE) in respect of Teachers' pension costs, which represented 20.73% (16.48% 2018/19) of Teachers' pensionable pay over the year. This increased from 16.48% from April to August to 23.68% from September to March (16.48% 2018/19).

In addition, the City Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2019/20 these amounted to £3.8m (£3.9m 2018/19), representing 6.74% (6.48% 2018/19) 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 2019/20 the City Council paid £135k (£136k 2018/19) to NHS pensions in respect of NHS pension costs, which represented 14.38% (14.38% 2018/19) of NHS pensionable pay.

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

Local Government Pension Scheme

Transactions Relating to Post-Employment Benefits

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

following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

2018/19 £000		2019/20 £000
	Comprehensive Income and Expenditure Statement	
	<i>Cost of Services:</i>	
62,754	Current service cost	73,808
26,762	Past service costs	9,742
(2,422)	(Gains) and Losses on Settlements	(6,184)
1,791	Curtailments	697
88,885	Charge to (Surplus) / Deficit on Continuing Operations	78,063
	<i>Other Operating Expenditure:</i>	
805	Administration expenses	1,077
805		1,077
	<i>Financing and Investment Income and Expenditure:</i>	
73,466	Interest cost on pension liabilities	73,274
(53,802)	Interest on plan assets	(52,554)
19,664		20,720
20,469	Charge to the (Surplus) / Deficit on the Provision of Services	21,797
	<i>Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:</i>	
83,068	Re-measurements of the net defined benefit liability	(46,828)
83,068		(46,828)
192,422	Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	53,032
	Movement in Reserves Statement	
(109,354)	Reversal of net charges made to the (Surplus) / Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(99,860)
	<i>Actual amount charged against the General Fund for pensions in the year:</i>	
38,333	Employer's contributions payable to scheme	42,621

The cumulative amount of actuarial (gains) and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2020 is a loss of £407.8m (£454.6m loss in 2018/19).

The employers' contributions payable to the scheme increased from £38m in 2018/19 to £43m in 2019/20. This does not include significant early payment of £88m for the planned future service rate in return for a substantial reduction in the amount due, which has been disclosed in long term debtors £58m (Note 17) and short term debtors £30m (Note 16).

Assets and Liabilities in Relation to Post-Employment Benefits

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

2018/19 £000		2019/20 £000
(2,867,131)	Opening Balance at 1 April	(3,099,421)
(62,754)	Current service cost	(73,808)
(73,466)	Interest cost	(73,274)
(12,932)	Contributions by scheme participants	(13,716)
(150,774)	Re-measurements	(145,180)
93,187	Benefits Paid	94,681
(26,762)	Past Service Costs	(9,742)
(1,791)	Curtailements	(697)
3,002	Settlements	15,772
(3,099,421)	Closing Balance at 31 March	(3,305,385)

Page 290

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

2018/19 £000		2019/20 £000
2,090,557	Opening Balance at 1 April	2,168,758
53,802	Interest on plan assets	52,554
67,706	Re-measurements	192,008
(805)	Administration expenses	(1,077)
38,333	Contributions by Employer	42,621
12,932	Contributions by scheme (plan) participants	13,716
(93,187)	Benefits paid	(94,681)
(580)	Settlements	(9,588)
2,168,758	Closing Balance at 31 March	2,364,311

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 loss of £64.4m (£121.5m gain 2018/19).

Local Government Pension Scheme assets comprised:

	31 March 2019 £000	31 March 2020 £000
Equities:		
UK quoted	309,265	350,864
UK unquoted	0	236
Overseas quoted	793,549	872,903
Bonds:		
UK Government Fixed	0	0
UK Government indexed	281,288	255,583
Overseas Government Fixed	58,990	62,418
UK Other	103,667	117,269
Overseas Other	57,472	55,325
Property:		
UK direct	189,549	190,327
Property Funds	20,169	21,515
Alternatives:		
Pooled investment vehicles	283,023	366,705
Cash:		
Cash accounts	71,786	71,166

Scheme History

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Present value of liabilities	(2,498,584)	(2,944,254)	(2,867,131)	(3,099,421)	(3,305,385)
Fair value of scheme assets	1,702,602	2,046,696	2,090,557	2,168,758	2,364,311
Surplus / (deficit) in the scheme	(795,982)	(897,558)	(776,574)	(930,663)	(941,074)

The liabilities show the underlying commitments that the Council has, in the long run, to pay post-employment benefits. The total liability of £941m (£931m 2018/19) has a substantial impact on the net worth of the Council as recorded on the Balance Sheet, reducing the balance from £2.1bn to £1.2bn (£2bn to £1.1bn 2018/19). 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.

Basis for Estimating Assets and Liabilities

The pension fund liabilities have been assessed by the actuaries Mercer 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:

	2018/19		2019/20
		Mortality assumptions:	
		Longevity at 65 for current pensioners:	
	23.1 years	Men	22.4 years
	25.9 years	Women	25.2 years
		Longevity at 65 for future pensioners:	
	25.3 years	Men	23.9 years
	28.3 years	Women	27.1 years
		Financial assumptions:	
	2.2%	Rate of CPI inflation	2.1%
	3.45%	Rate of increase in salaries	3.35%
	2.3%	Rate of increase in pensions	2.2%
	2.4%	Rate for discounting scheme liabilities	2.4%

Page 292

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2018/19.

Change in Assumptions at 31 March 2020	£000
Increase in life expectancy (1 year increase)	90,030
Rate of inflation (0.1% increase)	53,818
Rate of increase in salaries (0.1% increase)	6,032
Rate of discount (0.1% increase)	(52,957)

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserves in 2019/20 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2020:

	2015/16	2016/17	2017/18	2018/19	2019/20
	%	%	%	%	%
Differences between the expected and actual return on assets	-2.3	12.9	1.6	3.1	8.1
Experience gains and losses on liabilities	-5.5	14.0	-4.6	4.9	-1.6

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		Note	2019/20 £000
2018/19 £000			2019/20 £000
	Expenditure:		
37,027	Repairs and maintenance		39,656
51,013	Supervision and management		49,340
1,255	Rents, rates, taxes and other charges		1,888
(25,406)	Depreciation, impairment and revaluation losses / (gains) of non-current assets	8 / 9	161,791
193	Debt management costs		193
2,288	Movement in the allowance for Bad or Doubtful Debts		2,556
66,370	Total Expenditure		255,424
	Income:		
(143,931)	Dwelling rents	11	(141,586)
(1,350)	Non-dwelling rents - garages, garage sites, shops	11	(1,385)
(6,166)	Charges for services and facilities		(6,454)
(522)	Contributions towards expenditure		(569)
(151,969)	Total Income		(149,994)
(85,599)	Net (Income) / Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement		105,430
793	HRA share of Corporate and Democratic Core		850
(84,806)	Net (Income) / Cost of HRA Services		106,280
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:		
(3,010)	(Gain) or loss on sale of HRA non-current assets		(1,059)
13,110	Interest payable and similar charges		13,022
(293)	Interest and investment income		(325)
(74,999)	(Surplus) / Deficit for the year on HRA services		117,918

Movement on the Housing Revenue Account Statement			
2018/19			2019/20
£000		Note	£000
(9,267)	Balance as at 1 April		(8,327)
(74,999)	(Surplus) / Deficit on the HRA Income and Expenditure Statement		117,918
0	Other Comprehensive Income and Expenditure	1	0
52,740	Adjustments between accounting basis and funding basis under regulation	2	(135,601)
(22,259)	Net (increase) / decrease before transfers to reserves		(17,683)
23,199	Transfer to / from reserves	3	18,364
940	(Increase) / decrease in year on the HRA		681
(8,327)	Balance as at 31 March		(7,646)

Notes to the Housing Revenue Account

01. Other Comprehensive Income and Expenditure

In 2019/20 and 2018/19, there were no other items.

02. Adjustments Between Accounting Basis and Funding Basis Under Regulation

2018/19 £000		2019/20 £000
48,716	Net Impairment and revaluation gains / (losses) on HRA non-current assets	(136,706)
3,010	Net gain / (loss) on sale of HRA non-current assets	1,059
987	Difference between interest payable and similar charges (including amortisation of premiums and discounts determined in accordance with Statute)	19
0	Revenue Contribution to Major Repairs Reserve	0
27	Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statutory HRA requirements	27
52,740	Total	(135,601)

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 2019/20.

2018/19 £000		2018/19 £000
23,484	Transfer to / (from) the Major Repairs Reserve	18,708
(285)	Transfer to / (from) the HRA Earmarked Reserve	(344)
23,199	Total	18,364

04. Housing Stock

The Council was responsible for managing, on average 39,125 dwellings during 2019/20 (39,410 for 2018/19). The movement in stock can be summarised as follows:

2018/19	2019/20
39,559 Housing Stock as at 1 April	39,260
(361) Less: Sales	(374)
(1) Less: Demolitions and other deductions	(6)
63 Add: New build and acquisitions	109
39,260 Housing Stock as at 31 March	38,989

The housing stock can be analysed by type as follows:

2019/20	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	11,898	1,686	13,584
2 Bedrooms	5,505	8,447	13,952
3 Bedrooms	832	9,874	10,706
4 Bedrooms	11	372	383
5 Bedrooms	1	19	20
6 Bedrooms or more	1	3	4
Bedsits	338	2	340
Total	18,586	20,403	38,989

2018/19 – Comparative Information	Flats and Maisonettes	Houses and Bungalows	Total
1 Bedroom	11,912	1,687	13,599
2 Bedrooms	5,545	8,510	14,055
3 Bedrooms	833	10,023	10,856
4 Bedrooms	12	371	383
5 Bedrooms	1	19	20
6 Bedrooms or more	1	3	4
Bedsits	341	2	343
Total	18,645	20,615	39,260

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

2018/19			2019/20	
Value at 1 April £000	Value at 31 March £000		Value at 1 April £000	Value at 31 March £000
1,307,442	1,325,606	Council Dwellings	1,325,606	1,339,202
5,721	14,737	Other Land and Buildings	14,737	14,637
29,459	42,370	Surplus Assets	42,370	41,428
6,978	7,766	Assets Held for Sale	7,766	4,744
5	82	Community Assets	82	83
0	1,635	Assets Under Construction	1,635	12,732
1,349,605	1,392,196	Total	1,392,196	1,412,826

05. Vacant Possession

The vacant possession value of Council Dwellings as at 1 April 2019 was £3.25bn (£3.2bn at 1 April 2018).

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:

2018/19 £000		2019/20 £000
(70,661)	Balance at 1 April	(70,690)
(23,310)	Transfers from the Capital Adjustment Account (re. Depreciation)	(25,080)
0	Transfers from the HRA (re. Revenue Contribution)	0
(23,484)	Transfers from the HRA (re. Additional Revenue Contribution)	(18,708)
46,765	Expenditure on capital assets	37,627
(70,690)	Balance at 31 March	(76,851)

07. Capital Expenditure

During the financial year total capital expenditure was £47.7m, (£52.3m in 2018/19) split between houses £44.6m (£50.3m in 2018/19) and other property and land within the Housing Revenue Account £3.1m (£2m in 2018/19).

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

2018/19 £000		2019/20 £000
46,765	Major Repairs Reserve	37,627
2,682	Usable Capital Receipts Reserve	3,797
2,854	Capital Grants and Other Contributions	6,231
52,301	Total	47,655

Capital receipts amounting to £18m (£18.2m in 2018/19) were generated in the financial year from the disposal of land, houses and other property within the Authority's HRA.

08. Depreciation

A depreciation charge of £25m (£23.3m in 2018/19) was made to the HRA during the financial year. The split of the depreciation charge is detailed below:

2018/19 £000		2019/20 £000
23,228	Council Dwellings	24,377
75	Other Land and Buildings	667
7	Surplus Assets	36
23,310	Total	25,080

09. Impairment and Valuations

There were no impairment charges in 2019/20 or 2018/19. However, there are reversals of previous impairments of £66m (£76.2m in 2018/19) representing an improvement to a previous impairment value for Council Dwellings. In addition, revaluation losses of £204.6m (£31.6m in 2018/19) were charged to the HRA and reversals of previous losses of £1.9m (£4.1m in 2018/19).

10. Rent Arrears

Rent arrears (excluding amounts collectable on behalf of other agencies) as at 31 March 2020 amounted to £12.7m (£10.2m as at 31 March 2019). The provision for doubtful debts in respect of these rent arrears is £9.2m (£7.9m as at 31 March 2019).

11. Rent Income

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

Dwellings	2018/19		Total	Dwellings	2019/20		Total
	Non-Dwellings				Non-Dwellings		
£000	£000	£000		£000	£000	£000	
(146,530)	(2,097)	(148,627)	Gross rent income before allowances	(144,227)	(2,142)	(146,369)	
2,599	746	3,345	Less vacant properties	2,641	757	3,398	
(143,931)	(1,351)	(145,282)	Gross rent income after allowances	(141,586)	(1,385)	(142,971)	

12. Dwellings Rents

This represents rent income due from tenants. The average rent per week at 31 March 2020 was £73.72 (50 week basis) compared with £74.34 per week at 31 March 2019, a decrease of 0.62p or 0.83%.

13. Rebates

Rent rebates are available through the Housing Benefits scheme. As at 31 March 2020, 51% (60% as at 31 March 2019) of Council tenants were receiving assistance from the scheme.

Collection Fund

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

2018/19			2019/20			
Non-domestic Rates £000	Council Tax £000	Total £000	Notes	Non-domestic Rates £000	Council Tax £000	Total £000
Income:						
0	(250,108)	(250,108)		0	(264,071)	(264,071)
(224,579)	0	(224,579)	1	(223,220)	0	(223,220)
(224,579)	(250,108)	(474,687)		(223,220)	(264,071)	(487,291)
Total Income						
Expenditure:						
Precepts and Demands:						
98,404	205,728	304,132		97,482	216,328	313,810
0	23,123	23,123		0	26,939	26,939
2,008	9,649	11,657		1,989	10,147	12,136
100,412	0	100,412		99,472	0	99,472
200,824	238,500	439,324		198,943	253,414	452,357
Apportionment of Previous Years' Surplus:						
(5,553)	7,428	1,875		3,834	4,531	8,365
0	820	820		0	509	509
(113)	358	245		78	213	291
(5,666)	0	(5,666)		3,911	0	3,911
(11,332)	8,606	(2,726)		7,823	5,253	13,076
Charges to Collection Fund:						
5,372	0	5,372		4,320	0	4,320
0	0	0		0	0	0
0	1,327	1,327			4,628	4,628
1,001	3,298	4,299	1	1,434	9,313	10,747
(781)	0	(781)		(8,650)	0	(8,650)
752	0	752		759	0	759
1,539	0	1,539		1,373	0	1,373
607	0	607		0	0	0
0	0	0		0	0	0
197,982	251,731	449,713		206,002	272,608	478,610
(26,597)	1,623	(24,974)		(17,218)	8,537	(8,681)
9,711	(11,478)	(1,767)		(16,886)	(9,855)	(26,741)
(16,886)	(9,855)	(26,741)		(34,104)	(1,318)	(35,422)

Notes to the Collection Fund

01. Council Tax

There are an estimated 249,545 (246,932 for 2018/19) 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 138,744.42 for 2019/2020 (135,890.79 for 2018/19). 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 £1,826.48 for 2019/20 (£1,755.09 for 2018/19). 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:

2019/20						
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		300.36	300.36	265.11	5/9	147.28
A	145,664	(36,446.13)	109,217.87	93,200.24	6/9	62,133.49
B	39,735	(4,642.51)	35,092.49	32,149.86	7/9	25,005.45
C	31,473	(3,522.20)	27,950.80	26,033.55	8/9	23,140.93
D	16,163	(1,151.58)	15,011.42	14,141.42	9/9	14,141.42
E	9,254	(450.28)	8,803.72	8,376.72	11/9	10,238.21
F	4,262	(61.85)	4,200.15	4,018.65	13/9	5,804.72
G	2,798	(49.02)	2,748.98	2,630.98	15/9	4,384.97
H	196	(46)	150	141.25	18/9	282.5
	249,545	(46,069.21)	203,475.79	180,957.78		145,278.97
Less: Allowance for non-collection						(6,531.55)
Add: Defence-exempt properties						(3.00)
Tax Base for the calculation of 2019/20 Council Tax						138,744.42

Those properties qualifying for Council Tax support are no longer included in the tax base figures from 2014/15. Defence-exempt properties are properties owned by the Ministry of Defence for use by armed forces personnel. These can include barracks or other living accommodation on military bases.

2018/19 – Comparative Information						
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		281.71	281.71	247.21	05:09	137.34
A	144,369	(37,399.88)	106,969.12	91,207.24	06:09	60,804.83
B	39,317	(4,814.16)	34,502.84	31,655.59	07:09	24,621.01
C	31,141	(3,623.99)	27,517.01	25,642.26	08:09	22,793.12
D	15,825	(1,466.65)	14,358.35	13,519.35	09:09	13,519.35
E	9,108	(455.76)	8,652.24	8,236.74	11:09	10,067.13
F	4,225	(46.22)	4,178.78	3,997.28	13:09	5,773.85
G	2,758	(58.50)	2,699.5	2,584.00	15:09	4,306.66
H	189	(48.50)	140.5	132.75	18:09	265.50
	<u>246,932</u>	<u>(47,631.95)</u>	<u>199,300.05</u>	<u>177,222.42</u>		<u>142,288.79</u>
Less: Allowance for non-collection						(6,403.00)
Add: Defence-exempt properties						5.00
Tax Base for the calculation of 2018/19 Council Tax						135890.79

Page 303

The income of £259.4m for 2019/20 (£248.8m 2018/19), which is net of write offs, is broken down as follows:

2018/19 £000		2019/20 £000
(250,108)	Billed to Council Tax Payers	(264,071)
1,327	Write Offs	4,628
<u>(248,781)</u>	Total	<u>(259,443)</u>

02. National Non-Domestic Rates (NNDR)

Under statutory arrangements, NNDR is collected locally on the basis of a nationally determined rate in the pound charged on the rateable value of the property. The multiplier is set nationally by Central Government and local rateable values are provided by the Valuation Office Agency (VOA). In 2019/20 the Standard Rate was 50.4p (49.3p in 2018/19) and the Small Business Rate was 49.1p in 2019/20 (48.0p in 2018/19). Subject to the effects of transitional arrangements, local businesses pay rates are calculated by multiplying their rateable value by these amounts. The Council is responsible for collecting rates due from the ratepayers in its area but pays 50% to Government and 1% to South Yorkshire Fire and Rescue Authority. The NNDR income of £223.2m for 2019/20 (£224.6m 2018/19) was based on a total rateable value for the Council's area of £548.9m for the year 2019/20 (£535.2m for 2018/19).

Accounting Policies

I. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the Code') and the CIPFA Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2015 Regulations.

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

II. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet.
- Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

III. Acquisitions and Discontinued Operations

Acquired Operations

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

Discontinued Operations

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

IV. Cash and Cash Equivalents

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

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

V. Exceptional Items / Material Items of Income or Expense

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

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

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

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

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

VII. Charges to Revenue for Non-Current Assets

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

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

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

VIII. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

The Local Government 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,
- 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. Fair Value Measurement

Page 311

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

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

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

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

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

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

XI. Financial Instruments

Financial Liabilities

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

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

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

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

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial asset measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through Other comprehensive income

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those assets whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council become a party to the contractual provisions of the 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 (CIES) 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 financial assets held by the authority, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES 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.

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.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Expected credit losses will be calculated on individual assets where reasonable to do so. Where the Authority cannot gather reasonable and supporting information without undue cost or effort to support expected credit losses on an individual basis, it will assess losses on a collective basis.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

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

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

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

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.

Instruments Entered Into Before 1 April 2006

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

XII. Foreign Currency Translation

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

XIII. Government Grants and Other Contributions

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

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

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

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

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

Business Improvement Districts

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

Community Infrastructure Levy

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

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

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 national and local historic significance.

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

- Museums Sheffield works to a Collections Development Policy that is revised every five years as part of the Arts Council England Accreditation Scheme and is approved by Museums Sheffield Board of Trustees and the Council.
- Sheffield Industrial Museums Trust works to the Collections Agreement between the Trust and the Council, which provides the basis for the collections activity of the Trust. This document includes the Acquisitions and Disposal policy.

Standards of care are governed by the requirements of the 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.

Intangible Assets

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

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

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

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

are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

XVI. Inventories and Long Term Contracts

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

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

XVII. Investment Property

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

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

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

XVIII. Joint Operations

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

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

XIX. Leases

Page 320

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.

Page 322

XX. Overheads and Support Services

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

XXI. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure and assets under construction – depreciated historical cost.

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

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

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

Community assets are measured at current value, where sufficient market-based evidence exists, or where the assets generate an income and this provides a reliable basis for estimating the current value. However, the income generating capacity of a community asset is deemed to be incidental to the authority's intention to hold the asset in perpetuity for the benefit of the community.

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

- Buildings are based upon individual asset lives, assessed as part of the rolling programme of revaluations.
- Infrastructure assets between 20 and 40 years.
- Vehicles, plant, furniture and equipment between 5 and 10 years, with the exception of the incinerator plant under the Veolia Public Private Partnership (PPP) contract, which has a useful economic life of 19 years and the District Heating Network 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 internal valuers. Components are also recognised where capital investment for replacement or enhancement of the asset establishes a material component.

Recognition is applied as follows:

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

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

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

Disposals and Non-Current Assets Held for Sale

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

Depreciation is not charged on Assets Held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset on the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also

as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

XXII. Private Finance Initiative (PFI) and Similar Contracts

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

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

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

- **Fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- **Finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease).

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

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

XXIII. Provisions and Contingent Liabilities

Provisions

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

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

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

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

Accounting for the Costs of the Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. 2018/19 was the second and final year of the scheme. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense is recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Contingent Liabilities

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

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

XXIV. Redemption of Debt

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

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

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

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

XXV. Reserves

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

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

XXVI. Revenue Expenditure Funded from Capital under Statute

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

XXVII. Schools

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

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

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

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

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

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

The Collection Fund account covers all local taxation collected by the Council on behalf of itself, local parish councils, Fire, Police and the Government. The cost of collection allowance and costs added to NNDR in respect of recovery action are the Council's income and appear in the Income and Expenditure Account. The Collection Fund account reflects the statutory requirement of the Local Government Finance Act 1988 (as amended by the 1992 Act).

XXIX. Value Added Tax (VAT)

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

Notes to the Policies and Standards

01. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code) has introduced changes in accounting policy as a result of amendments to accounting standards. These standards have been issued, but have not yet been adopted by the Council. If these had been adopted for the financial year 2019/20 there would be no material change, as detailed below.

IAS 28 Investments in Associates and Joint Ventures

This amendment applies to when an investment in an associate or joint venture is held by, or is held indirectly through, a venture capital organisation, or a mutual fund, unit trust and similar entities. This amendment clarifies whether the entity is able to choose between applying the equity method, and measuring the investment at fair value for each investment, or whether instead the entity applies the same accounting to all of its investments in associates and joint ventures.

This amendment might apply to local authorities although it is not considered to have a wide application. Therefore no direct amendments have been made to the Code.

However, this amendment is not seen to have a material impact on the reported figures hence no additional disclosures have been made.

IAS 19 Employee Benefits

In response to one of two issues raised in June 2015, IASB has made amendments to IAS 19. The amendments made are as follows:

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for re-measurement.

Amendments have also been included to clarify the effect of such actions on the requirements regarding the asset ceiling.

Annual Improvements to IFRS Standards 2015 - 2017 Cycle

IFRS 3 Business Combinations

Amendments clarify that a company re-measures its previously held interest in a joint operation when it obtains control of the business

IFRS 11 Joint Arrangements

The amendment clarifies that a company does not re-measure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 Income Taxes

This amendment to IAS 12 clarifies that a company must account for all income tax consequences of dividend payments in the same way.

IAS 23 Borrowing Costs

The amendment states that a company must treat as part of any general borrowings, any borrowing originally made to develop an asset, when the asset is ready for its intended use or sale.

02. Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- The CIPFA Code requires the Council to produce group accounts to reflect significant activities provided to Council taxpayers by other organisations in which the Council has an interest. The group is identified as comprising the City Council and South Yorkshire Property

Investment Limited (Local Housing Company). However, when consolidating the value of these entities the result is not material and therefore the production of all the required statements would not assist the reader.

- Sheffield City Trust (SCT) is an independent charity. The Council has contracts with SCT that contains a shortfall agreement, which is where the Council agrees to provide funding in the event of any budget shortfall so that the leisure services provided by SCT; through its subsidiary Sheffield International Venues, can continue to be provided to the citizens of Sheffield, but is not involved in operational decision making. The shortfall agreement includes putting SCT in the provision of funds to pay the construction costs of the Major Sporting Facilities (MSF) when they are due to be fully repaid in 2024, giving the Council the reversionary interest in the assets. At that time, SCT has the option to either purchase the assets, or transfer them to the Council in exchange for the debt. On this basis SCT is not considered to be under the control of the Council.
- Contracts with partners and providers have been considered for embedded leases; the outcome of this review is not to recognise any assets on the Council balance sheet.
- The Council has a number of historic European Union (EU) grants that potentially could be subject to further EU audits in the future. It remains a possibility that the available evidence for these grants may not meet the requirements of the grant conditions and so a provision has been made based on managerial judgements. There are as yet no further details on timescales for any future EU audits.

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

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

The items in the Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment, Depreciation (Note 23)	Assets are depreciated over useful lives which are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the current level of repairs and maintenance is not sustained it would bring into doubt the useful lives assigned to the assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the total annual depreciation charge for buildings would increase by £520k for every year that useful lives had to be reduced.
Property, Plant and Equipment, Valuation of Operational Properties (Note 23)	<p>Due to the outbreak of COVID-19, it has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. The current response to COVID-19 means that there is an unprecedented set of circumstances on which to base a judgement.</p> <p>Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to valuations, than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the Council's valuers recommend that valuations are kept under frequent review.</p>	<p>As at 31 March 2020, there is an absence of any new and specific evidence to quantify the impact of COVID-19 on valuations of operational properties.</p> <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties (excluding Council Dwellings) were to reduce by 10%, this would result in a combined reduction to the Revaluation Reserve and a charge to the Comprehensive Income and Expenditure Statement of approximately £83m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>

<p>Property, Plant and Equipment, HRA valuation (Note 23)</p>	<p>The value of the Council's housing dwellings stock is calculated using beacon properties. These valuations are then adjusted for the vacant possession value for the properties and to reflect their occupation by a secure tenant. This adjustment is considered to reflect the additional risk and liability that public sector landlords undertake when compared with private sector investors.</p>	<p>The fair value of the Council's housing dwellings stock as at 31 March 2020 has been determined using MHCLG's Social Housing adjustment factor for Yorkshire and Humber of 41%. A 1% decrease in this adjustment factor would have resulted in an additional revaluation loss of £32.8m in 2019/20.</p>
<p>Fair Value Measurements</p>	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs or commissions relevant experts to identify the most appropriate valuation techniques to determine fair value (e.g. for Surplus Assets, the Council's chief valuation officer or for loans and investments, the Council's Treasury advisors).</p> <p>Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 14, 23 and 26.</p>	<p>Non-Financial Assets: The Council uses the market approach and income approach models to measure the fair value of its Surplus Assets and Investment Properties.</p> <p>The significant observable inputs used in the fair value measurement include using current market conditions, recent sale prices / rentals achieved and other relevant information for similar assets within the local authority area.</p> <p>Financial Assets and liabilities: The Council assesses fair value by calculating the net present value (NPV) of the cash flows that take place over the remaining life of the instruments.</p> <p>Significant changes in any of the inputs would result in a significantly lower or higher fair value measurement for the Council's assets and liabilities valued at fair value.</p>

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 £53.0m. However, the assumptions interact in complex ways. During 2019/20, the Council's actuaries advised that the net pension liability had decreased by £195.6m as a result of estimates relating to fund assets being corrected based on experience and increased by £206.0m attributable to updating of the assumptions around pension liabilities – a net impact of an increased liability of £10.4m.</p>
Arrears	<p>At 31 March 2020, the Council had a balance for sundry debtors of £26.8m. An impairment of doubtful debts of £20.6m (77%) 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 £6.2m of sundry debts currently not provided for.</p>
Business Rates - Appeals	<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 £25.6m which is reasonable given available data sources and historical analysis. However, further information from the Valuation Office Agency (VOA) may lead to a revision of these assumptions and could materially change the required level of provision.</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 2021 and so such a surplus would be made available for distribution to preceptors in the 2021/22. Conversely, an increase in the provision would mean a reduction to available resources in 2021/22.</p>
Expected Credit Loss (ECL)	<p>Estimating ECL involves forecasting future economic conditions over a number of years. These longer term forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have a significant risk of resulting in a material adjustment to a carrying amount within the next financial year.</p>	<p>Significant changes in any of the assumptions used in forecasting the future economic conditions would result in a material adjustment to a carrying amount within the next financial year.</p>

04. Going Concern

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by Central Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. The Council's accounts are therefore produced under the Code and assume that the Council's services will continue to operate for the foreseeable future.

The impact of COVID-19 has substantial implications for the Council's finances. Firstly, the response to the pandemic has required additional expenditure to ensure the Council could continue to deliver its statutory responsibilities, especially in Social Care and Leisure services. Secondly, it has lost income primarily as a result of the restrictions on public and business activity put in place since mid-March 2020. Finally, COVID-19 is having a significant detrimental impact on the wider economy, with the expectation that there will be a consequent reduction in the future income from council tax and business rates.

Central Government has sought to address these challenges through the provision of a series of ring-fenced and non-ringfenced COVID-19 grants. Ring-fenced grants are directed towards supporting particular activities, businesses or individuals, and as such can only be applied to those areas. However the non-ringfenced COVID-19 grants are available to support the Council's general expenditure. By March 2021 these non-ringfenced grants totalled £52m for 2020/21, with further support estimated at £7.8m for losses in sales, fees and charges, and non-ringfenced support for 2021/22 of £18m already announced. This level of Central Government support has enabled the Council to mitigate the impact in 2020/21 of COVID-19 on its finances, with a forecast balanced General Fund revenue position for 2020/21. In addition a balanced budget for 2021/22 has been set, although this budget does rely on around £20m of agreed savings schemes being delivered. The Council also currently has £13m of un-earmarked General Fund reserves, and in addition it can un-earmark some of its other General Fund revenue reserves to allow up to £50m in total to be used to support its financial position in the short term, and to pump prime recovery from the pandemic.

Consequently the Council has carried out an assessment of the impact of COVID-19 on future income and expenditure and is satisfied that there is no material uncertainty relating to the Council's going concern.

The Council has also undertaken cash flow modelling for the purposes of assessing the going concern period of up to 12 months from the date of approval of these financial statements. This modelling demonstrates the Council's ability to work within its Capital Financing Requirement (CFR) and

cash management framework, with a minimum headroom of £106m. This level of headroom assumes the Council will remain within its CFR for 2021/22 of £1.64bn. The Council thereby concludes that overall it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, for a period of 12 months from the date of approval of these financial statements, based on its cash flow forecasting and the resultant liquidity position of the Council. This assessment takes account of the Council's cash and short term investment balances of £260m at end February 2021, and the Council's ability to access further short-term borrowing, over and above existing drawn down debt of £1.3bn, under its Treasury Management Policy, of up to £336 million in 2021/22 (the headroom to the Council's CFR). This demonstrates that the Council has sufficient liquidity over the same period.

Annual Governance Statement

Scope of Responsibility

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

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

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

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

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 2020 and up to the date of approval of the Sheffield City Council Annual Report and Statement of Accounts.

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

The Sheffield City Council Governance Arrangements

The governance arrangements of Sheffield City Council contains two key elements, the internal control arrangements of the Council and also how it demonstrates these arrangements to 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 2020 and up to the date of approval of the Annual Report and Statement of Accounts.

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

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

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

The Council has a business planning process that is designed to align service activity and objectives to its strategic priorities. Service Plans align with the priorities for Cabinet Members. A quarterly performance monitoring process tracks progress against the Council's priorities and to highlight any potential risks and issues in achieving these.

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

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

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

Minutes of Council meetings are publicly available through the Council's website – www.sheffield.gov.uk.

2) The facilitation of policy and decision-making

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

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

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

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

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

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

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

The Council has a Risk Management Framework in place that has been agreed by Cabinet. A Risk Management Report is produced for EMT every quarter and an update report is provided to an Audit and Standards Committee on a 6 monthly basis. All Council reports include a section dealing with risk management. The risk management framework has been significantly updated and the focus of attention is now on developing our risk management practice maturity, both at an operational level and through close alignment and integration between the risk and performance management processes. This is to ensure that the processes used are simple and effective and meet the requirements of the Council. An e-learning module is also available and will be integrated into the new manager learning and development curriculum.

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

As part of the Council's commitment to the highest possible standards of openness, probity and accountability, the Council encourages employees and others with genuine concerns about any of the Council's work, to come forward and voice those concerns. A Whistleblowing Policy is in place that is intended to encourage and enable employees to raise such concerns within the Council rather than overlooking a

problem. This policy document makes it clear that employees can do so without fear of reprisals. The procedure accords with the requirements of the Public Interest Disclosure Act 1998 and is compatible with the conventions in the Human Rights Act 1998.

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

4) Ensuring the efficient, economic and effective use of resources

The Council needs to make well informed decisions through business intelligence to enable it to make changes to the right things, in the right way. It acknowledges that it is more important than ever to make the best use of public money and continues to ensure that it prioritises its efforts and resources for the greatest impact; by having agreed strategic priorities that it will make, to achieve its long term goals.

5) Financial management of the Council

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

- The work of Internal Audit.
- The external auditor's Annual Audit Letter and other reports.
- The role carried out by the Executive Director of Resources under s151 Local Government Act 1972 responsibilities.
- The work of the Contract Management Teams in monitoring the work undertaken by Capita (the Council's contractor for financial business processes, up to 5 January 2020, until these processes began to come inhouse).

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

The Human Resources Service support portfolios at respective People Boards to ensure that employee matters are central to the performance management of our organisation and a Strategic Workforce Board was established at a corporate level to ensure that there is clear governance.

The Council has development programmes for managers and employees that provide a consistent approach to managing resources, including its people, and to develop employee knowledge and skills across a range of subjects.

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

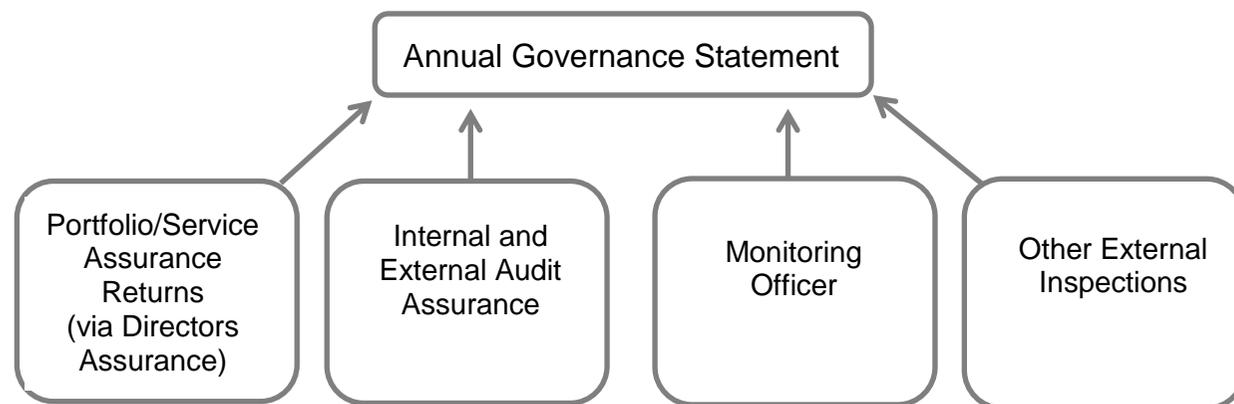
Review of Effectiveness

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

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

The Council's EMT agreed a process of positive verification of the system of internal control in order to formally fulfil the requirements of the Accounts and Audit Regulations. The overall process has been summarised in the diagram below:

Page 343



Service Directors have provided written assurance to the effect that they are adhering to the Council's required Areas of Compliance, such as key policies and procedures and that they are maintaining adequate control over areas of Council activity for which they have responsibility. The review of internal control has been adopted as a positive way forward. Some areas of control weakness have been identified through this process and management action to address them has commenced. Items raised by managers in the previous year's process have been followed up and confirmation has been received that action has been taken to progress the issues raised.

The role of the Council's internal auditors is to provide an independent 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. Internal Audit also undertakes fraud investigations and other ad hoc responsive investigations relating to the Council's control framework. This element of its work also contributes to the maintenance of a sound system of internal financial control.

Internal Audit complies in all significant respects with the professional standards required of the service as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA). The service works closely with our external auditors, Ernst & Young.

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

The Monitoring Officer has responsibility to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are working in practice. This review takes place annually. The Director of Legal and Governance as the Council's Monitoring Officer has not raised any issues of significance that are contrary to the findings within this statement.

The Full Council is responsible for setting the overall objectives of the Council and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the financial year 2019/20 all these duties have been performed.

A significant part of Sheffield City Council's risk liability is connected to its maintained schools, for example: School Finance, Health and Safety, Human Resources, and Premises Maintenance. Whilst the day to day management of these issues is delegated to School Governing Bodies and Headteachers, the Council retains residual liability for maintained schools where it is the employer and the owner of the property.

During the year, the Council has been inspected by a number of external agencies. Reports of external inspection agencies are scrutinised to ensure that for any issues raised, the most appropriate senior officer within the Council has been given the responsibility to implement suitable corrective action.

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

A number of schools within the city have been the subject of OFSTED inspections. The School Improvement Service follows up on each review to give advice and support to these schools.

The Council has an Audit and Standards Committee that was formed in September 2016 and merged the functions of the former Audit and Standards Committees. The Committee is made up of 7 non-Executive elected Members. Non-voting independent co-opted members are also appointed to the Committee to bring additional experience, independence and an external view to the Committee's work. In addition, the three Parish and Town Councils are invited to jointly send one representative when Standards matters are to be considered.

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

The Committee is also responsible for promoting high standards of conduct by Councillors and co-opted Members, overseeing the Members' Code of Conduct and considering complaints where a Member may have breached the Code.

The Committee meets approximately six times per year and has a programme of work based on its terms of reference (covering Audit activity, the Regulatory Framework, Risk Management, Governance, Standards and the Council's Accounts) and other issues identified by the Committee during the year. 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.

The Impact of COVID-19 on our Governance Arrangements

During March 2020, at the end of the 2019/20 period relating to this Annual Governance Statement, the Council declared a major incident across the city and initiated an emergency response to the COVID-19 pandemic.

Given the unprecedented nature and scale of the issue, there was and continues to be significant disruption to the Council's services – some have stopped entirely, others are under significant strain due to demand, and new services have had to be introduced to respond to the needs of the public, employees, local businesses and the Government.

To meet these challenges the Council introduced new and/or changed existing, strategic and operational arrangements to enable appropriate and timely responses to the evolving situation. The Council's Constitution provides for decisions to be taken in an emergency situation by the Chief Executive and in the Leader's Scheme of Delegation by the Chief Executive and/or Leader. As this was a national emergency, emergency decision making procedures needed to be co-ordinated and recorded consistently over a significant period of time. An Incident Management Group was established to co-ordinate and lead the Council's COVID-19 response to ensure business continuity. The following measures were put in place to enable the Council to respond effectively and protect lives:

- Postponement of Elections in line with government direction
- Postponement of Cabinet and Committees
- Fast-tracking financial payments
- Greater flexibility in procurement and contracting processes
- Pause of debt collection

- COVID-19 specific risk register maintained

The Council's response to the ongoing pandemic continues and will continue to be monitored throughout 2020/21. Decision making, other than for emergency response decisions follows the Council's standard practice in accordance with the Constitution and Leader's Scheme of Delegation and the pandemic did not impact on any governance arrangements that need to be identified in this statement.

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 year, several initiatives have had an impact on the control assurance mechanisms in place:

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

Governance Issues

In a large and complex organisation such as Sheffield City Council, there will always be opportunities to improve services. In the financial year 2019/20, recommendations have been made by Internal Audit and agreed with relevant managers to address weaknesses identified in the internal controls of financial and other systems.

This review of effectiveness has highlighted the following issues that the Executive Management Team wishes to monitor the arrangements across the Council:

<p>Human Resources</p>	<p>Sickness absence - not reducing absence levels below the agreed target</p> <p>Personal Development Reviews (PDR) completion rates not on target</p> <p>Mandatory e-learning completion rates not on target</p> <p>Employee Code of Conduct not being signed and recorded in the human resources system</p>
<p>Work has continued to enable employees/managers in regard to all of these areas, simplifying process and communicating the ask.</p> <p>Sickness Absence - rates have reduced by 30% overall during the COVID-19 pandemic and 70% for short term absence. This huge shift is clearly linked to changes in behaviours and working arrangements as a result of COVID-19 so the investment in initiatives to reduce sickness absence is continuing. This includes extending the Day One absence reporting pilot for a further year, continuing the support of the attendance and wellbeing team, free flu jabs for all staff and the roll out of enhanced sickness absence notifications and reporting from December 2020.</p> <p>PDR Completions - Internal Audit gave a Limited Assurance Opinion on PDRs in the period. In 2019/20, 76.29% of employee PDRs were recorded online. Quality conversations are encouraged with a focus on health, wellbeing and development as well as setting objectives for direction.</p> <p>Mandatory e-learning Completions - There was a focus on mandatory e-learning with all of the e-learning modules reviewed and 9 modules deemed to be essential. Face to face versions of these modules were created to enable some operational services to access within their scheduling. This has increased completion in these areas. Overall compliance with completing required learning has remained low</p> <p>Code of Conduct - The Directors Assurance (DA) requires that employees review and sign their Code of Conduct. The changes to the Council's HR system means that we will now be able to have a questionnaire functionality within the system for employees to read and sign the Code of Conduct in the coming months. At the same time, MyHR/iManage system will also gather information from employees relating to Gifts & Hospitality and Declaration of Interest. The communication will confirm the mandatory nature of all these returns.</p>	

<p>Information Governance</p>	<p>Non-compliant with governance of information policy requirements, including General Data Protection Regulations (GDPR)</p> <p>Poor compliance with mandatory e-learning requirements relating to information governance</p> <p>Retention Schedules are not routinely applied</p>
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Information Policy Requirements - Compliance with the NHS Toolkit goes some way to delivering compliance in this area. The Improvement Plan is being owned by the Caldicott Guardians Forum, Information Governance Board (IGB) and the Business Change and Information Systems (BCIS) Service Management Team. The new Senior Information Management Officer/Data Protection Officer will be asked to personally oversee its execution.

In addition to the above the Director of BCIS will be agreeing priority areas of focus for the Information Management Officer to address the continued GDPR non-compliances. This plan will go to IGB for endorsement and the Information Management Team will begin working with Portfolios to deliver the actions. Progress will be reported to EMT. We will aim to have drafted the plan by December 2021. This will be the key focus for the Information Management Team for 2020/21 and 2021/22 and will require Portfolios to take greater ownership of the administration and management of their service information governance responsibilities. These are often assumed (incorrectly) to be the responsibility of the Information Management Team. Some guidance will be issued shortly setting out clarity of roles and responsibilities and expectations around information governance ownership.

Mandatory e-learning Completions - The Data Security and Protection Toolkit is an on-line self-assessment tool that enables organisations to measure and publish their performance against the National Data Guardian's ten data security standards. All organisations that have access to NHS patient data and systems must use this toolkit to provide assurance that they are practising good data security and personal information is handled correctly.

One of the assertions in the Toolkit is the requirement for 95% of staff to have undertaken annual data security awareness training annually. Between 2018-20, 64% of staff were recorded as doing the Information Management (including GDPR) Bitesize course or face to face training.

The Director of BCIS took a report to EMT on 27 October 2020 with an update on the Toolkit and a specific recommendation to agree an approach to e-learning compliance. This will mean that users will only be able to gain access to our IT systems once they have completed the mandatory e-learning. This will happen at induction and then annually. Non-compliance means staff will not be allowed access to IT systems. EMT agreed this approach. The Director of BCIS will develop the policy and take this through the relevant approval routes to get it implemented as quickly as possible – we would hope to have the new arrangements in place by January 2021.

Retention Schedules - Service areas do not have consistently defined, up-to-date or applied retention schedules. They may be keeping information for longer than they need to or alternatively may be destroying information they should be keeping. There is also a potential lack of understanding of personal and service obligations relating to information management and governance due to staff not routinely completing mandatory e-learning.

A new Information Governance Manager started on 26 October 2020 and the Director of BCIS will be agreeing a plan with her to progress this issue, as part of agreeing her priority areas of focus. This plan will then go to IGB for endorsement and the Information Management Team will begin working with Portfolios to get retention scheduled up-to-date and a mechanism for maintaining them established. Progress will be reported to EMT. We will aim to have completed the assessment of retention schedules and an agreed the framework for updating them and keeping them updated by March 2021.

Service Plans	Service Plan aligned to Corporate Plan and/or members priorities
<p>The organisation does not currently have a Corporate Plan or other single articulation of Members' priorities in place, following the expiry of the previous Corporate Plan in 2018. Work is ongoing to rectify this, but this does mean that it has not been possible for Service Plans to be aligned to a common set of overarching priorities.</p> <p>However, each service does have a plan in place, aligned with the priorities for the relevant Cabinet Member for the service in question. Additionally, services have more detailed plans in place dealing with specific issues that they have identified as important for their area, such as workforce development.</p>	

Accountability Framework	Accountability Framework and Protocols not comprehensively signed
<p>The 2019/20 Accountability Framework and Protocol was not completed across the Council.</p> <p>Roles and responsibilities in relation to Financial Management need to be clearly and demonstrably understood across the Council, and all Executive Directors, Directors and Heads of Service are required to sign the Framework and Protocol to confirm their understanding and adherence to the roles and responsibilities in relation to sound financial management.</p> <p>Financial management roles and responsibility are defined and documented in the Framework and Protocol, but Heads of Service, Directors and Executive Directors did not sign up to them during 2019/20. Without a formally signed Framework and Protocol there is no clear evidence that responsibilities are clearly understood and have been agreed.</p> <p>A new Accountability Framework and Protocol was drafted for 2020-21, and a report was taken to EMT early in 2020 to gain their agreement to requiring these documents to be signed by the Directors and Heads of Service within their Portfolios. All the signatures have been obtained, therefore there is no continuing non-compliance for 2020/21.</p>	

Significant Governance Issues

The following significant control weaknesses have been identified through the Annual Governance process.

Performance of the Special Educational Needs and/or Disabilities Service (SEND)

The SEND inspection in November 2018 led to a requirement for the local area to complete a Written Statement of Action (WSOA) to address the 7 areas of weakness that were identified.

There continues to be a high level of risk locally in regard to SEND. Substantial work has taken place and improvements made but not at the pace anticipated. The continued and substantial growth in demand within the city at all levels has meant that whilst improvements have been made, pressures remain. This includes demand for specialist provision, pressure from schools who do not feel equipped or able to meet individual needs, growing pressures on health and therapy services.

Due to COVID-19 the inspection framework for SEND under Ofsted and the CQC has been temporarily paused. This means that the return visit that was due in October/November 2020 will not yet take place. It is not yet clear when this will take place. Services continue to work to improvement plans and will progress these further over the next 12 months against the backdrop of COVID-19. It is expected that the current range of interventions will be sufficient to maintain the trajectory of improvement.

Annual Letter from the Local Government and Social Care Ombudsman (LGSCO)

The LGSCO's comments on formal enquiry response times during 2019/20 are that two-thirds of responses were late and that although the majority of late responses were received within 25 days, 8 were received outside of this period. This is accepted as an accurate description. The LGSCO generally gives the local authority 20 working days to respond to formal enquiries and this can often prove challenging. The Feedback and Complaints Team oversee and manage ombudsman enquiry work on behalf of the Chief Executive and generally give relevant services 10 working days to provide requested background comments and information. This leaves 10 working days for Complaints Managers to produce a suggested response and obtain clarification/further information or background evidence (as required); obtain legal clearance/senior manager approval before the response letter is formally signed by the Chief Executive or relevant Executive Director and then sent to the LGSCO. Late service comments/responses or incomplete/poorly ordered information are the main reasons for delay.

Formal enquiry response times in 2020/21 continue to be challenging with home working and related IT issues also impacting on timeliness.

The Head of Customer Services is recommending that he and Complaints Managers visit the Resources Leadership Team and then EMT to discuss the root causes of any delays and to agree a strategy to improve response times to ombudsman formal enquiries.

Statement

Over the coming year, Sheffield City Council proposes to take remedial actions to address all the issues that have been identified, with regular updates on the progress of this work being made available to the Executive Management Team and the Council Leader.

We have been advised on the outcome of the review of the effectiveness of the governance framework by the relevant Officers and a plan to enhance the Council's ability to identify and resolve weaknesses in its controls, whilst ensuring continuous improvement of the framework will continue to take place.

We will monitor and review the implementation and operation of any new governance framework as part of our annual review.

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

Signed: **Date:**.....
John Macilwraith – Interim Chief Executive on behalf of Sheffield City Council

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

Trade Union (Facility Time Publication Requirements) Regulations 2017 - (Not subject to audit)

The Trade Union (Facility Time Publication Requirements) Regulations 2017 took effect from 1 April 2017. The regulations were laid following the enactment of the Trade Union Act 2016.

One of the elements of the Act is the requirement for employers in the public sector to publish information on facility time, which is the provision of paid or unpaid time off from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative.

To comply with these requirements, the Council must publish the data on the Council's website and on a website maintained by, or on behalf of the Government each year. The data must also be included in the annual Statement of Accounts.

Page 352

Table 1 - Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
101	90.50

Table 2 - Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	66
1-50%	19
51%-99%	1
100%	15

Table 3 - Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time	£406,475.94
Provide the total pay bill	£291,054,608.00
Provide the percentage of the total pay bill spent on facility time	0.14

Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours	Unable to provide this figure held at Individual level by the Reps
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Education function return

Table 1 - Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
30	5.46

Table 2 - Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	14
1-50%	9
51%-99%	1
100%	6

Table 3- Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time	£232,036.21
Provide the total pay bill	£290,822,571.79
Provide the percentage of the total pay bill spent on facility time	0.08

Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours	Unable to provide this figure held at Individual level by the Reps
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Glossary

Term

Abbreviations

The symbol 'k' following a figure represents £thousand.

The symbol 'm' following a figure represents £million.

The symbol 'bn' following a figure represents £billion.

Accounting Period

The period of time covered by the Council's accounts. Normally 12 months, beginning on 1 April. Also known as the Financial Year.

Accounting Policies

These are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Accruals Concept

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

Added Years

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

Amortisation

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

Beacon

A group of Council dwellings / properties with similar characteristics, such as design, age, type and construction. A sample property, "the beacon" is selected, which is representative of the group, and a detailed inspection and valuation carried out.

Capital Expenditure

Expenditure that is incurred to acquire, create or add value to a non-current asset.

Capital Financing Requirement

It measures an authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend or over the longer term. Alternatively, it means capital expenditure incurred but not yet paid for.

Capital Receipts

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

Cash

Comprises cash on hand and demand deposits.

Cash Equivalents

These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Co-optees

Individuals appointed to serve as members of committees of the Council, but who are not Members of the Council (i.e. not Councillors).

Collection Fund

A fund administered by the Council recording receipts from Council Tax, National Non-Domestic Rates and payments to the General Fund.

Community Assets

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

Consistency Concept

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

Contingency

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

Council Tax

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

Credit Risk

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

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which no payment has been made at the date of the Balance Sheet.

Debtors

Amounts owed to the Council for work done, goods received or services rendered, for which no payment has been received at the date of the Balance Sheet.

Defined Benefit Scheme

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

Defined Contribution Scheme

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

Depreciation

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

Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

Financial Instrument

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

General Fund

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

Goodwill

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

Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment

A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.

Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Intangible Assets

Non-financial assets that do not have physical substance but are identified and are controlled by the entity through custody or legal rights. The two broad types of intangible non-current assets applicable to local authorities

are goodwill and other intangible assets. Examples of other intangible assets might be patents or software licences.

International Financial Reporting Standards (IFRS)

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

Inventories

Inventories are assets:

- in the form of materials or supplies to be consumed in the production process or consumed or distributed in the rendering of services
- held for sale or distribution in the ordinary course of operations
- in the process of production for sale or distribution

Investment Property

Property held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations.

Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

Net Book Value

The amount at which non-current assets are included on the Balance Sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the cost of its replacement or of the

nearest equivalent asset, adjusted to reflect the current position of the existing asset.

Net Realisable Value

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

National Non-Domestic Rates (NNDR)

These are often referred to as Business Rates, and are a levy on business properties based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines the national rate multiplier and the Valuation Office Agency determine the rateable value of each business property. Business Rates are collected by the Local Authority and paid into their collection fund, this amount is then distributed 49% to the Local Authorities General Fund, 1% to the South Yorkshire Fire and Rescue Authority and 50% to Central Government. The Central Government share is then redistributed nationally, partly back to Local Authorities through Revenue Support Grant.

Operating Lease

A lease other than a Finance Lease. An agreement in which the Council derives the use of an asset in exchange for rental payments, though the risks and rewards of ownership of the asset are not substantially transferred to the Council.

Precepts

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

Private Finance Initiative (PFI)

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

Property, Plant and Equipment

Tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Provisions

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

Prudence Concept

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

Public Works Loan Board (PWLB)

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

Related Party

The definition of a related party is:

A person or a close member of that person's family related to a reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Remuneration

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

Reserves

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

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council, for example, staffing costs, supplies and transport.

Revenue Support Grant (RSG)

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

Specific Government Grants

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

Termination Benefits

These are benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Unsupported (Prudential) Borrowing

Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Unusable Reserves

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'.

Usable Reserves

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.

Independent Auditor's Report

To be provided on conclusion of the audit.

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